

LISTING MEMORANDUM


TELECOM ITALIA CAPITAL
(Incorporated with limited liability under the laws of the Grand Duchy of Luxembourg)

\$750,000,000 6.2% Guaranteed Senior Notes due 2011

\$1,000,000,000 7.2% Guaranteed Senior Notes due 2036

\$850,000,000 Guaranteed Senior Floating Rate Notes due 2011

Guaranteed on a senior, unsecured basis by

TELECOM ITALIA S.p.A.

(Incorporated with limited liability under the laws of the Republic of Italy)

Interest on the 2011 notes and the 2036 notes will be paid on January 18 and July 18 of each year, beginning on January 18, 2007. The 2011 notes will mature on July 18, 2011 and the 2036 notes will mature on July 18, 2036.

Interest on the floating rate notes will be paid at a rate equal to the then applicable U.S. dollar three-month LIBOR rate, which will be reset quarterly, plus 0.61%, and will be paid on January 18, April 18, July 18 and October 18 of each year, beginning on October 18, 2006. The floating rate notes will mature on July 18, 2011.

Telecom Italia Capital, a *société anonyme*, or TI Capital, and Telecom Italia S.p.A., or Telecom Italia, may redeem some or all of the notes at any time on and after January 19, 2008 at the redemption prices described in this listing memorandum. The notes may also be redeemed at 100% of their principal amount in whole but not in part upon the occurrence of certain tax events described in this listing memorandum.

The notes are unsecured obligations and rank equally with TI Capital's other unsecured senior indebtedness. The notes are fully, unconditionally and irrevocably guaranteed by Telecom Italia. The notes have been issued in minimum denominations of \$2,000 and integral multiples of \$1,000.

This listing memorandum (the "listing memorandum") will be used to make an application to trade the notes on the regulated market and to list the notes on the official list of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market of financial assets in accordance with Directive 2004/39/EC of the European Commission. This listing memorandum constitutes a Prospectus under Article 5.4 of European Commission Directive 2003/71/EC (the "Prospectus Directive").

The notes may not be held by persons in the Republic of Italy or in any jurisdiction where holding the notes is not permitted.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 13 of this listing memorandum.

	Per 2011 Note	Total	Per 2036 Note	Total	Per Floating Rate Note	Total
Public Offering Price	99.826%	\$748,695,000	99.440%	\$994,400,000	100%	\$850,000,000
Underwriting Discount	0.350%	\$2,625,000	0.875%	\$8,750,000	0.350%	\$2,975,000
Proceeds, before expenses, to Telecom Italia Capital	99.476%	\$746,070,000	98.565%	\$985,650,000	99.650%	\$847,025,000

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this listing memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The notes were delivered in book-entry form only through The Depository Trust Company and its participants including Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, *société anonyme* Luxembourg, on July 18, 2006 and are expected to be issued as listed securities on November 13, 2006.

Joint Bookrunners

CREDIT SUISSE

JPMORGAN

LEHMAN BROTHERS

MERRILL LYNCH & CO.

MORGAN STANLEY

The date of this listing memorandum is November 10, 2006.

CERTAIN DEFINED TERMS

In this listing memorandum references to the **"Issuer"** and **"TI Capital"** refer to Telecom Italia Capital S.A. References to the **"Guarantor"** and **"Telecom Italia"** refer to Telecom Italia S.p.A. References to **"we"**, **"us"** and **"our"** refer to Telecom Italia Capital or, if the context so requires, also to Telecom Italia S.p.A. and, if the context so requires, its consolidated subsidiaries (including TI Capital). References to **"Telecom Italia Group"** refer to Telecom Italia S.p.A. and its consolidated subsidiaries (including TI Capital). References to **"Old Telecom Italia"** refer to Telecom Italia S.p.A. and its consolidated subsidiaries as they existed immediately prior to August 4, 2003, the effective date of the merger (the **"Merger"**) between Olivetti S.p.A. (**"Olivetti"**) and Old Telecom Italia.

PERSONS RESPONSIBLE

TI Capital and Telecom Italia accept responsibility for the information contained in this listing memorandum. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this listing memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

NOTICE TO INVESTORS

You understand that the notes are only held by investors who are resident for income tax purposes in countries listed in the Decree of the Ministry of Finance of Italy of September 4, 1996 as amended. A copy of the decree can be obtained from the website of the Ministry of Finance of Italy at www.finanze.it. See "Description of the Debt Securities and Guarantees—Transfer Restrictions". If Telecom Italia becomes the obligor under the notes due to substitution or otherwise (see "Description of Debt Securities and Guarantees—Mergers and Similar Events") and Telecom Italia was obligated to withhold on any payments made on the notes, there would be no obligation to gross up such payments to investors resident in the countries identified in the above Decree (including investors resident in the United States) who do not furnish the required certifications under applicable Italian tax requirements. See "Description of Notes and Guarantees—Payment of Additional Amounts."

ADDITIONAL INVESTOR RESTRICTIONS

Substantial additional restrictions exist with respect to the holding and resale of the notes. See page 19 for further information.

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This listing memorandum incorporates important business and financial information about us that is not included in or delivered with this listing memorandum. This information is available without charge to you upon written or oral request. If you would like a copy of this information, please submit your request to our listing agent in Luxembourg, BNP Paribas Securities Services, Luxembourg Branch, 33 rue de Gasperich Howald-Hesperange, L-2085, Luxembourg (Telephone +35 2 26 96 2000), or as set forth on page 69 of this listing memorandum.

SUMMARY

This summary should be read as an introduction to this listing memorandum. Any decision you make to invest in the notes should be based on consideration of the listing memorandum as a whole. If you bring a claim relating to the information contained in this listing memorandum, you might be required to bear the costs of translating the listing memorandum before any such legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the listing memorandum.

Issuer	TI Capital
Guarantor	Telecom Italia
Securities	<p>\$750,000,000 6.2% Guaranteed Senior Notes due 2011 (CUSIP 87927VAS7; ISIN US87927VAS79, Common Code 026184568) (the "2011 notes");</p> <p>\$1,000,000,000 7.2% Guaranteed Senior Notes due 2036 (CUSIP 87927VAR9; ISIN US87927VAR96, Common Code 026184541) (the "2036 notes" and, together with the 2011 notes, the "fixed rate notes"); and</p> <p>\$850,000,000 Guaranteed Senior Floating Rate Notes due 2011 (CUSIP 87927VAT5; ISIN US87927VAT52, Common Code 026184550) (the "floating rate notes" and, together with the fixed rate notes, the "notes")</p>
Guarantee	Telecom Italia irrevocably and unconditionally guarantees the full and punctual payment of principal, interest, additional amounts and all other amounts, if any, that may become due and payable in respect of the notes. If TI Capital fails to punctually pay any such amount, Telecom Italia will immediately pay the same.
Issue price	<p>99.826% of the principal amount for the 2011 notes;</p> <p>99.440% of the principal amount for the 2036 notes; and</p> <p>100% of the principal amount for the floating rate notes.</p>
Maturities	<p>July 18, 2011 for the 2011 notes;</p> <p>July 18, 2036 for the 2036 notes; and</p> <p>July 18, 2011 for the floating rate notes.</p>
Interest rate	<p>The 2011 notes will bear interest at a rate of 6.20% per annum; and the 2036 notes will bear interest at a rate of 7.20% per annum.</p> <p>The floating rate notes will bear interest at the then applicable U.S. dollar three-month LIBOR rate, which rate will be reset quarterly, plus 0.61%.</p> <p>The notes will bear interest from July 18, 2006.</p>
Interest payment dates	<p>January 18 and July 18, beginning on January 18, 2007, for the 2011 notes.</p> <p>January 18 and July 18, beginning on January 18, 2007 for the 2036 notes.</p> <p>January 18, April 18, July 18 and October 18, beginning on October 18, 2006 for the floating rate notes.</p>
Regular record dates	<p>January 1 and July 1 for the 2011 notes.</p> <p>January 1 and July 1 for the 2036 notes.</p>

On the day that is 15 calendar days prior to each interest payment date for the floating rate notes.

Settlement date

July 18, 2006.

Use of proceeds

The net proceeds from this offering were approximately \$2,579 million. The net proceeds from the sale of the notes have been used for loans to the Telecom Italia Group companies for their general corporate purposes, which may include the repayment of existing indebtedness. See "Use of Proceeds."

Ranking

The notes are unsecured by assets or property. The notes rank equally in right of payment with all other senior unsecured indebtedness of TI Capital from time to time outstanding. The guarantee ranks equally in right of payment with all of Telecom Italia's senior unsecured indebtedness.

Payment of additional amounts

TI Capital, as issuer, and Telecom Italia, as guarantor, will pay additional amounts in respect of any payments of interest or principal so that the amount you receive after Luxembourg or Italian withholding tax will equal the amount that you would have received if no withholding of tax had been applicable, subject to some exceptions as described under "Description of Notes and Guarantees—Payment of Additional Amounts" in this listing memorandum. See "Description of Notes and Guarantees—Transfer Restrictions Due to Certain Tax Considerations."

Optional redemption

Beginning on January 19, 2008, the fixed rate notes will be redeemable in whole or in part at TI Capital's option at any time at a redemption price equal to the greater of:

- 100% of the principal amount of the applicable fixed rate notes, or
- as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued and unpaid as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus:

20 basis points for the 2011 notes,

30 basis points for the 2036 notes,

plus accrued and unpaid interest thereon to the date of redemption.

Beginning on January 19, 2008, the floating rate notes will be redeemable in whole or in part at TI Capital's (or TI Capital successor's) option at any time at a redemption price equal to the greater of:

- 100% of the principal amount of the applicable floating rate notes; or
- the sum of the present values of the remaining scheduled payments of principal and interest (assuming that LIBOR through maturity would remain constant as of the date of redemption) thereon (not including any portion of such payments of interest accrued and unpaid as of the date of redemption) discounted to the redemption date on a bond-equivalent yield basis (using the same interest rate convention as that used in computing interest on the floating rate notes) at a rate per annum equal to LIBOR as of the redemption date, minus 36 basis points,

plus accrued and unpaid interest thereon to the date of redemption.

See "Description of Notes and Guarantees—Redemption at TI Capital's Option".

Tax redemption

If, due to changes in Italian or Luxembourg laws relating to withholding taxes

applicable to payments of principal or interest, or in connection with certain merger or similar transactions of Telecom Italia or TI Capital, TI Capital, as issuer, or Telecom Italia, as guarantor (or its respective successors), is obligated to pay additional amounts on the notes, TI Capital may redeem the outstanding notes in whole, but not in part, at any time at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

Form and denomination

Delivery of the notes was made on July 18, 2006 as described below.

The notes were issued only in fully registered form in minimum denominations of \$2,000 and integral multiples of \$1,000, unless otherwise specified by us. Each series of the notes was evidenced by a separate note in global form, which was deposited with a custodian for and registered in the name of a nominee of Depository Trust Company ("**DTC**").

You may hold a beneficial interest in the global notes through DTC, directly as a participant in DTC or indirectly through financial institutions that are DTC participants. Both Euroclear and Clearstream are DTC participants. As an owner of a beneficial interest in the global notes, you will generally not be entitled to have your notes registered in your name, will not be entitled to receive certificates in your name evidencing the notes and will not be considered the holder of any notes under the indenture for the global notes.

Mergers and assumptions

Each of TI Capital and Telecom Italia is generally permitted to consolidate or merge with another company. TI Capital will be permitted to merge with an Italian company and either Telecom Italia or any Italian subsidiary of Telecom Italia will be permitted to assume the obligations of TI Capital subject to the delivery of certain legal opinions. To the extent that an Italian company, including Telecom Italia or any Italian subsidiary of Telecom Italia, will become the obligor under the notes and that such Italian company will be required to withhold on any payments made on the notes, there would be no obligation to gross up such payments to investors (including investors resident in the United States) who do not furnish the required certifications under applicable Italian tax requirements.

Luxembourg Listing

TI Capital has listed the notes on the official list of the Luxembourg Stock Exchange in accordance with the rules and regulations thereof. The regulated market of the Luxembourg Stock Exchange is a regulated market of financial assets in accordance with Regulation 809/2004 of the European Commission. Listing was not expected to be completed prior to the settlement date of the notes.

Trustee, principal paying agent, registrar and calculation agent

JPMorgan Chase Bank, N.A.

Governing law

New York. For the avoidance of doubt, the provisions of Articles 86 to 94-8 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded.

Ratings

Telecom Italia's long-term rating is Baa2 with a stable outlook according to Moody's, BBB+ with a negative outlook according to Standard & Poors and BBB+ with a stable outlook according to Fitch.

A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization and each rating should be evaluated independently of any other rating.

Risk factors

Prospective purchasers of the notes should consider carefully all of the information set forth in this listing memorandum and, in particular, the information set forth under "Risk Factors" and "Description of the Notes and Guarantees—Transfer Restrictions Due to Certain Tax Considerations".

Selling restrictions	There are restrictions on persons that can be sold notes, and on the distribution of this listing memorandum, as described in "Underwriting".
Transfer restrictions	Investors should also note that under certain circumstances Italian taxes could apply. See "Description of Notes and Guarantees—Transfer Restrictions Due to Certain Tax Restrictions".
Further issues	TI Capital may issue as many distinct series of notes under the indenture as it wishes. TI Capital may, subject to certain conditions, without the consent of any holder of the notes, "reopen" any series of the notes and issue additional notes having the same ranking, maturity and other terms (except for the issue date and issue price) as the notes of the applicable series offered pursuant to this listing memorandum. Any further issue will be considered to be part of the notes of the applicable series offered hereby, will be fungible therewith after any applicable restricted period and will rank equally and ratably with the notes of the applicable series offered hereby.
Yield	The yield on the notes is the return you will receive by holding the notes for a period of time. For example, current yield, which calculates the percentage return that annual interest payments might provide to you, is calculated as follows:

$$\text{Current Yield} = \frac{\text{Annual Dollar Interest Paid}}{\text{Market Price}} \times 100\%$$

You may wish to calculate the adjusted current yield, yields to maturity, yield to call and other yields in making an investment decision with respect to the notes.

TI Capital Summary Selected Financial Data
BILAN AU 30 JUIN 2006
UN AUDITED

ACTIF	30/06/2006 en EUR	PASSIF	30/06/2006 en EUR
A) Actif immobilisé		A) Capitaux propres	
Immobilisations incorporelles	21,661.51	Capital social	2,336,000.00
Immobilisations corporelles	950.92	Réserves	
		- Réserve légale	234,000.00
Immobilisations financières		- Autres réserves indisponibles	358,829.57
- Créances sur Maison Mère	7,814,385,589.55	- Autres réserves	83,225.00
- Créances sur entreprises liées	179,961,052.84	Résultats reportés	56,448.76
		Bénéfice de la période	261,063.20
Total A)	7,994,369,254.82	Total A)	3,329,566.53
B) Actif circulant		B) Provision pour risques et charges	
Créances		- Provisions pour impôts	914,602.51
- Créances sur entreprises liées	40,959,415.63	Total B)	914,602.51
- Avoirs en banque	10,182,586.84	C) Dettes	
- Autres créances	96.00	<i>- Dettes à long terme (> 12 mois)</i>	
Total B)	51,142,098.47	Emprunts obligataires	7,865,963,973.90
C) Comptes de régularisation	262,135,431.40	Dettes envers établ. de crédit	58,855,909.85
		<i>- Dettes à court terme (< 12 mois)</i>	
		Dettes financières envers entreprises liées	210.78
		Autres dettes financières	4,062.67
		Dettes envers Maison Mère	1,004,527.28
		Autres dettes envers tiers	767,985.83
		Réévaluation du change	179,963,549.57
		Total C)	8,106,560,219.88
		D) Comptes de régularisation	196,842,395.77
	8,307,646,784.69		8,307,646,784.69
COMPTE D'ORDRE		COMPTE D'ORDRE	
Opérations liées aux taux de change et aux taux d'intérêt		Opérations liées aux taux de change et aux taux d'intérêt	
- Swaps de devises et de taux d'intérêt	5,232,196,307.35	- Swaps de devises et de taux d'intérêt	5,232,196,307.35
- Swaps de taux d'intérêt	7,551,325,414.93	- Swaps de taux d'intérêt	7,551,325,414.93
- Swaps de devises	354,379.45	- Swaps de devises	354,379.45
12,783,876,101.73		12,783,876,101.73	

COMPTES PROFITS ET PERTES AU 30 JUIN 2006

UNAUDITED

CHARGES	30/06/2006	PRODUITS	30/06/2006
	en EUR		en EUR
Frais de personnel		Intérêts et produits assimilés	
<i>a) Salaires</i>	19,489.99	- sur entreprises liées	126,201.07
<i>b) Charges sociales</i>	17,444.57	- sur Maison Mère	4,211,714.69
		- autres produits financiers	165,874,396.69
		- sur contrats de couverture	286,010,370.34
	36,934.56		456,222,682.79
Corrections sur immobilisations incorporelles	7,583.82		
Corrections sur immobilisations corporelles	72.58		
Charges d'exploitation	500,694.25		
Intérêts et charges assimilées			
- sur emprunts obligataires	202,062,030.70		
- sur établissements de crédit	1,892,610.27		
- sur Maison Mère	1,004,527.28		
- sur contrats de couverture	250,347,209.75		
	455,306,378.00		
Autres impôts	109,956.38		
Bénéfice de la période	261,063.20		
	456,222,682.79		456,222,682.79

BILAN AU 31 DECEMBRE 2005-(EUR)

ACTIF		PASSIF	
A) Actif immobilisé		A) Capitaux Propres	
Frais d'établissement	29,245.33	Capital social	2,336,000.00
Immobilisations financières:		Réserves	
- Créances sur la Maison Mère	8,074,743,842.13	- Réserve légale	234,000.00
- Créances sur entreprises liées	179,961,052.84	- Autres réserves indisponibles	358,829.57
	<hr/>	Résultats reportés	450,832.91
	8,254,704,894.97	Bénéfice de l'exercice	1,938,837.35
	<hr/>	Acompte sur dividendes	(1,900,000.00)
Total A)	<u>8,254.734,140.30</u>	Total A)	<u>3,418,499.83</u>
B) Actif circulant		B) Dettes	
Créances		- Dettes à long terme (>12 mois)	
- Créances sur entreprises liées	40,967,327.14	Emprunts obligataires	8,476,731,372.40
- Réévaluation du change	186,496,889.45	Dettes envers établ. de crédit	65,903,247.13
Avoirs en banque	11,640,961.87	- Dettes à court terme (<12 mois)	
	<hr/>	Dettes financières envers entreprises liées	210.89
Total B)	<u>239,105,178.46</u>	Dettes envers Maison Mère	16,051,293.18
		Dettes fiscales	804,646.13
		Autres dettes envers tiers	3,947,593.76
		Total B)	<u>8,563,438,363.49</u>
C) Comptes de régularisation	262,909,106.81	C) Comptes de régularisation	189,891,562.25
	<hr/>		<hr/>
	8,756,748,425.57		8,756,748,425.57
COMPTES D'ORDRE		COMPTES D'ORDRE	
Opérations liées aux taux de change et aux taux d'intérêt:		Opérations liées aux taux de change et aux taux d'intérêt:	
- Swaps de devises et de taux d'intérêt	5,232,196,307.35	- Swaps de devises et de taux d'intérêt	5,232,196,307.35
- Swaps de taux d'intérêt	8,137,662,117.49	- Swaps de taux d'intérêt	8,137,662,117.49
- Swaps de devises	616,362,90	- Swaps de devises	616,362,90
	<hr/>		<hr/>
	13,370,474,787.74		13,370,474,787.74

COMPTES PROFITS ET PERTES AU 31 DECEMBRE 2005 – (EUR)

CHARGES		PRODUITS	
Frais de personnel		Intérêts et produits assimilés	
<i>a) Salaires</i>	77,697.73	- sur établissement de crédit	434,134.16
<i>b) Charges sociales</i>	27,502.78	- sur entreprises liées	5,998,986.55
	<hr/>	- sur Maison Mère	230,340,886.25
	105,200.51	- sur contrats de couverture	251,606,594.78
			<hr/>
			488,380,601.74
Corrections sur immobilisations incorporelles	21,141.48		
Charges d'exploitation	631,703.47	Autres produits d'exploitation	310,650.00
Intérêts et charges assimilées			
- sur emprunts obligataires	351,270,137.05		
- sur établissement de crédit	1,514,607.92		
- sur Maison Mère	1,863,517.84		
- sur contrats de couverture	130,415,995.63		
- sur entreprises liées	25,803.33		
- autres charges financières	122,505.37		
	<hr/>		
	485,212,567.14		
Impôts sur les revenus	781,801.79		
Bénéfice de l'exercice	1,938,837.35		
	<hr/>		
	488,691,251.74		
			<hr/>
			488,691,251.74

BILAN AU 31 DECEMBRE 2004-(EUR)

A) Actif immobilisé		A) Capitaux propres	
Immobilisations incorporelles	50,386.81	Capital social	2,336,000.00
		Réserves	
Immobilisations financières:		- Autres réserves	592,829.57
- Créances envers la Maison Mère	5,602,641,949.93	Résultats reportés	(225,430.02)
- Créances envers des entreprises liées	121,761,052.84	Bénéfice de l'exercice	676,262.79
	<hr/>		
	5,724,403,002.77	Total A)	<u>3,379,662.34</u>
	<hr/>		
Total A)	<u>5,724,453,389.58</u>		
B) Actif circulant		B) Dettes	
Créances		- Dettes à long terme (>12 mois)	
- Créances envers la Maison Mère	-	Emprunts obligataires	5,506,203,656.11
- Créances envers des entreprises liées	45,959,415.63	Dettes envers établ. de crédit	46,853,679.67
Avoirs en banque	216.85	- Dettes à court terme (<12 mois)	
	<hr/>	Dettes envers établ. de crédit	150.47
Total B)	<u>45,959,632.48</u>	Dettes financières envers entreprises liées	269,347.75
		Dettes envers Maison Mère	1,251,792.23
		Réévaluation du change	261,829,111.81
		Dettes fiscales	3,706,265.91
		Autres dettes envers tiers	132,081.42
			<hr/>
		Total B)	<u>5,820,246,085.37</u>
C) Comptes de régularisation	138,394,860.68	C) Comptes de régularisation	85,182,135.03
	<hr/>		<hr/>
	5,908,807,882.74		5,908,807,882.74
COMPTES D'ORDRE		COMPTES D'ORDRE	
Opérations liées aux taux de change et aux taux d'intérêt:		Opérations liées aux taux de change et aux taux d'intérêt:	
- Swaps de devises et de taux d'intérêt	2,831,459,963.57	- Swaps de devises et de taux d'intérêt	2,831,459,963.57
- Swaps de taux d'intérêt	5,506,203,656.12	- Swaps de taux d'intérêt	5,506,203,656.12
	<hr/>		<hr/>
	8,337,663,619.69		8,337,663,619.69

COMPTES PROFITS ET PERTES AU 31 DECEMBRE 2004 – (EUR)

CHARGES		PRODUITS	
Corrections sur immobilisations incorporelles	21,142.92	Intérêts et produits assimilés	
Charges d'exploitation	314,194.96	- sur établissement de crédit	350,886.20
Autres impôts	9,925,959.52	- sur entreprises liées	1,213,805.85
		- sur Maison Mère	99,132,594.89
		- sur contrats de swaps de devises et de taux	167,878,999.04
		- gains de change	46,133.38
Intérêts et charges assimilées			<hr/>
- sur emprunts obligataires	198,676,895.15		268,622,419.36
- sur établissement de crédit	816,030.51		
- sur Maison Mère	970,394.33		
- sur contrats de swaps de devises e de taux	56,905,339.18		
- pertes de change	-		
	<hr/>		
	257,368,659.17		
Impôts sur les revenus	316,200.00		
Bénéfice de l'exercice	676,262.79		
	<hr/>		
	268,622,419.36		<hr/> 268,622,419.36

The audited financial statements of TI Capital for the years ended December 31, 2005 and 2004, including notes thereto, are set forth on pages 75 to 83 in this listing memorandum. Unaudited cash flow statements of TI Capital for the years ended December 31, 2005 and 2004 are set forth on pages 99-100. Telecom Italia's consolidated summary selected financial data is set forth on pages 35 – 41 of this listing memorandum.

Risk Factors

See "Risk Factors" commencing on page 13 for a full description of these factors.

Risk Factors relating to the business of TI Capital and Telecom Italia include risks relating to increased competition reducing our market share in Italy and elsewhere, the successful implementation of new services and the Telecom Italia Group targets generally, possible adverse regulatory decisions and changes, the impact of technological change, exposure to political and economic developments particularly in Italy, currency and interest rate fluctuations, saturated mobile markets, implementation of broadband and Internet strategies, high financial leverage, possible systems failures, actual or perceived health risks related to wireless transmission and use, risks related to compliance with Section 404 of the Sarbanes Oxley Act of 2002 and risks associated with the Telecom Italia Group's ownership chain described on pages 30 - 34.

Risk factors relating to the notes include the possibility of insufficient cash flow or a debt downgrade, the notes being unsecured, and no assurance of an active market developing.

Description of TI Capital

The legal and commercial name of the company is Telecom Italia Capital. TI Capital is a limited liability company (*société anonyme*) organized under the laws of Luxembourg, incorporated on September 27, 2000 for an unlimited duration and is a directly and indirectly wholly-owned subsidiary of Telecom Italia. TI Capital's primary purpose is to provide access to the international financial markets for the Telecom Italia Group. See "Description of TI Capital" on pages 57 - 59.

Description of Telecom Italia S.p.A.

The legal and commercial name of the company is Telecom Italia S.p.A.. Telecom Italia S.p.A. was incorporated as a joint stock company under the laws of Italy on October 20, 1908, and its duration is until December 31, 2100. The Telecom Italia Group is a leader in the international information and communication technology sector. See "Description of Telecom Italia" on page 30 – 41.

Operating and Financial Review and Prospects

See pages 93 - 154 of Telecom Italia's Annual Report, which is incorporated by reference herein; see also TI Capital's audited financial statements set out in this listing memorandum.

Directors, Senior Management, Employees, Advisers and Auditors

TI Capital Directors and Senior Management

The Directors of TI Capital are Francesco Tanzi, Adriano Trapletti, Alex Bolis, Andrea Balzarini and Jacques Loesch. See page 57 of this listing memorandum.

Telecom Italia S.p.A. Directors and Senior Management

The Chairman of the Board of Directors is Guido Rossi, the Executive Deputy Chairman is Carlo Orazio Buora and the Chief Executive Officer is Riccardo Ruggiero. A list of directors and senior management and their biographies (other than that of the Chairman whose biographical data are described in the paragraph below) and related information, is set forth in Telecom Italia's Annual Report incorporated herein by reference on pages 155 – 163.

Biographical data of Mr. Guido Rossi

Guido Rossi was born in Milan on March 16, 1931 and graduated from Pavia University in July 1953 with a degree in Law (summa cum laude). In June 1954 he received the degree of Master of Laws (LL.M.) from Harvard Law School. Mr. Guido Rossi was Professor of Commercial Law at the Universities of Trieste, Venice and Pavia and subsequently in the Law Faculty of the State University of Milan. He is Emeritus Professor of Commercial Law at the L. Bocconi University and, at present, he teaches Philosophy of Law at the Vita-Salute San Raffaele University. He is author of a number of books and the Director of *Rivista delle Società* since 1975 and of *Rivista Banca, Borsa e Titoli di Credito* since 1982. He has been Chairman of the Italian Centre for Social Prevention and Defence – CNPDS, and the International Scientific and Professional Advisory Council of the United Nations – ISPAC, and the Quartet Society. He is Chairman of the Arcadia Foundation. He was Chairman of Consob from February 15, 1981 to August 10, 1982 and Senator of the Republic in the 10th Legislature. In this capacity he promoted the passage of laws on antitrust, takeover bids and insider trading. He was also Chairman of the Ferfin - Montedison Group and of Telecom Italia S.p.A. He was a Member of the Group of High Level Company Law Experts established by the European Commission and Extraordinary Commissioner of the Italian Football Federation.

Employees

Telecom Italia had 84,695 employees as of June 30, 2006.

Advisers and Auditors

A list of advisers to and auditors of each of TI Capital and Telecom Italia S.p.A. is set forth on the inside back cover page of this listing memorandum.

Major Shareholders and Related-Party Transactions

TI Capital's major shareholder is Telecom Italia. Telecom Italia S.p.A.'s major shareholder is Olimpia S.p.A. See "Description of Telecom Italia" on pages 29 – 41 hereof, and pages 173 – 177 of Telecom Italia's Annual Report incorporated herein by reference.

There are multiple related-party transactions within the Telecom Italia Group. See "Description of Telecom Italia" on pages 29 – 41 hereof, and page 178 of Telecom Italia's Annual Report incorporated herein by reference.

Financial Information

The audited financial statements of TI Capital for the years ended December 31, 2005 and 2004, including notes thereto, are set forth on pages 74 – 98 of this listing memorandum. Telecom Italia's consolidated audited financial statements, including notes thereto, are set forth in the Telecom Italia Annual Report incorporated by reference herein on pages F-2 – F-178, and its consolidated unaudited interim financial information as of and for the six months ended June 30, 2006 and 2005 is set forth in the First-Half 2006 Report incorporated by reference herein on pages 99 – 166.

Since December 31, 2005, the date of TI Capital's last audited financial statements, there has been no material adverse change in its prospects. Other than as set forth herein, there has been no significant change in the financial or trading position of the Telecom Italia Group since June 30, 2006.

Additional Information

TI Capital

TI Capital's subscribed share capital is €2,336,000.00, consisting of 100,000 ordinary shares. See "Description of TI Capital" on pages 57 - 59. Its memorandum and articles of association, and other documents on display, are available as described on page 69.

Telecom Italia S.p.A.

As of June 30, 2006, Telecom Italia's subscribed share capital was:

- 13,380,701,850 Ordinary Shares (par value of €0.55 each, corresponding to €7,359,386,017.50) subscribed, issued and existing; and
- 6,026,120,661 Savings Shares (par value of €0.55 each, corresponding to €3,314,366,363.55) subscribed, issued and existing;

less:

- 1,272,014 treasury Ordinary Shares (par value of €0.55 each, corresponding to €699,607.70) held by Telecom Italia itself;
- 124,544,373 Ordinary Shares (par value of €0.55 each, corresponding to €68,499,405.15) held by Telecom Italia Finance S.A..

Telecom Italia's memorandum and articles of association, and other documents on display, are available as described on page 69.

RISK FACTORS

An investment in the notes will involve a degree of risk, including those risks which are described in this section. In addition to the other information contained and incorporated by reference in this listing memorandum, you should carefully consider the following factors before deciding whether an investment in the notes is suitable for you.

Risks Associated with Our Business

Strong competition in Italy may further reduce our core market share of domestic and international traffic and may cause further reductions in prices and margins.

Strong domestic competition exists in all of the principal telecommunications business areas in Italy in which we operate, including, most significantly, the fixed-line and mobile voice telecommunications businesses. The use of the single European currency and the liberalization of the Italian telecommunication market (since January 1998) have intensified competition by facilitating international operators' entry into the Italian market and direct competition with our fixed line and mobile telephony businesses, particularly in the local and long-distance markets. As of June 30, 2006, there were a number of significant competitors offering fixed-line services and three other operators (in addition to Telecom Italia) offering mobile services in the Italian domestic market. This competition may increase further due to the consolidation and globalization of the telecommunications industry in Europe, including Italy, and elsewhere. We anticipate that in the short to medium term there may be a stronger entry of peer-level international competitors into markets with existing operators, including Italy, increasing the direct competition we face in our Italian domestic fixed line and mobile telephony businesses and in the local and long-distance markets.

Although we have taken a number of steps to realize additional efficiencies and introduce innovative and value added services over our networks, and although our plans take into account that we will face significant competition from a number of operators in all the markets in which we operate, continuing pressures on prices due to competition and further erosion in market shares could adversely affect our results of operations.

Our business may be adversely affected and we may be unable to increase our revenues if we are unable to continue the introduction of new services to stimulate increased usage of our fixed and wireless networks.

In order to sustain growth in revenues despite increased competition and lower prices, particularly in our core Italian domestic market, our strategy has been to introduce new services in our fixed-line and wireless businesses to increase traffic on our networks and find alternative revenue sources, in addition to carrying voice traffic on our networks.

These strategic initiatives have required and will continue to require substantial expenditures and commitment of human resources. Although these initiatives are core to our strategy, we may be unable to introduce commercially these new products and services, and even if we introduce them, there can be no assurance they will be successful.

Our business will be adversely affected if we are unable to successfully implement our strategic objectives. Factors beyond our control may prevent us from successfully implementing our strategy.

Our ability to achieve our strategic goals and targets may be influenced by several factors, including without limitation:

- our ability to manage costs;
- our ability to attract and retain highly-skilled and qualified personnel;
- the effect of foreign exchange fluctuations on our results of operations;
- the entry of new competitors in the liberalized Italian telecommunications market and the other principal markets in which we operate, which may result in our losing market share in Italy and internationally;
- our ability to strengthen our competitive position based on our specialized skills and technical resources;
- our ability to successfully develop and introduce new technologies to meet market requirements, to manage innovation, to provide value-added services and to increase the usage of our fixed and mobile networks;
- the need to establish and maintain strategic relationships;
- declining prices for some of our services and increasing competition;

- the effect of adverse economic trends on our principal markets; and
- the success of new "disruptive" technologies that could cannibalize fixed and mobile revenues.

There can be no assurance that our objectives will be effectively implemented in the planned timeframes.

Regulatory decisions and changes in the regulatory environment could adversely affect our business.

Our fixed and mobile telecommunications operations, as well as our broadband services businesses, are subject to extensive regulatory requirements in Italy and our international operations and investments are subject to regulation in their host countries.

As a member of the EU, Italy has adapted its telecommunications regulatory framework to the legislative and regulatory framework established by the EU for the regulation of the European telecommunications market. The EU Commission approved a new electronic communications framework in March 2002, which has been effective in Italy since September 2003. See "Item 4. Information on the Telecom Italia Group—4.3. Regulation" in the Telecom Italia Annual Report incorporated herein by reference.

Included within this new framework is the obligation on the part of the Italian regulator responsible in Italy for the regulation of the telecommunications, radio and television broadcasting sector (the "National Regulatory Authority" or "NRA") to identify operators with "significant market power" based on a market analysis in eighteen separate retail and wholesale markets, in which it is considered necessary to intervene to protect free competition. The new framework establishes criteria and procedures for identifying remedies applicable to operators with "significant market power". The NRA is expected to complete and publish the analyses over the next months and the implementation of these revised telecommunications regulations, and possible future decisions relating thereto, may change the regulatory environment in a manner adverse to us, particularly if such analysis relates to new services which are not currently part of the eighteen identified markets.

In Italy, we are subject to universal service obligations, which require us to provide fixed line public voice telecommunications services in non-profitable areas.

In addition, the NRA has identified us as an operator having significant market power in most relevant markets. As a result, we are, and, if we continue to be identified as having significant market power in most relevant markets, will be, subject to a number of regulatory constraints, including:

- a requirement to conduct our business in a transparent and non-discriminatory fashion;
- a requirement to have our prices for fixed voice telephony services and Reference Interconnection Offer, the tariff charged to other operators to utilize our network, subject respectively to a price cap and a network cap mechanism. This cap mechanism places certain limits on our ability to change our prices for certain services; and
- a requirement to provide interconnection services, leased lines and access to the local loop to other operators at cost-orientated prices. These services include allowing other operators to connect to our network and transport traffic through the network as well as offering certain services related to our local access network, or local loop, on an unbundled basis to these other operators to enable these operators to directly access customers connected to the network by leasing the necessary components from us.

We are unable to predict the impact of any proposed or potential changes in the regulatory environment in which we operate both in Italy and internationally, as well as the consequences of the above described separation of the Company's network for local wired access. Changes in laws, regulation or government policy could adversely affect our business and competitiveness. In particular, our ability to compete effectively in our existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which we are subject or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment or renewal of licenses, to us or to third parties, could adversely affect our future operations in Italy and in other countries where we operate.

Changes in the rules relating to radio and televisions broadcasting could adversely affect the development of our activities in this field.

Please see "Item 4. Information on the Telecom Italia Group—4.3. Regulation" in the Telecom Italia Annual Report incorporated herein by reference for more information on the regulatory requirements to which we are subject.

We may not achieve the expected return on our significant investments and capital expenditures made in our international activities due to the competitive environments in these markets.

In recent years, we have repositioned our international strategy, sold significant non-core international assets, and elected to focus our international strategy on:

- developing our international investments in high-growth market segments;
- strengthening our role as a strategic partner in existing investments, by increasing the transfer of our technological expertise and marketing know-how; and
- rationalizing our existing international portfolio by divesting minority shareholding in non-strategic geographical markets.

Continuing rapid changes in technologies could increase competition or require us to make substantial additional investments.

Many of the services we offer are technology-intensive and the development of new technologies may render such services non-competitive or reduce prices for such services. We make and will have to make substantial additional investments in new technologies to remain competitive. The new technologies we choose may not prove to be commercially successful. In addition, we may not receive the necessary licenses to provide services based on new technologies in Italy or abroad. Furthermore, our most significant competitors in the future may be new entrants to our markets who do not have to maintain an installed base of older equipment. As a result, we could lose customers, fail to attract new customers or incur substantial costs in order to maintain our customer base.

The value of our operations and investments may be adversely affected by political and economic developments in Italy or other countries

Our business is dependent on general economic conditions in Italy, including levels of interest rates, inflation and taxes. A significant deterioration in these conditions could adversely affect our business and results of operations. We may also be adversely affected by political and economic developments in other countries as well where we have made significant investments. Some of these countries have political, economic and legal systems that are unpredictable. Political or economic upheaval or changes in laws or their application in these countries may harm the operations of the companies in which we have invested and impair the value of these investments.

Fluctuations in currency exchange and interest rates may adversely affect our results.

In the past, we have made substantial international investments, primarily in U.S. dollars, and have significantly expanded our operations outside of the Euro zone, particularly in Latin America.

We generally hedge our foreign exchange exposure, but do not cover translation risk relating to our foreign subsidiaries. Movements in exchange rates of the Euro relative to other currencies may adversely affect consolidated results. A rise in the value of the Euro relative to other currencies in certain countries in which we operate or have made investments will reduce the relative value of the revenues or assets of our operations in those countries and, therefore, may adversely affect our operating results or financial position.

In addition, we have raised, and may raise in an increasing proportion in the future, financing in currencies other than the Euro, principally the U.S. dollar and British Pound. We systematically hedge the foreign currency risk exposure relating to non-Euro denominated liabilities, through cross-currency and interest rate swaps.

Furthermore, we enter into derivative transactions to hedge our interest exposure and to diversify debt parameters in order to reduce debt cost and volatility within predefined target boundaries. However, no assurance that fluctuations in interest rates will not adversely affect our results of operations can be given.

The mobile communications markets have matured in recent years and competition has increased.

In recent years, our consolidated revenues have grown or remained stable in large part because of the rapid growth in the mobile communications business which has offset substantially flat revenues in our Italian fixed line business. However, as a result of this growth, the mobile communications markets are approaching maturity levels in the voice services segment while the data and value-added services segments are growing.

We have acquired a third generation mobile telephone, or UMTS, license to provide UMTS services in Italy for €2,417 million and have made significant investments, in accordance with the terms and conditions of our licenses, to create the infrastructure to offer UMTS services. We commenced offering UMTS services in Italy in the second half of 2004 and have made in 2005, and will have to continue to make in the future, significant investments in promotional activities relating to our UMTS services. Given the substantial costs of upgrading our existing networks to support UMTS, the ongoing costs to market and support these new services, and the

significant competition among operators who offer these new services, including one operator only offering 3G services, we may not be able to recoup our investments, as planned if at all.

Continued growth in the mobile telecommunications markets in which we operate will depend on a number of factors, many of which are outside our control. These factors include:

- the activities of our competitors;
- competitive pressures and regulations applicable to retail and wholesale prices;
- the development and introduction of new and alternative technologies for mobile telecommunications products and services and their attractiveness to customers;
- the success of new disruptive or substitutive technologies; and
- the development of the mobile communications markets.

If the mobile telecommunications markets in which we operate do not continue to expand, or we are unable to retain our existing customers or stimulate increases in customer usage, our financial condition and results of operations may be harmed.

We may be adversely affected if we fail to successfully implement our Internet and broadband strategy in Italy and internationally.

The introduction of Internet and broadband services is an important element of our growth strategy and means to increase the use of our networks in Italy and expand our operations outside of Italy, particularly in Europe. Our strategy is to replace the mature, traditional voice services with value added content and services to consumers and small and medium-sized companies. Our ability to successfully implement this strategy may be affected if:

- Internet usage in Italy grows more slowly than anticipated, for reasons such as changes in Internet users' preferences;
- broadband penetration in Italy and other European countries does not grow as we expect;
- competition increases, for reasons such as the entry of new competitors, consolidation in the industry or technological developments introducing new platforms for Internet access and/or Internet distribution or other operators can provide broadband connections superior to those that we can offer; and
- we experience any network interruptions or related problems with network infrastructure.

Outside of Italy our ability to implement this strategy will depend on whether we are able to acquire assets or networks or utilize networks of incumbent operators that will allow us to offer such services.

Any of the above factors may adversely affect the successful implementation of our strategy, our business and results of operations.

As a result of the Merger, the cash tender offer for TIM shares and the merger of TIM into Telecom Italia, we remain highly leveraged.

Our gross financial debt was €45,359 million at June 30, 2006 compared with €52,101 million at December 31, 2005, and our total net financial debt was €41,315 million as of June 30, 2006 compared with €39,858 million at December 31, 2005.

Our goal is to reduce our net financial debt during 2006 through significant cash flow generation. Factors beyond our control, including but not limited to, deterioration in general economic conditions, could significantly affect our ability to generate cash to reduce debt or to refinance existing debt through further borrowing.

The management and further development of our business require the implementation of significant investments plans. We may therefore incur additional debt or refinance existing debt taking advantage of conditions on financial markets. Our future results of operations may be influenced by our ability to enter into such transactions, which is in turn determined by market conditions and external factors.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

Various reports have alleged that certain radio frequency emissions from wireless handsets and transmission equipment may be linked to various health concerns and may interfere with various electronic devices. We cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future. Our mobile communications business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability.

In addition, although Italian law already requires strict limits in relation to transmission equipment, these concerns may cause regulators to impose greater restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

Risks associated with Telecom Italia's ownership chain.

Although, as a result of the Merger, no shareholder controlled Telecom Italia, because of the so-called "voto di lista" system for the election of directors, currently - due to the resignation of Mr. Marco Tronchetti Provera from our Board - 13 out of 20 of Telecom Italia directors (of whom 13 are considered independent) were elected from a slate of candidates proposed by Olimpia, which is currently the largest shareholder in Telecom Italia with an interest of approximately 18%. Please see "Item 4. Information on the Telecom Italia Group—4.1. Business—4.1.1 Background" in the Telecom Italia Annual Report incorporated herein by reference.

Although Olimpia does not and will not own a controlling interest in Telecom Italia voting shares, Olimpia may exert a significant influence on all matters to be decided by a vote of shareholders. In addition, as a result of its proposal of a majority of the present Telecom Italia Board members, Olimpia may be able to influence certain corporate actions. In principle, the interests of Olimpia in deciding shareholder matters could be different from the interests of Telecom Italia's other Ordinary Shareholders, and it is possible that certain decisions could be taken that may be influenced by the needs of Olimpia.

Olimpia is in effect a holding company and the sole full operating company in which it holds shares is Telecom Italia. Therefore, if Olimpia were unable to obtain additional funding from new or existing shareholders or from other sources, Olimpia would be entirely dependent on dividends paid on its Telecom Italia shares for its funding needs, including to reimburse its existing debt. Under such circumstances, among the Telecom Italia corporate decisions that could be influenced by the needs of Olimpia would be the level of dividends payable by Telecom Italia to its shareholders.

Telecom Italia's financial position is not directly related to Olimpia and—as such—Telecom Italia does not have any obligations with respect to such debt since they are separate legal entities. Notwithstanding the foregoing, since certain rating agencies might view Telecom Italia's financial position as linked in some way to that of Olimpia, such a view could affect our debt ratings, which might adversely affect Telecom Italia's financial flexibility and its cost of capital.

Although no shareholder controls Telecom Italia and thus is in a position to prevent a takeover of Telecom Italia, the Italian State, through the Treasury, is in a position to exert certain powers with respect to Telecom Italia through the exercise of the special powers included in Telecom Italia's Bylaws pursuant to compulsory legal provisions: specifically the so-called "Golden Share" still provides for the Italian State's authority to oppose the acquisition of material interests in our share capital (which is defined as 3% of the voting share capital). Currently, the exercise of special powers by the Italian State with respect to privatized companies (including Telecom Italia) is governed by ad hoc rules, but it is possible that the Italian State's Golden Share could make a merger with or takeover of Telecom Italia more difficult or discourage certain bidders from making an offer. Please see "Item 7. Major Shareholders and Related-Party Transactions—7.1 Major Shareholders—7.1.3 Continuing Relationship with the Italian Treasury" in the Telecom Italia Annual Report incorporated herein by reference for more information.

System failures could result in reduced user traffic and reduced revenue and could harm Telecom Italia's reputation.

Our technical infrastructure (including our network infrastructure for fixed-line and mobile telecommunication services) is vulnerable to damage or interruption from information and telecommunication technology failures, power loss, floods, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could harm our reputation.

Identification of significant deficiencies or material weaknesses as a result of our implementation of procedures designed to comply with Section 404 of the Sarbanes-Oxley Act of 2002 relating to evaluation of our internal control over financial reporting may have an adverse impact on our financial condition and results of operations and the trading price of our securities.

Commencing with our annual report on Form 20-F for the year ending December 31, 2006, we will include a report from our management relating to its evaluation of our internal control over financial reporting as required under Section 404 of the U.S. Sarbanes-Oxley Act of 2002. As a consequence of systems and procedures currently being reviewed and implemented to comply with these requirements, we may uncover circumstances that may be determined to be significant deficiencies or material weaknesses, or that may otherwise result in disclosable conditions. Although we intend to take prompt measures to remediate any such identified

significant deficiencies or material weaknesses in our internal control structure, measures of this kind may involve significant effort and expense, and any disclosure of such significant deficiencies, material weaknesses or other disclosable conditions may result in a negative market reaction.

Risk Associated with TI Capital

Servicing TI Capital's debt obligations requires a significant amount of cash, and its ability to generate cash depends on many factors beyond its control.

TI Capital's ability to pay the principal of and interest on the notes, its credit facilities and other debt securities depends, among other things, upon the Telecom Italia Group's future financial performance and TI Capital's ability to refinance indebtedness, if necessary. TI Capital is dependent on Telecom Italia and Telecom Italia Group companies for the repayment of indebtedness. If the Telecom Italia Group's business does not generate sufficient cash flow to satisfy TI Capital's debt service obligations, TI Capital may not be able to obtain funding sufficient to do so. TI Capital may need to refinance its debt or obtain additional financing to raise cash, which it may not be able to do on commercially reasonable terms, if at all.

Risks Associated with the Offering

Servicing our debt obligations requires a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.

Our ability to pay the principal of and interest on the notes, our credit facilities and other debt securities depends, among other things, upon our future financial performance and our ability to refinance indebtedness, if necessary. Our business may not generate sufficient cash flow to satisfy our debt service obligations, and we may not be able to obtain funding sufficient to do so. If this occurs, we may need to reduce or delay capital expenditures or other business opportunities. In addition, we may need to refinance our debt, obtain additional financing or sell assets to raise cash, which we may not be able to do on commercially reasonable terms, if at all.

A downgrade in our credit ratings could limit our ability to market securities, increase our borrowing costs and/or hurt our relationships with creditors.

Our credit ratings, which are intended to measure our ability to meet our debt obligations, are an important factor in determining our cost of borrowing funds. The interest rates of our borrowings are largely dependent on our credit ratings. Telecom Italia's long-term rating is Baa2 with a stable outlook according to Moody's, BBB+ with a negative outlook according to Standard & Poors and BBB+ with a stable outlook according to Fitch. A downgrade of our credit ratings, resulting from our acquisition and divestiture activity, our dividend policy or otherwise, would likely increase our cost of borrowing and adversely affect our results of operations.

A downgrade of our credit ratings could also limit our ability to raise capital or our subsidiaries' ability to conduct their businesses. A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization and each rating should be evaluated independently of any other rating.

The notes will be effectively subordinated to our secured debt.

The notes will not be secured by any of our assets. Therefore, in the event of our bankruptcy, liquidation or reorganization, holders of our secured debt will have claims with respect to the assets securing their debt that have priority over your claims as holders of the notes. To the extent that the value of the secured assets is insufficient to repay our secured debt, holders of the secured debt would be entitled to share in any of our remaining assets equally with you and any other senior unsecured lenders.

An active trading market for the notes may not develop or continue.

Although we will apply to have the notes admitted to trading on the regulated market and to listing on the official list of the Luxembourg Stock Exchange, TI Capital cannot assure you regarding the future development or continuance of a market for the notes or the ability of holders of the notes to sell their notes or the price at which such holders may be able to sell their notes. The notes could trade at prices that may be higher or lower than the offering price of the notes depending on many factors, including prevailing interest rates and interest rate spreads, Telecom Italia's operating results and the market for similar securities. The underwriters have advised us that they currently intend to make a market in the notes as permitted by applicable laws and regulations; however, the underwriters are not obligated to do so, and any such market-making activities with respect to the notes may be discontinued at any time. There can be no assurance as to the liquidity of the Luxembourg or any other trading market for the notes or that an active public market for the notes will develop, or if developed, will continue.

ADDITIONAL INVESTOR RESTRICTIONS

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") the notes have not been offered and will not be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that the notes may, with effect from and including the Relevant Implementation Date, be offered to the public in that Relevant Member State (provided that the notes have not been and will not be offered, sold or delivered in Italy or to investors resident in Italy):

- in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the foregoing, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Notice to Investors in Italy

The notes have not been and will not be offered, sold or delivered in Italy or to investors resident in Italy and copies of this listing memorandum or any materials relating to the notes may not be distributed in Italy. Trading in the notes on the secondary market in Italy may be subject to restrictions pursuant to Italian law. In particular, sales of the notes in Italy by professional investors to persons who are not professional investors may be void if an Italian regulatory prospectus is not used. In addition, in case of insolvency of the issuer, any professional investors involved in such sales into Italy may be held liable vis-a-vis the holders of the notes. Furthermore, in the case an Italian investor were to purchase the notes on the secondary market and were holding the notes at the time of the optional redemption (see "Description of the Notes and Guarantees—Redemption at TI Capital's Option" on page 49 of this listing memorandum), in certain cases there may be adverse tax consequences including the application of a 20% surtax. Italian investors holding the notes will be responsible for such adverse tax consequences and no additional amounts will be paid in connection therewith by TI Capital or Telecom Italia.

Notice to Investors in France

In France, the notes have not been and may not be directly or indirectly offered or sold to the public, and offers and sales of the notes have been and will only be made in France to qualified investors or to a restricted circle of investors, acting for their own accounts or to persons providing the investment services of portfolio management with third parties' funds, in accordance with article L. 411-2 of the Code monétaire et financier. Accordingly, this listing memorandum has not been submitted to the *Autorités des Marchés Financiers*. Neither this listing memorandum nor any other offering material may be distributed to the public in France. In the event that the notes purchased by investors are directly or indirectly offered or sold to the public in France, the conditions set forth in Articles L. 412-1 and L. 621-8 of the Code monétaire et financier must be satisfied.

Les titres n'ont pas été offerts ni vendus et ne seront ni offerts ni vendus directement ou indirectement au public en France. Les offres et ventes de titres ne se feront en France qu'au profit d'investisseurs qualifiés ou au profit d'un cercle restreint d'investisseurs agissant pour leur propre compte, ou au profit d'opérateurs qui offrent des services d'investissement de gestion de portefeuille pour compte des tiers, conformément aux articles L.411-2 du Code monétaire et financier. En conséquence, ce document de base n'a pas été

soumis à l'Autorité des Marchés financiers. En outre, ni le document de base ni aucun autre document relatif à cette offre de titres ne peut être distribué au public en France. Dans le cas où ces titres achetés par les investisseurs sont directement ou indirectement offerts ou vendus au public en France, les conditions prévues aux articles L.412-1 et L.621-8 du Code monétaire et financier devraient être respectés.

Notice to Investors in Germany

The offering and resale of the notes is not a public offering in the Federal Republic of Germany. No application has been made under German law to publicly market the notes in or out of the Federal Republic of Germany so that no public offer or resale of the notes or public distribution may be made in or out of the Federal Republic of Germany. The notes are not registered or authorized for distribution under the Securities Sales Prospectus Act (*Wertpapierprospektgesetz*), as amended, and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. Therefore, any offer and resale is strictly for private use and any offer or resale is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The notes will only be available to persons who, by profession, trade or business, buy or sell notes for their own or a third party's account.

Notice to Investors in the United Kingdom

The listing memorandum will be distributed in the United Kingdom only to persons of the kind described in Article 19(5) ("investment professionals") or Article 49(2) ("high net worth companies, unincorporated associations etc.") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or to persons to whom it may otherwise lawfully be issued (collectively, "relevant persons"). By accepting delivery of this listing memorandum the recipient warrants and acknowledges that it is a relevant person. This listing memorandum must not be acted or relied upon by persons who are not relevant persons.

WHERE YOU CAN FIND MORE INFORMATION

Telecom Italia

Telecom Italia is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"), applicable to foreign private issuers and files annual reports and other information with the U.S. Securities and Exchange Commission ("**SEC**"). You may read and copy any document Telecom Italia files with the SEC at its public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Since November 4, 2002, Telecom Italia has been required to file and furnish its documents to the SEC on EDGAR, the SEC's electronic filing system. All such filings made since such date can be reviewed on EDGAR by going to the SEC's website: <http://www.sec.gov>.

On completion of the merger of Olivetti and Old Telecom Italia on August 4, 2003 (the "**Merger**"), Olivetti changed its name to Telecom Italia S.p.A. and succeeded to the Exchange Act information requirements of Old Telecom Italia. All annual reports on Form 20-F and reports on Form 6-K filed or furnished with the SEC prior to August 4, 2003, were so filed or furnished by Old Telecom Italia. As a foreign private issuer, Telecom Italia is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and Telecom Italia's officers, directors and controlling shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Telecom Italia's Ordinary Share ADSs and Savings Share ADSs are listed on the New York Stock Exchange and you can inspect Telecom Italia's reports and other information at the New York Stock Exchange Inc., 20 Broad Street, New York, New York.

TI Capital

TI Capital is a directly and indirectly wholly-owned subsidiary of Telecom Italia, organized under the laws of Luxembourg. TI Capital does not, and will not, file separate reports with the SEC. Additional information about TI Capital is available as described in "Documents on Display".

TI Capital issued the notes described in this listing memorandum pursuant to an indenture dated October 6, 2004, as supplemented by a third supplemental indenture dated July 18, 2006 among TI Capital, Telecom Italia and JPMorgan Chase Bank, N.A., as trustee. The indenture, the third supplemental indenture and their associated documents contain the full legal text of the matters described in "Description of Notes and Guarantees". The indenture, the third supplemental indenture and the memorandum and articles of TI Capital are available for inspection at BNP Paribas Securities Services, Luxembourg Branch, 33 rue de Gasperich Howald-Hesperange, L-2085, Luxembourg (the "**Listing Agent**").

You may request, orally or in writing, a copy of the memorandum and articles of TI Capital, the indenture dated October 6, 2004 as supplemented by the third supplemental indenture dated July 18, 2006, at no cost by contacting TI Capital at 12 rue Eugène Ruppert, L-2453 Luxembourg, tel: 011 352 4560601. Copies of the indenture and third supplemental indenture have also been filed with the SEC as exhibits to the registration statement on Form F-3 (Reg. No. 333-127351) filed on August 9, 2005 and the report on Form 6-K of Telecom Italia S.p.A. filed on July 21, 2006, and may be obtained free of charge from the SEC's web site at <http://sec.gov>.

Incorporation by reference

This listing memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. This listing memorandum shall be read and construed on the basis that such documents are so incorporated and form part of this listing memorandum.

We are incorporating by reference Telecom Italia's Annual Report on Form 20-F for the year ended December 31, 2005 (the "**Telecom Italia Annual Report**") (SEC File No. 001-13882) filed with the SEC on May 19, 2006. The Telecom Italia Annual Report contains important information about Telecom Italia and its financial position. A copy of the Telecom Italia Annual Report was filed with the Luxembourg Stock Exchange and the Commission de Surveillance du Secteur Financier. We are also incorporating by reference Telecom Italia's Annual Report on Form 20-F for the year ended December 31, 2004, a copy of which was previously filed with the Luxembourg Stock Exchange and the Commission de Surveillance du Secteur Financier.

We are also incorporating by reference:

- Telecom Italia's reports on Form 6-K filed with the SEC on May 16, 2006, which described the possible sale of preferred shares indirectly held by Telecom Italia in TIM Participações S.A. and on July 3, 2006 which announces the cancellation of such possible sale;

- the Final Prospectus Supplement dated July 11, 2006 (the "**Final Prospectus Supplement**") and filed with the SEC on July 13, 2006, supplemental to the prospectus dated August 30, 2005 included in Registration Statement on Form F-3 (Registration No. 333-127351), as amended or supplemented;
- Telecom Italia's First-Half 2006 Report (the "**First-Half 2006 Report**"), which includes unaudited interim consolidated financial statements as of and for the six months ended June 30, 2006 and related management's discussion and analysis of financial condition and results of operations; and
- Telecom Italia's summary unaudited consolidated statements of income for the periods ended September 30, 2006, unaudited consolidated balance sheets as of September 30, 2006 and unaudited consolidated statements of cash flows for the periods ended September 30, 2006, included in Telecom Italia's report on Form 6-K filed with the SEC on November 6, 2006.

Telecom Italia's reports on Form 6-K filed with the SEC on May 16, 2006, on July 3, 2006 and on November 6, 2006 as well as the Final Prospectus Supplement are available at <http://www.sec.gov>; the First-Half 2006 Report may be found at <http://www.telecomitalia.it>.

The following information from Telecom Italia's annual reports is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated:

<u>2005 Annual Report</u>	<u>Pages</u>
Exchange Rates	12
Dividends	19 – 20
Information on the Telecom Italia Group	
Business	21 – 34
Business Units	35 – 61
Regulation	62 – 79
Glossary of Selected Telecommunications Terms	80 – 87
Description of Property, Plant and Equipment	88 – 91
Operating and Financial Review and Prospects	
General Factors Affecting the Telecom Italia Group's Business	93 – 94
Significant Trends Impacting Our Core Businesses	95
Critical Accounting Policies and Estimates	96 – 100
Adoption of International Financial Reporting Standards	101
Results of Operations for the Two Years Ended December 31, 2005	102 – 122
Liquidity and Capital Resources	123 – 140
Research, Development and Innovation	141
Consolidated Financial Statements as of and for the Years Ended December 31, 2004 and 2005 – Reconciliation of IFRS to U.S. GAAP	142 – 146
Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the United States Private Securities Litigation Reform Act of 1995	147
Quantitative and Qualitative Disclosures About Market Risks	148 – 154
Directors, Senior Management and Employees	155 – 172
Major Shareholders and Related-Party Transactions	173 – 178
Financial Information	179
Legal Proceedings	180
Listing	181 - 185
Additional Information	
Corporate Governance	186 – 204
Exchange Controls and Other Limitations Affecting Security Holders	205
Description of Bylaws	206
Description of Capital Stock	207 – 211
Taxation	220 – 224
Controls and Procedures	229
Audit Committee Financial Expert	230
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Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2004 and 2005	F-3, F-4
Consolidated Statements of Operations for the years ended December 31, 2004 and 2005	F-5
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2004 and 2005	F-6, F-7
Consolidated Statements of Cash Flows for the years ended December 31, 2004 and 2005	F-8, F-9
Notes to Consolidated Financial Statements	F-10 – F-178

<u>2004 Annual Report</u>	<u>Pages</u>
Exchange Rates	12
Dividends	20-21
Information on the Telecom Italia Group	
Business	22-44
Business Units	45-82
Regulation	83-99
Glossary of Selected Telecommunications Terms	100-105
Description of Property	106-109
Operating and Financial Review and Prospects	
General Factors Affecting the Telecom Italia Group's Business	110-111
Specific Factors Which Impacted Results of Operations Over the 2002-2004 Period	112-113
Significant Trends Impacting Our Core Businesses	114
Critical Accounting Policies	115-120
Adoption of International Accounting Standards	121-126
Results of Operations for the Three Years Ended December 31, 2004	127-166
Liquidity and Capital Resources	167-184
Research and Development Activities	185
Consolidated Financial Statements as of and for the Three Year Period Ended December 31, 2004 – Reconciliation of Italian GAAP to U.S. GAAP	186-191
Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the United States Private Securities Litigation Reform Act of 1995	192
Quantitative and Qualitative Disclosures About Market Risks	193-199
Directors, Senior Management and Employees	200-217
Major Shareholders and Related-Party Transactions	218-228
Financial Information	229-234
Legal Proceedings	235-243
Listing Information	244-247
Additional Information	
Corporate Governance	248-263
Exchange Controls and Other Limitations Affecting Security Holders	264
Description of Bylaws	265
Description of Capital Stock	266-270
Taxation	279-283
Controls and Procedures	288
Audit Committee Financial Expert	289
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Principal Accountant Fees and Services	290-291
Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2003 and 2004	F-3
Consolidated Statements of Operations for the years ended December 31, 2002, 2003 and 2004	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2003 and 2004	F-5
Statements of Consolidated Stockholders' Equity for the years ended December 31, 2002, 2003 and 2004	F-6
Notes to Consolidated Financial Statements	F-7 – F-110
Reports of Other Independent Auditors	F-111-F-113

The following information from Telecom Italia's reports on Form 6-K filed with the SEC on May 16, 2006, July 3, 2006 and November 6, 2006, the Final Prospectus Supplement dated July 11, 2006 as filed with the SEC and the Telecom Italia First-Half 2006 Report is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated:

<u>Form 6-K filed with SEC on May 16, 2006</u>	<u>Pages</u>
Press Release	3rd and 4th

<u>Form 6-K filed with SEC on July 3, 2006</u>	<u>Pages</u>
Press Release	3rd and 4th

The following information from the Final Prospectus Supplement, is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated:

<u>Final Prospectus Supplement dated July 11, 2006</u>	<u>Pages</u>
Ratio of Earning to Fixed Charges Capitalization	S-16 S-17/S-18

The following information from Telecom Italia's First-Half 2006 Report, is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated:

<u>Telecom Italia First-Half 2006 Report</u>	<u>Pages</u>
Corporate boards at June 30, 2006	4 – 6
Macro-organization chart – Telecom Italia Group at June 30, 2006	7 – 9
International presence at June 30, 2006	10
Shareholder Information	11 – 12
Wireline and mobile telecommunications integration process	13 – 14
Selected operating and financial data – Telecom Italia Group	15 – 16
Alternate performance measures	17
Comments on operating and financial performance – Telecom Italia Group	18 – 32
Business Outlook	33
Key data – Telecom Italia Group Business Units	33
Operating Highlights – Telecom Italia Group	35
Operating and Financial performance – Telecom Italia Group Business Units	36 – 98
Telecom Italia Group – Interim consolidated financial statements at June 30, 2006	99 – 166
Independent Auditors' Report on the Limited Review	180 – 181

<u>Form 6-K filed with SEC on November 6, 2006</u>	<u>Pages</u>
Press Release	
Consolidated Statements of Income for the Periods ended September 30, 2006	11th
Consolidated Balance Sheets as of September 30, 2006	12th
Consolidated Statements of Cash Flows for the Periods ended September 30, 2006	13th

Any information not listed in the cross reference list above but included in the documents incorporated by reference is given for information purposes only.

You may obtain a copy of any of the documents referred to above (excluding exhibits) at no cost by referring to www.bourse.lu or by contacting our listing agent in Luxembourg at the following address:

BNP Paribas
Securities Services, Luxembourg Branch
33 rue de Gasperich Howald-Hesperange
L-2085
Luxembourg

ENFORCEABILITY OF CIVIL LIABILITIES UNDER THE UNITED STATES SECURITIES LAWS

Telecom Italia is a joint stock company (*Società per Azioni*) organized under the laws of the Republic of Italy, and TI Capital is a company with limited liability (*société anonyme*) for an unlimited duration, established under the laws of Luxembourg. None of the members of the Board of Directors of TI Capital and only one member of the Board of Directors of Telecom Italia is resident in the United States. All or a substantial portion of the assets of these non-U.S. residents and of TI Capital and Telecom Italia are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon the non-U.S. resident directors or upon TI Capital or Telecom Italia or it may be difficult to enforce judgments obtained in U.S. courts based on the civil liability provisions of the U.S. securities laws against TI Capital or Telecom Italia in Luxembourg or Italy, as applicable. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Italy or in Luxembourg. Enforceability in Italy of final judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the federal securities laws of the United States is subject, among other things, to the absence of a conflicting judgment by an Italian court or of an action pending in Italy among the same parties arising from the same facts and circumstances and started before the U.S. proceedings, and to the Italian courts' determination that the U.S. courts had jurisdiction, that process was appropriately served on the defendant(s), and that enforcement would not violate Italian public policy. In general, the enforceability in Italy of final judgments of U.S. courts would not require retrial in Italy, subject to the decision of the competent court of appeal ascertaining the existence, inter alia, of the above mentioned requirements and subject to challenge by the other party. In original actions brought before Italian courts, there is substantial doubt as to the enforceability of liabilities based on the U.S. federal securities laws. The United States and Luxembourg do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. As a result, a civil judgment by a U.S. court is enforceable in Luxembourg subject to applicable *exequatur* proceedings.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This listing memorandum may contain certain forward-looking statements, which reflect management's current views with respect to certain future events, trends and financial performance. Actual results may differ materially from those projected or implied in the forward-looking statements. Further, certain forward-looking statements are based upon assumptions of future events and trends which may not prove to be accurate. The following important factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, you are cautioned to place undue reliance on such forward-looking statements, which speak only as of the date hereof:

- the continuing impact of increased competition in a liberalized market, including competition from global and regional alliances formed by other telecommunications operators in our core Italian domestic fixed-line and wireless markets;
- our ability to introduce new services to stimulate increased usage of our fixed and wireless networks to offset declines in the traditional fixed-line voice business due to the continuing impact of regulatory required price reductions, market share loss, pricing pressures generally and shifts in usage patterns;
- the level of demand for telecommunications services, particularly wireless telecommunications services in the maturing Italian market and for new higher value added products and services such as broadband;
- our ability to achieve the anticipated benefits from the accentuation of our focus on broadband and media services businesses in Italy and the rest of the Europe;
- the success of our customer loyalty and retention programs and the impact of such programs on our revenues;
- the impact of regulatory decisions and changes in the regulatory environment, including implementation of recently-adopted EU directives in Italy;
- the impact of economic development generally on our international business and on our foreign investments and capital expenditures;
- the continuing impact of rapid or "disruptive" changes in technologies;
- the impact of political and economic developments in Italy and other countries in which we operate;
- the impact of fluctuations in currency exchange and interest rates;
- our ability to successfully implement our strategy over the 2006-2008 period;
- our ability to successfully achieve our debt reduction targets;
- our ability to successfully implement our Internet and broadband strategy both in Italy and abroad;
- our ability to achieve the expected return on the investments and capital expenditures we have made and continue to make;
- the amount and timing of any future impairment charges for our licenses, goodwill or other assets; and
- the impact of litigation or decreased mobile communications usage arising from actual or perceived health risks or other problems relating to mobile handsets or transmission masts.

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the financial information contained in this listing memorandum and incorporated by reference herein is prepared using International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). Note 43 of the Notes to the audited consolidated financial statements of Telecom Italia included in the Telecom Italia Annual Report incorporated by reference in this listing memorandum describes the material differences between IFRS and U.S. GAAP as they relate to Telecom Italia. No U.S. GAAP financial statements have been prepared for Telecom Italia.

Telecom Italia adopted IFRS for the first time in its annual consolidated financial statements for the year ended December 31, 2005, which included comparative financial statements for the year ended December 31, 2004. IFRS 1, *First-time Adoption of International Financial Reporting Standards*, requires that an entity develop accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS financial statements (i.e. for Telecom Italia, December 31, 2005). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (i.e. for Telecom Italia, January 1, 2004) and throughout all periods presented in the first IFRS financial statements.

For the purposes of the consolidated financial statements included in the Telecom Italia Annual Report incorporated herein by reference there are no differences between IFRS issued by the International Accounting Standards Board and IFRS adopted by the European Union, or EU.

The effect of the transition from Italian GAAP to IFRS as well as the choices made by Telecom Italia among the accounting options provided by IFRS are described in "Note 42—Transition to International Financial Reporting Standards (IFRS)" of the notes to the consolidated financial statements included in the Telecom Italia's Annual Report incorporated herein by reference.

The currency used by Telecom Italia in preparing its consolidated financial statements is the euro. References to "€", "euro" and "Euro" are to the euro, and references to "U.S. dollars", "dollars", "U.S.\$" or "\$" are to U.S. dollars. For the purpose of this listing memorandum, "billion" means a thousand million. On September 15, 2006, the Noon Buying Rate (as defined below) was euro 1=U.S. \$1.2666. The noon buying rate is determined based on cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the "**Noon Buying Rate**").

DESCRIPTION OF TELECOM ITALIA

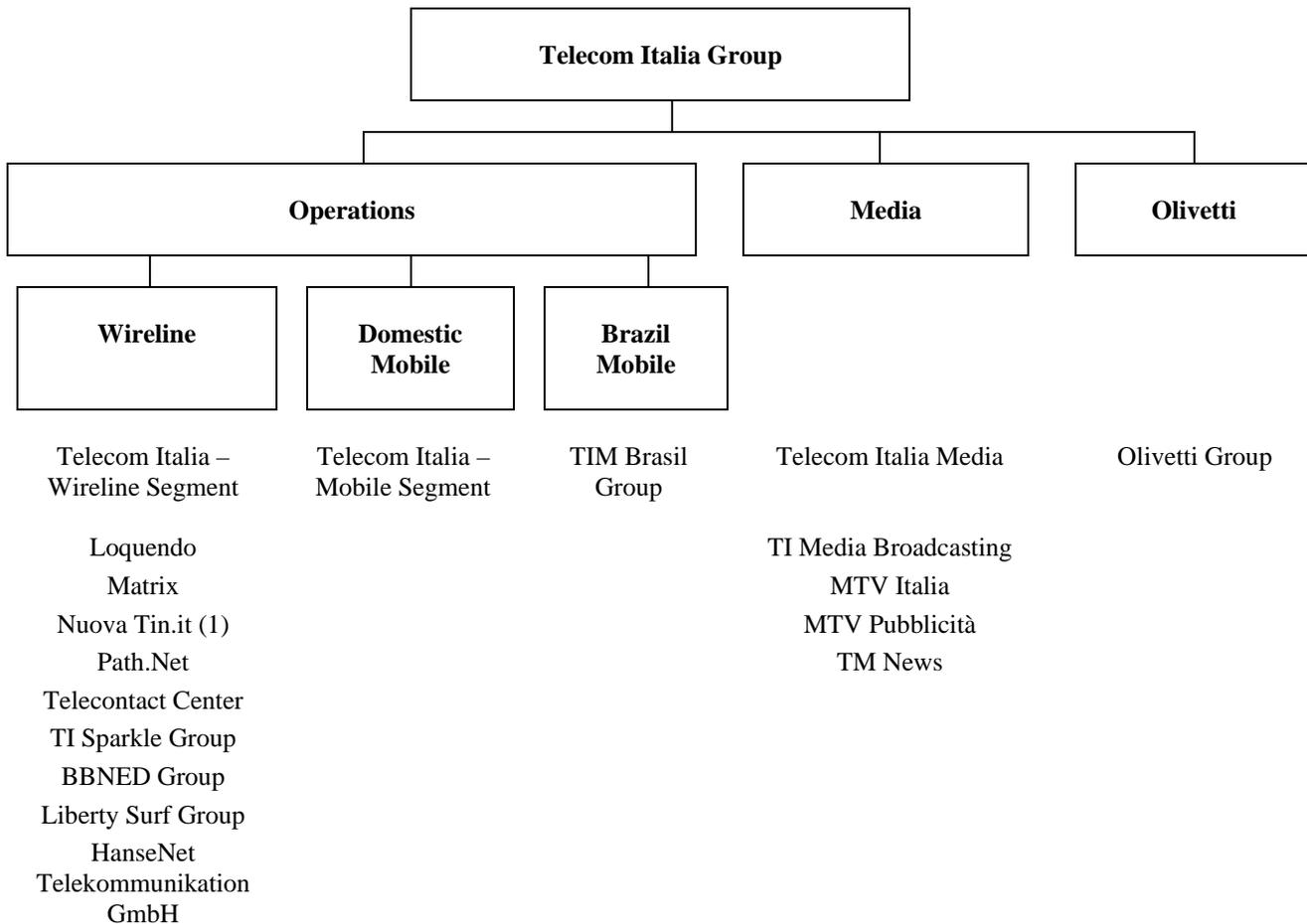
The legal and commercial name of the company is Telecom Italia S.p.A.. Telecom Italia S.p.A. was incorporated as a joint stock company under the laws of Italy on October 20, 1908, and its duration is until December 31, 2100, and is registered with the Company Register in Milan under registration number 00488410010.

The registered office and principal executive offices of Telecom Italia are at Piazza degli Affari 2, 20123 Milan, Italy. Its telephone number is +39-02-85951. Telecom Italia complies with applicable Italian corporate governance rules, as described on pages 186 – 204 of the Telecom Italia Annual Report.

Overview of the Telecom Italia Group's Major Business Areas

Telecom Italia is the parent company of the Telecom Italia Group.

Telecom Italia Group's Business Units as of June 30, 2006 were as follows:



(1) On October 1, 2006, the merger by incorporation of Nuova Tin.it S.r.l. into Telecom Italia S.p.A. became effective.

On September 11, 2006, the Board of Directors of Telecom Italia adopted a strategy of accentuating the Group's focus on broadband and media services businesses in Italy and the rest of Europe, and approved a reorganization of the Telecom Italia Group. On September 15, 2006, the Chairman, Mr. Marco Tronchetti Provera, tendered his resignation; the Board of Directors appointed Mr. Guido Rossi as Chairman of the Board of Directors and Mr. Carlo Orazio Buora as Executive Deputy Chairman. For further details please see "-Recent Developments".

Overview

On July 18, 1997, Old Telecom Italia's predecessor company was merged with and into Società Finanziaria Telefonica—per Azioni ("**STET**"), its parent holding company, with STET as the surviving corporation. As of the effective date of the merger, STET changed its name to "Telecom Italia S.p.A." (Old Telecom Italia). In November 1997, the Ministry of the Treasury of the Republic of Italy completed the privatization of Telecom Italia, selling substantially all of its stake in the Old Telecom Italia Group through a global offering and a private sale to a stable group of shareholders.

On May 21, 1999, Olivetti, through a tender offer, obtained control of the Old Telecom Italia Group when approximately 52.12% of Old Telecom Italia Ordinary Shares were tendered to Olivetti. Through a series of transactions which started in July 2001, Olimpia S.p.A. ("**Olimpia**") acquired a 28.7% stake in Olivetti which resulted in the replacement of the then boards of directors of Olivetti and Old Telecom Italia. Please see "Item 7. Major Shareholders and Related-Party Transactions—7.1 Major Shareholders—7.1.1 The Olimpia Shareholders' Agreements" in the Telecom Italia Annual Report incorporated herein by reference.

On December 9, 2002, the Ministry of the Treasury sold its remaining stake in Old Telecom Italia Ordinary and Savings Share capital.

On August 4, 2003, Old Telecom Italia merged with and into Olivetti (the "**Merger**") with Olivetti as the surviving company changing its name to "Telecom Italia S.p.A.". Following the Merger, the proportionate ownership of Telecom Italia's share capital by shareholders unaffiliated with Olimpia or Pirelli & C. S.p.A. ("**Pirelli**"), Olimpia's largest shareholder, increased substantially to approximately 88.43% of the outstanding Telecom Italia Ordinary Shares ("**Ordinary Shares**"). Following the Merger, Olimpia acquired additional shares through market purchases and, prior to the TIM Acquisition (see "—4.1.3—Significant Developments during 2005—TIM Acquisition" in the Telecom Italia Annual Report incorporated herein by reference), Olimpia held approximately 17% of the Ordinary Shares, making it the largest shareholder of Telecom Italia.

On December 22, 2004, Olimpia's shareholders approved a capital increase in the amount of € billion to finance the acquisition of additional Ordinary Shares. As a result, on March 11, 2005, Olimpia announced that it had acquired 189,988,330 additional Ordinary Shares and increased its total holdings to 2,207,345,359 Ordinary Shares, equal to approximately 20.4% of the Ordinary Share capital of Telecom Italia. In addition, as of March 14, 2005, the conversion of over 424 million Telecom Italia convertible bonds became effective, which further increased Olimpia's aggregate shareholding to 2,407,345,359 Ordinary Shares, representing approximately 21.4% of the outstanding Ordinary Shares.

On November 20, 2001, Olimpia entered into an equity swap transaction with Unicredit Banca Mobiliare ("**UBM**") and Caboto Intesa ("**Caboto**") with respect to 263,500,000 Olivetti shares, at the price of €1.3687 per share. The transaction shall expire on October 5, 2007. At the date hereof, Olimpia has the right to buy from UBM 62,127,108 Telecom Italia Ordinary Shares at the price of €2.9023 per share, and from Caboto 62,002,829 Telecom Italia Ordinary Shares at the price of €2.9028 per share, corresponding, collectively, to 0.93% of the Ordinary Share capital of Telecom Italia.

Following the issuance of shares of Telecom Italia in exchange for outstanding shares of TIM held by third parties, as a result of the merger of TIM into Telecom Italia through which the TIM Acquisition was effected, Olimpia's stake was diluted to approximately 18% (corresponding to 2,407,345,359 Ordinary Shares).

Telecom Italia Shareholder Agreement

On October 18, 2006, Olimpia, Pirelli, Edizione Holding S.p.A., Edizione Finance International S.A., Mediobanca S.p.A. ("**Mediobanca**") and Assicurazioni Generali S.p.A. ("**Generali**") entered into a shareholders' agreement ("**Telecom Italia Shareholder Agreement**") by way of which Olimpia, Mediobanca and Generali have tied-up a total of 23.2% of Ordinary Shares.

The Telecom Italia Shareholder Agreement provides, among other matters, for:

- consultation on how to exercise voting rights in the Shareholders' meetings of Telecom Italia;
- the possibility for new parties owning at least 0.5% in Telecom Italia to join the Telecom Italia Shareholder Agreement;
- the lock-up of the Ordinary Shares subject to the Telecom Italia Shareholder Agreement;
- the right of first refusal of Mediobanca and Generali with reference to the selling of Olimpia's equity investment;
- the possibility that Mediobanca and Generali purchase additional shares up to a maximum of 25% of the Ordinary Shares subjected to the Telecom Italia Shareholder Agreement by each of them;

- the possibility that Olimpia increases its share capital by way of a contribution in kind of the Ordinary Shares by new shareholders.

The Telecom Italia Shareholder Agreement will expire on October 18, 2009 with automatic renewals for further periods of three years each, and will be managed by a Board, the Chairman of which will be appointed by Olimpia.

By letter dated February 6, 2006, Pirelli, Edizione Holding S.p.A., Edizione Finance International S.A., UniCredito Italiano S.p.A., Banca Intesa S.p.A. and Olimpia notified Hopa of their withdrawal from the agreement between Pirelli, Edizione Holding S.p.A., Edizione Finance International S.A., UniCredito Italiano S.p.A., Banca Intesa S.p.A., Hopa and Olimpia, entered into on February 21, 2003 (“**Agreement with Hopa**”), subsequently modified on January 23, 2004 and January 28, 2005. On July 12, 2006, Pirelli, Edizione Finance International S.A. and Edizione Holding S.p.A. finalized the acquisition of all the shares owned by Hopa S.p.A. in Olimpia S.p.A. (equal to 16% of capital), for a cash payment of €22 million. Simultaneously, Hopa S.p.A. finalized the acquisition of all the shares owned by Olimpia S.p.A. in Holinvest S.p.A. (equal to 19.999%) for a cash payment of €86 million. Olimpia and Holinvest S.p.A. also signed a two-year pre-emption pact in favor of Olimpia for 320,253,610 Ordinary Shares held by Holinvest (equal to 65% of all the Telecom Italia shares it owns); the agreement also states that Holinvest S.p.A. can not make any new acquisitions of Telecom Italia shares without the prior agreement of the counterpart for the same two year period.

With letters dated respectively March 27 and March 28, 2006, Banca Intesa S.p.A. and UniCredito Italiano S.p.A. (collectively, the “**Banks**”) notified Pirelli of their withdrawal from the agreement between Pirelli and the Banks entered into on September 14, 2001 (“**Agreement with the Banks**”) and subsequently modified on September 26, 2001, October 24, 2001 and December 16, 2003. On October 4, 2006, holdings of the Banks (4.77% each) in Olimpia were sold to Pirelli for a consideration of approximately €85 million each.

For further information on the Olimpia Shareholders Agreement please see "Item 7. Major Shareholders and Related-Party Transactions—7.1 Major Shareholders—7.1.1 The Olimpia Shareholders' Agreements" in the Telecom Italia Annual Report incorporated herein by reference.

The Agreement with Hopa terminated on May 8, 2006, and the Agreement with the Banks terminated on October 4, 2006.

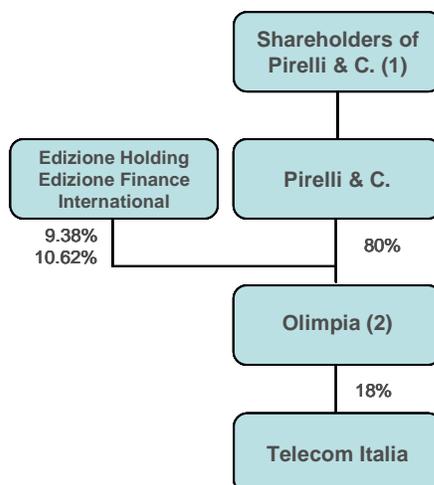
According to publicly available data, Pirelli directly and through Pirelli Finance (Luxemburg) S.A. - a Luxemburg wholly owned subsidiary of Pirelli - (“**PFL**”) owns 182,113,185 Ordinary Shares (equal to 1.36% of the outstanding Ordinary Shares).

In addition,

- on November 14, 2001, PFL entered into a swap transaction with Credit Agricole Lazard Financial Products Bank (now the counterpart is Calyon S.A.) with respect to €200,000,000 of Olivetti 1.5% 2001-2010 convertible bond (now 94,310,600 Ordinary Shares). The swap transaction may be settled, at Pirelli's option, either in cash or by physical delivery of Ordinary Shares by November 23, 2006, at a strike price of approximately €1.12; in case of physical settlement, Pirelli will pay an aggregate amount of €200,000,000;
- on February 8, 2002, PFL entered into an equity swap transaction with JPMorgan Chase Bank (formerly JP Morgan), pursuant to which JPMorgan Chase Bank agreed to pay to PFL an amount equal to any increase, and PFL agreed to pay to JPMorgan Chase Bank an amount equal to any decrease, above or below a reference price of €1.4213 (now €3.01) per security in the average official market price of 100,000,000 Olivetti shares (now corresponding to 44,797,535 Ordinary Shares and 5,000,000 of Telecom Italia 1.5% 2001-2010 convertible bond) over the period of 10 trading days commencing on December 1, 2006. PFL has also the right to settle the swap transaction by physical delivery, in which case PFL has the right to receive the aforementioned securities upon payment of €142,130,000.

According to publicly available filings with Consob, as of October 6, 2006, the shareholders of Pirelli with a 5% shareholding or greater in Pirelli's voting capital were Camfin Cam Finanziaria S.p.A. (25.542%) and Assicurazioni Generali S.p.A. (through its subsidiaries, 5.251%). On the same date shareholders of Camfin Cam Finanziaria S.p.A. with a 5% shareholding or greater in the voting capital of the company included Mr. Marco Tronchetti Provera (through Gruppo Partecipazioni Industriali S.p.A. (52.088%)) and Mr. Carlo Acutis (through Vittoria Assicurazioni S.p.A. (4.648%) and Yura International Holding B.V. (4.649%)).

The following chart illustrates Telecom Italia's current ownership structure.



(1) Shareholders of Pirelli & C. S.p.A. with a 5% stake or greater in the voting capital of the company include: Camfin Cam Finanziaria S.p.A. (25.542%) and Assicurazioni Generali S.p.A. (through its subsidiaries, 5.251%).

(2) Olimpia, Mediobanca and Generali have subjected their holdings of an aggregate of 23.2% of the Ordinary Shares to certain joint arrangements pursuant to the Telecom Italia Shareholder Agreement described above.

The Telecom Italia Group is a world leader in the information and communication technology sector. As leaders in wireline and mobile communications, our companies provide integrated and innovative services in Italy and certain countries outside of Italy. Moreover, the Telecom Italia Group is also active in the media sector and it supplies office products and solutions, commercial systems and IT for gaming and lotteries.

In our domestic Italian market, we are both a technological and market leader in the fastest-growing market segments (mobile, broadband and data transmission). Our international operations are concentrated mainly in, Europe, the Mediterranean basin and Latin America.

In particular, at June 30, 2006, the Telecom Italia Group was one of the world's largest wireline operators, with approximately 24.5 million subscriber fixed-lines installed (including ISDN equivalent lines) in Italy. In addition, the Telecom Italia Group was the leading mobile operator in Italy, with 30.4 million lines at June 30, 2006; and as of the same date Telecom Italia Group had 22.3 million mobile lines in Brazil.

As a result of the merger with Tim Italia, Telecom Italia S.p.A. is one of the three mobile operators licensed to provide services using GSM 900 technology in Italy and one of the three operators licensed to provide services using GSM 1800 (formerly DCS 1800) technology in Italy. It is also one of four operators holding a UMTS license and providing third-generation telephony services in Italy.

Potential Conflicts of Interest

No potential conflicts of interests exist between (i) any duties to Telecom Italia of the Telecom Italia Directors, Executive Officers and Statutory Auditors, and (ii) the private interests, and/or other duties, of such persons.

Some of the Directors and Statutory Auditors of Telecom Italia, besides their role in Telecom Italia, serve management and/or supervisory duties in other companies and/or institutions (see "Directors", "Description of Directors' Outside Interests" and "Board of Statutory Auditors" as referred to in the Telecom Italia Annual Report incorporated herein by reference). Consequently, it cannot be excluded that potential conflicts of interests may arise in the future, should said companies and/or institutions enter into commercial or other type of transactions with Telecom Italia which are not at arms' length and within the ordinary course of business and/or are capable to significantly influence the profits and losses, assets and liabilities and financial situation of Telecom Italia or of the Telecom Italia Group.

Recent Developments

Telecom Italia Capital S.A. Note Issue

On July 18, 2006, Telecom Italia Capital S.A. issued new multi-tranche notes on the United States market for a total of U.S.\$ 2,600 million, guaranteed by Telecom Italia S.p.A.. The notes are divided into three tranches:

- U.S.\$850 million (equal to €667 million at the pricing date), quarterly interest indexed to the 3-month U.S.\$ Libor plus 0.61%, issue price at 100%, maturing July 18, 2011;
- U.S.\$750 million (equal to €589 million at the pricing date), 6.20% annual fixed rate with semiannual interest coupon, issue price at 99.826%, maturing July 18, 2011;
- U.S.\$1,000 million (equal to €785 million at the pricing date), 7.20% annual fixed rate with semiannual interest coupon, issue price at 99.440%, maturing July 18, 2036.

Such notes are the subject of this Listing Memorandum.

Note Redemption

In July 2006, Telecom Italia Finance repurchased Telecom Italia Finance S.A. 5.875% notes maturing January 24, 2008 for €15 million.

Sale of Avea I.H.A.S.

Pursuant to the terms of the July 2005 contract between Telecom Italia and Saudi Oger as subsequently amended, on July 14, 2006 contracts were signed for the sale of the investment held by TIM International in Avea (equal to a 40.56% stake) to Turk Telekom for U.S.\$ 500 million. After obtaining the necessary authorizations from the competent Turkish authorities, on September 15, 2006, the sale was closed and the Telecom Italia Group was fully released and discharged from the obligations and guarantees which it had provided up to an amount of U.S.\$150 million. As a result of this transaction, Turk Telekom, which already held a 40.56% stake in Avea, increased its investment to 81.13%, while IS Bank continued to own the remaining 18.87%.

As provided in the July 2005 contract as subsequently amended, on September 18, 2006 TIM International also reinvested half of the proceeds from the sale (U.S.\$ 250 million) in the share capital of Oger Telecom Ltd, a Dubai company in which it previously held a 13.33% stake. Moreover Tim International shall provide or procure a subordinated loan of up to U.S.\$ 150 million to Avea, earning interest at market rates, on the condition that Avea is able to obtain a structured bank loan within one year of the closing date of the sale of Avea.

Under the framework of the above transactions for the sale of Avea, TIM International renegotiated its partnership with Saudi Oger as reflected in a new Shareholders' Agreement which provides TIM International a greater participation in the governance of Oger Telecom, thus strengthening the Group's ability to protect its investment in Oger Telecom.

Sale of Solpart Participações S.A.

During July 2006, Telecom Italia S.p.A. indicated that it intended to evaluate the possibility of selling the investment in Solpart Participações S.A. ("**Solpart**"), which is held through the Dutch holding company Telecom Italia International N.V.

On October 9, 2006, Telecom Italia presented Anatel with a request for the approval of the transfer of its 38% stake, held through its subsidiary Telecom Italia International, in Solpart to a *newco* – named Brasilco S.r.l. – held by an English law Trust. The Trust will be managed by Credit Suisse with an aim at selling the conferred stake to a third party. Telecom Italia has in fact already mandated JP Morgan with the disposal.

Telecom Italia International will be the sole beneficiary of the Trust and, consequently, of earnings from the Solpart stake, including the price of its future sale.

On October 18, 2006, Anatel approved such transfer confirming that, once completed, it will solve the overlap of mobile and long distance licences between TIM Brasil and Brasil Telecom, thus avoiding possible penalties that could have had a material adverse effect on the value of our investments in Brazil and our results of operations.

On October 27, 2006, Telecom Italia finalized such transfer including the related governance rights and, therefore, resolved the aforesaid mobile and long distance licence overlaps.

The Reorganization Process

On September 11, 2006, the Board of Directors of Telecom Italia adopted a strategy of accentuating the Group's focus on broadband and media services businesses in Italy and the rest of Europe, and approved a reorganization of the Telecom Italia Group which entails:

1. the separation from Telecom Italia S.p.A. of the business of national mobile communication, through the contribution of the corresponding industrial complex into a subsidiary;
2. the separation from Telecom Italia S.p.A. of the network for local wired access, through the contribution of the corresponding industrial complex into a subsidiary with a mandate for the Chairman to identify further activities, if any, suitable for integration into such business.

On October 25, 2007 the Board of Directors of Telecom Italia confirmed the decisions reached on 11 September regarding the accelerating convergence between fixed telephony, mobile, broadband internet and media content. In this framework, the reorganization is intended to ensure the necessary operational flexibility without renouncing the benefits gained through fixed-mobile integration and the intention to take advantage, in full accord with the telecommunications regulator, of all the opportunities offered by the market.

Telecom Italia intends to launch a significant transformation of the access network into a New Generation Network , enabling the transmission of high-definition television programmes, movies, music and video, as well as business and public services (tele-medicine, info-mobility etc.).

The new network will also involve the separation from Telecom Italia of the access network, according to a model to be jointly developed with the Authority.

Resolutions of the Telecom Italia's Board of Directors as a result of the Resignation of Mr. Tronchetti Provera

On September 15, 2006, Mr. Marco Tronchetti Provera resigned as Chairman and as a member of the Board of Directors of Telecom Italia S.p.A..

The Board of Directors then nominated Mr. Guido Rossi as a member of the Board of Directors and as Chairman and also nominated Mr. Carlo Orazio Buora as Executive Deputy Chairman and conferred on him the organizational responsibilities and the powers which had been held by Mr. Marco Tronchetti Provera, with the exception of the functions of general counsel and the management of institutional relations, which will report to the Chairman. The Board of Directors also confirmed Mr. Gilberto Benetton as Deputy Chairman and Mr. Riccardo Ruggiero as Chief Executive Officer.

Agreement for the acquisition of AOL Germany

On September 17, 2006, Telecom Italia and Time Warner Inc. reached an agreement for the acquisition by Telecom Italia of Time Warner's AOL Germany Internet access business for €675 million (U.S.\$870 million) in cash. The companies expect to close the transaction in four to six months, after receiving the customary regulatory approvals.

Once its acquisition of AOL Germany's Internet access business closes, Telecom Italia will be Germany's second-largest broadband provider with more than 3.2 million total subscribers, including nearly 2 million broadband customers.

Furthermore, under a new partnership, AOL will provide co-branded audience services and content on a joint web portal for all of Telecom Italia's residential Internet access subscribers in Germany and will handle all online advertising sales.

AOL Germany has operated as an Internet Service Provider, or ISP, for over 10 years and competes in both narrowband and broadband Internet access. As of June 2006, AOL Germany, ranked second and third among German narrowband and broadband access providers, had 1.1 million broadband subscribers and approximately 1.3 million narrowband subscribers.

Possible sale of mobile activities in Brazil

On November 6, 2006, the Board of Directors mandated senior management to negotiate the possible sale of the Group's mobile activities in Brazil, with a commitment to refer to the same Board of Directors promptly for the formalization of the relative final decisions.

Summary Selected Financial Information

The summary selected financial data set forth below include consolidated financial data of the Telecom Italia Group as of and for:

- each of the six months ended June 30, 2005 and 2006, which have been extracted or derived from the unaudited interim consolidated financial statements of the Telecom Italia Group included in the Telecom Italia Group's First-Half 2006 Report which is incorporated in this Listing Memorandum by reference; and
- each of the years ended December 31, 2004 and 2005, which have been extracted or derived from the audited consolidated financial statements of the Telecom Italia Group included in the Telecom Italia Annual Report incorporated in this Listing Memorandum by reference.

The financial information described below should be read in conjunction with the Telecom Italia Group's First-Half 2006 Report and the Telecom Italia Annual Report.

In the opinion of the management of Telecom Italia, the unaudited interim consolidated financial data of Telecom Italia reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of Telecom Italia's consolidated results of operations for the unaudited interim periods. Results for the six months ended June 30, 2006, are not necessarily indicative of results that may be expected for the entire year.

Other than as set forth herein, since December 31, 2005, the date of TI Capital's last audited financial statements, there has been no material adverse change in its prospects. Other than as set forth herein, there has been no significant change in the financial or trading position of the Telecom Italia Group since June 30, 2006.

Unless otherwise indicated, amounts presented in this section are prepared in accordance with IFRS. Certain U.S. GAAP statement of operations and balance sheet amounts have been presented for the years ended December 31, 2001, 2002, 2003, 2004 and 2005. For additional information about the U.S. GAAP reconciliation, for the years ended December 31, 2004 and 2005, you should read "Note 43—Reconciliation of IFRS as adopted by the EU to U.S. GAAP" to the audited consolidated financial statements of the Telecom Italia Group included in the Telecom Italia Annual Report incorporated in this Listing Memorandum by reference.

	Year ended December 31,		Six Months ended June 30,		
	2004	2005	2005	2006	2006
	(unaudited)			(millions of U.S. dollars)(1)	
(millions of Euro)					
Statement of Operations Data in accordance with IFRS:					
Revenues(2)	<u>28,292</u>	<u>29,919</u>	<u>14,528</u>	<u>15,335</u>	<u>19,423</u>
Operating income(2)	<u>7,603</u>	<u>7,499</u>	<u>3,979</u>	<u>3,801</u>	<u>4,814</u>
Net income from continuing operations	<u>2,952</u>	<u>3,140</u>	<u>1,754</u>	<u>1,427</u>	<u>1,808</u>
Net income (loss) from discontinued operations/assets held for sale	(118)	550	425	46	58
Net income	<u>2,834</u>	<u>3,690</u>	<u>2,179</u>	<u>1,473</u>	<u>1,866</u>
<i>of which:</i>					
• Net income attributable to the Telecom Italia Group	1,815	3,216	1,775	1,496	1,895
• Net income (loss) attributable to Minority interests	1,019	474	404	(23)	(29)
	Year ended December 31,		Six Months ended June 30,		
	2004	2005	2005	2006	2006
	(unaudited)			(thousands of U.S. dollars, except percentages and per share amounts)(1)	
(thousands of Euro, except percentages and per share amounts)					
Financial Ratios in accordance with IFRS:					
—Revenues/Employees (average number in the Telecom Italia Group, excluding employees relating to the consolidated companies considered as discontinued operations/assets held for sale and including temporary employees)(2)(3)	355.4	374.6	183.6	190.8	241.7
—Operating income/Revenues (ROS)(%)	26.9	25.1	27.4	24.8	24.8
Basic and Diluted earnings per Share(4):					
— Ordinary Share	0.11	0.17	0.10	0.07	0.09
— Savings Share	0.12	0.18	0.11	0.08	0.10
<i>Of which:</i>					
—From continuing operations:					
• Ordinary Share	0.12	0.14	0.08	0.07	0.09
• Savings Share	0.13	0.15	0.09	0.08	0.10
—From discontinued operations/assets held for sale:					
• Ordinary Share	(0.01)	0.03	0.02	—	—
• Savings Share	(0.01)	0.03	0.02	—	—
Dividends:					
— per Ordinary Share	0.1093	0.1400(5)	—	—	—
— per Savings Share	0.1203	0.1510(5)	—	—	—

	As of December 31,		As of June 30,	
	2004	2005	2006 (unaudited)	2006
	(millions of Euro, except percentages and employees)			(millions of U.S. dollars, except percentages and employees)(1)
Balance Sheet Data in accordance with IFRS:				
Total assets	81,834	96,010	86,168	109,140
Shareholders' equity:				
Shareholders' equity attributable to the Telecom Italia Group	16,248	25,662	24,472	30,996
Shareholders' equity attributable to Minority Interests	4,550	1,323	1,088	1,378
Total shareholders' equity	20,798	26,985	25,560	32,374
Total liabilities	61,036	69,025	60,608	76,766
Total shareholders' equity and liabilities	81,834	96,010	86,168	109,140
Share capital(6)	8,809	10,599	10,605	13,432
Financial Ratios in accordance with IFRS:				
Net financial debt/Net invested capital (debt ratio)(%)(7)	61.2	59.6	61.8	61.8
Employees (number in the Telecom Italia Group at period-end, excluding employees relating to the consolidated companies considered as discontinued operations/assets held for sale and including temporary employees)(2)	82,620	85,484	84,695	84,695

	Year ended December 31,					2005 (millions of U.S. dollars, except per share amounts)(1)
	2001	2002	2003	2004	2005	
(millions of Euro, except per share amounts)						
Statement of Operations Data in accordance with U.S. GAAP:						
Revenues	27,025	26,769	27,290	28,292	29,921	37,898
Operating income	3,159	6,724	7,626	6,822	5,874	7,440
Net income (loss) before minority interests, discontinued operations/assets held for sale and cumulative effect of accounting changes	(3,001)	6,272	3,064	2,899	1,962	2,485
Minority interests	18	(3,016)	(1,523)	(1,167)	(479)	(607)
Net income (loss) from discontinued operations/ assets held for sale	(1,043)	(1,300)	319	(191)	409	518
Cumulative effect of accounting changes, net of taxes	20	—	(19)	—	47	60
Net income (loss)(8)	(4,006)	1,956	1,841	1,541	1,939	2,456
Basic and Diluted earnings per Ordinary Share(9):						
Net income (loss) after minority interests per Ordinary Share from continuing operations	(0.87)	0.80	0.17	0.10	0.08	0.10
Net income (loss) after minority interests per Ordinary Share from discontinued operations/assets held for sale	(0.31)	(0.32)	0.04	(0.01)	0.02	0.03
Net income (loss) after minority interests per Ordinary Share from cumulative effect of accounting changes	0.01	0.00	(0.01)	0.00	0.00	0.00
Net income (loss) per Ordinary Share	(1.17)	0.48	0.20	0.09	0.10	0.13
Basic and Diluted earnings per Savings Share(9):						
Net income (loss) after minority interests per Savings Share from continuing operations	—	—	0.18	0.11	0.09	0.11
Net income (loss) after minority interests per Savings Share from discontinued operations/ assets held for sale	—	—	0.04	(0.01)	0.02	0.03
Net income (loss) after minority interests per Savings Share from cumulative effect of accounting changes	—	—	(0.01)	0.00	0.00	0.00
Net income (loss) per Savings Share	—	—	0.21	0.10	0.11	0.14

	As of December 31,					2005 (millions of U.S. dollars)(1)
	2001	2002	2003	2004	2005	
(millions of Euro)						
Balance Sheet Data in accordance with U.S. GAAP:						
Total Assets	104,212	93,367	108,335	106,919	123,304	156,177
Shareholders' equity(10)	13,611	15,221	35,067	34,827	44,631	56,530
Total liabilities(11)	90,601	78,146	73,268	72,092	78,673	99,647
Total shareholders' equity and liabilities	104,212	93,367	108,335	106,919	123,304	156,177
Share capital(6)	8,570	8,630	8,798	8,809	10,599	13,425

	As of December 31,					As of
	2001	2002	2003	2004	2005	June 30, 2006
Statistical Data:						
Wireline:						
Subscriber fixed-lines in Italy (thousands)(12)	27,353	27,142	26,596	25,957	25,049	24,477
Broadband Access(13):						
• in Italy (thousands)	390	850	2,040	4,010	5,707	6,266
• in Europe (thousands)	—	—	160	420	1,313	1,596
Page views Alice – ex Virgilio (millions)	3,945	5,267	6,612	7,902	9,842	6,663
Unique users Alice – ex Virgilio (monthly average number) (millions)	6.5	9.5	12.0	13.9	15.7	19.3
Network infrastructure in Italy:						
• access network in copper (millions of km—pair)	104.3	104.3	105.2	105.2	105.2	105.2
• access network and transport in fiber optics (millions of km of fiber optics)	3.2	3.6	3.6	3.7	3.7	3.7
Network infrastructure abroad:						
• European backbone (km of fiber optics)	36,600	36,600	39,500	39,500	51,000	51,000
Domestic Mobile:						
Mobile lines in Italy at period-end (thousands)(14)	23,946	25,302	26,076	26,259	28,576	30,408
Brazil Mobile:						
Brazilian mobile lines at period-end (thousands)	4,558	5,335	8,304	13,588	20,171	22,338
Media:						
La7 average audience share Free to Air for the period (analog system) (%)	2.0	1.8	2.2	2.4	2.7	3.0
La7 average audience share Free to Air for the last month of the period (analog system) (%)	1.8	2.1	2.2	2.6	3.1	2.9

- (1) For the convenience of the reader, Euro amounts for 2006 have been converted into U.S. dollars using the Euro/Dollar Exchange Rate in effect on September 15, 2006 of €1.00 = U.S.\$1.2666.
- (2) The table below sets forth revenues, operating income (loss), capital expenditures and number of employees by Business Units, for each of the six months ended June 30, 2005 and 2006. For purposes of comparison, the data of the business units for the six months ended June 30, 2005 have been revised for consistency.

	Period	Wireline	Domestic Mobile	Brazil Mobile	Media	Olivetti	Other Activities	Adjustments and eliminations	Consolidated Total
(millions of Euro, except number of employees)									
Revenues	1/1 – 6/30/2006	8,977	4,982	1,722	98	212	762	(1,418)	15,335
	1/1 – 6/30/2005	8,861	4,930	1,224	83	223	638	(1,431)	14,528
Operating income (loss)	1/1 – 6/30/2006	2,293	1,874	(78)	(79)	(35)	(199)	25	3,801
	1/1 – 6/30/2005	2,487	2,025	(113)	(67)	(6)	(370)	23	3,979
Capital expenditures	1/1 – 6/30/2006	1,494	443	193	59	5	54	(32)	2,216
	1/1 – 6/30/2005	1,500	337	260	22	8	45	(4)	2,168
Number of employees at period-end(a)	As of June 30, 2006	56,694	11,283	9,290	944	1,570	4,914	—	84,695
	As of December 31, 2005	56,987	11,720	9,043	886	1,750	5,098	—	(b) 85,484

- (a) The number of employees at period-end excludes employees relating to the consolidated companies considered as discontinued operations/asset held for sale.
- (b) Audited data.
- (3) The average number of employees in the Telecom Italia Group (excluding employees relating to the consolidated companies considered as discontinued operations/assets held for sale and including temporary employees) was 79,602 and 79,869 in 2004 and 2005, respectively, and was 79,140 and 80,353 in the six months ended June 30, 2005 and 2006, respectively.
- (4) In accordance with IAS 33 "Earnings per share," basic earnings per Ordinary Share is calculated by dividing the Telecom Italia Group's net income available to shareholders by the weighted average number of shares outstanding during the period, excluding treasury shares. Since Telecom Italia has both Ordinary Shares and Savings Shares outstanding, the calculations also take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2% of the par value of Savings Shares above dividends paid on the Ordinary Shares.
- For the purpose of these calculations, the weighted average number of:

- Ordinary Shares was 10,208,327,613 and 12,283,195,845 for the years ended December 31, 2004 and 2005, respectively, while it was 11,326,277,714 and 13,254,823,073 for the six months ended June 30, 2005 and 2006, respectively; and
- Savings Shares was 5,795,921,069 and 5,930,204,164 for the years ended December 31, 2004 and 2005, respectively, while it was 5,834,287,668 and 6,026,120,661 for the six months ended June 30, 2005 and 2006, respectively .

For diluted earnings per share the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Potential shares are those securities that, if converted into shares, would increase the total number of shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. Telecom Italia's net income is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.

- (5) Telecom Italia's dividend coupons for the year ended December 31, 2005 were clipped on April 24, 2006 and were payable from April 27, 2006.
- (6) Share capital represents share capital issued net of the par value of treasury shares.
- (7) Net Financial Debt is a Non-GAAP financial measure as defined in Item 10 of Regulation S-K under the Exchange Act, but is widely used in Italy by financial institutions to assess liquidity and the adequacy of a company's financial structure. We believe that Net Financial Debt provides an accurate indicator of our ability to meet our financial obligations, represented by gross debt, from our available liquidity, represented by the other items shown in the reconciliation table. Net Financial Debt allows us to show investors the trend in our net financial condition over the periods presented. The limitation on the use of Net Financial Debt is that it effectively assumes that gross debt can be reduced by our cash and other liquid assets. In fact, it is unlikely that we would use all of our liquid assets to reduce our gross debt all at once, as such assets must also be available to pay employees, suppliers, and taxes, and to meet other operating needs and capital expenditure requirements. Net Financial Debt and its ratio to total shareholders' equity (including minority interests), or leverage, are used to evaluate our financial structure in terms of sufficiency and cost of capital, level of debt, debt rating and funding cost, and whether our financial structure is adequate to achieve our business plan and our financial targets (which include our debt ratio, or Net Financial Debt divided by net invested capital, the latter meaning net assets excluding Net Financial Debt). Our management monitors the Net Financial Debt and leverage or similar measures as reported by other telecommunications operators in Italy and abroad, and by other major listed companies in Italy, in order to assess our liquidity and financial structure relative to such companies. We also monitor the trends in our Net Financial Debt and leverage in order to optimize the use of internally generated funds versus funds from third parties. Net Financial Debt is reported in our Italian Annual Report to shareholders and is used in presentations to investors and analysts. Net Financial Debt is calculated as follows:

	As of December 31, 2004	As of December 31, 2005	As of June 30, 2006 (unaudited)
(millions of Euro)			
GROSS FINANCIAL DEBT			
Non-current financial liabilities (Long-term debt)			
Financial payables	36,862	40,252	37,870
Finance lease liabilities	1,860	1,894	1,892
Other financial liabilities	3	—	—
	38,725	42,146	39,762
Current financial liabilities (Short-term debt), excluding financial debt relating to discontinued operations/assets held for sale			
Financial payables	4,168	9,572	5,346
Finance lease liabilities	227	234	245
Other financial liabilities	5	6	6
	4,400	9,812	5,597
Financial debt relating to discontinued operations/assets held for sale	188	143	-
TOTAL GROSS FINANCIAL DEBT (A)	43,313	52,101	45,359
FINANCIAL ASSETS			
Non-current financial assets			
Securities other than equity investments	7	8	8
Financial receivables and other non-current financial assets	386	988	514
	393	996	522
Current financial assets, excluding financial assets relating to discontinued operations/assets held for sale			
Securities other than equity investments	457	378	244
Financial receivables and other current financial assets	662	509	320
Cash and cash equivalents	8,855	10,323	2,958
	9,974	11,210	3,522
Financial assets relating to discontinued operations/assets held for sale	84	37	-
TOTAL FINANCIAL ASSETS (B)	10,451	12,243	4,044
NET FINANCIAL DEBT (A-B)	32,862	39,858	41,315

(8) Excludes Minority interests.

(9) In accordance with U.S. GAAP, the Net income (loss) per Ordinary Share has been calculated using the two class method, since Telecom Italia has both Ordinary Shares and Savings Shares outstanding. Under this method, set forth in Statement of Financial Accounting Standards No. 128, "Earnings per Share", Basic earnings per share is computed by dividing income available to shareholders by the weighted average number of shares outstanding. For the purpose of these calculations, the weighted average number of Ordinary Shares was 3,424,694,178 for the year ended December 31, 2001 and 4,054,375,543 for the year ended December 31, 2002. The weighted average number of Ordinary Shares and Savings Shares was 6,620,513,494 and 2,414,967,112 for the year ended December 31, 2003, 10,208,327,613 and 5,795,921,069 for the year ended December 31, 2004 and 12,283,195,845 and 5,930,204,164 for the year ended December 31, 2005. The calculations take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2% of the par value of Savings Shares in addition to dividends paid on the Ordinary Shares. The calculations also take into account that in 2001 and 2002 (after the redenomination of the share capital into Euro following the resolution taken by the Extraordinary Shareholders' Meeting held on July 4, 2000) the par value of Ordinary Shares was €1 per share, and that in 2003, after the Merger, the par value of Ordinary Shares and Savings Shares was reduced to €0.55 per share. For diluted earnings per share the weighted average number of shares outstanding is increased to include any potential common shares and is adjusted for any changes to income that would result from the assumed conversion of those potential common shares.

(10) Shareholders' equity under U.S. GAAP is calculated after elimination of minority interests.

(11) Includes minority interests.

(12) Data exclude internal lines.

(13) Number of contracts.

(14) Includes TACS, GSM and UMTS services, including Prepaid Customers, and excludes the "silent" lines.

USE OF PROCEEDS

The net proceeds from the issuance and sale of the notes, after deducting the underwriting discount (U.S.\$6.9 million) and expenses relating to the Offering (U.S.\$14.4 million), were approximately U.S.\$2,579 million, which at the exchange rate on July 11, 2006 of €=U.S.\$1.2736 as announced by the European Central Bank, corresponds to approximately €2,025 million. These proceeds were used for loans to the Telecom Italia Group companies for their general corporate purposes, which may include the repayment of existing indebtedness.

DESCRIPTION OF NOTES AND GUARANTEES

General

The notes covered by this listing memorandum are senior debt issued by TI Capital and guaranteed by Telecom Italia.

TI Capital issued the notes under an indenture dated as of October 6, 2004 among TI Capital, Telecom Italia and JPMorgan Chase Bank, N.A., as trustee, as supplemented by a third supplemental indenture, dated as of July 18, 2006, among TI Capital, Telecom Italia and JPMorgan Chase Bank, N.A., as trustee. Herein we refer to the indenture as supplemented by the third supplemental indenture as the "indenture". The trustee has normal banking relationships with us. We have filed the indenture with the SEC as an exhibit to our Registration Statement on Form F-3 (Reg. No. 333-127351) which was filed with the SEC on August 9, 2005. Copies of the indenture, as supplemented, can be obtained as set forth in "Where You Can Find More Information".

The following briefly summarizes the material provisions of the indenture, as supplemented and the debt securities. You should read the more detailed provisions of the indenture, including the defined terms, for provisions that may be important to you. You should also read the particular terms of a series of debt securities. Wherever particular sections or defined terms of the indenture are referred to, such sections or defined terms are incorporated into this listing memorandum by reference, and the statement in this listing memorandum is qualified by that reference.

The indenture provides that debt securities may be issued in one or more series, with different terms, in each case as we authorize from time to time. We also have the right to reopen a previous issue of a series of debt securities by issuing additional debt securities of such series.

The debt securities are governed and construed in accordance with the laws of the State of New York. The provisions of Articles 86 to 94-8 of the Luxembourg law on commercial companies of August 10, 1915, as amended, are excluded and will not be applicable. In connection with any legal action or proceeding relating to the debt securities, TI Capital has agreed to submit to the nonexclusive jurisdiction of any Federal or State court in the Borough of Manhattan, the City of New York.

Under New York law, claims relating to payment of principal and interest on the notes will be prescribed according to the applicable statute of limitations.

BNP Paribas Securities Services, Luxembourg Branch will act at Luxembourg paying agent, listing agent and transfer agent.

We issued the debt securities only in registered form. As currently anticipated, debt securities of a series will trade in book-entry form, and global securities will be issued in physical (paper) form, as described below under "—Book-Entry System" and "—Definitive Debt Securities".

Principal, Maturity and Interest

General

The notes were issued in three series referred to herein as the 2011 notes (\$750,000,000 6.2% Guaranteed Senior Notes due 2011 (CUSIP 87927VAS7; ISIN US87927VAS79, Common Code 026184568)), the 2036 notes (\$1,000,000,000 7.2% Guaranteed Senior Notes due 2036 (CUSIP 87927VAR9; ISIN US87927VAR96, Common Code 026184541)) and the floating rate notes (\$850,000,000 Guaranteed Senior Floating Rate Notes due 2011 (CUSIP 87927VAT5; ISIN US87927VAT52, Common Code 026184550)).

Unless previously redeemed, see "—Redemption at TI Capital's Option" and "—Optional Tax Redemption", the aggregate outstanding principal amount of each series of notes will be payable on the applicable maturity date.

Interest on the notes will be paid by check mailed to the persons in whose names the notes are registered at the close of business on the applicable record date or, at our option, by wire transfer to accounts maintained by such persons with a bank located in the United States. For so long as the notes are represented by global notes, we will make payments of interest by wire transfer to The DTC or its nominee, as the case may be, which will distribute payments to beneficial holders in accordance with its customary procedures.

The notes are not entitled to any sinking fund. The provisions of the indenture described under "Description of Debt Securities and Guarantees—Discharge and Defeasance" will apply to the notes.

The issue price is 99.826% of the principal amount for the 2011 notes, 99.440% of the principal amount for the 2036 notes and 100% of the principal amount for the floating rate notes.

The 2011 notes will bear interest at a rate of 6.20% per annum; and the 2036 notes will bear interest at a rate of 7.20% per annum. The floating rate notes will bear interest at the then applicable U.S. dollar three-month LIBOR rate, which rate will be reset quarterly, plus 0.61%. The notes will bear interest from July 18, 2006.

The yield on the notes is the return you will receive by holding the notes for a period of time. For example, current yield, which calculates the percentage return that annual interest payments might provide to you, is calculated as follows:

$$\text{Current Yield} = \frac{\text{Annual Dollar Interest Paid}}{\text{Market Price}} \times 100\%$$

You may wish to calculate the adjusted current yield, yields to maturity, yield to call and other yields in making an investment decision with respect to the notes.

Fixed Rate Notes

The 2011 notes were issued in an aggregate principal amount of \$750,000,000 and the 2036 notes were issued in an aggregate principal amount of \$1,000,000,000. Each 2011 note will mature July 18, 2011 on and each 2036 note will mature on July 18, 2036. The 2011 notes and 2036 notes will bear interest at the respective rates per annum shown on the cover page of this listing memorandum. Interest will be calculated on the basis of a 360-day year comprised of twelve 30 day months. Interest on the 2011 notes and the 2036 notes will accrue from the date of original issuance, or from the most recent interest payment date to which interest has been paid or provided for. We will pay interest on the 2011 notes and 2036 notes semi-annually in arrears on January 18 and July 18 of each year, commencing January 18, 2007, to holders of record at the close of business on the immediately preceding January 1 and July 1, respectively.

If any interest payment date or the maturity of the 2011 notes or the 2036 notes falls on a day that is not a Business Day, the related payment of principal, premium, if any, or interest will be made on the next succeeding Business Day as if made on the date the payment was due, and no interest will accrue on the amount payable for the period from and after the interest payment date or maturity, as the case may be.

Business Day with respect to the fixed rate notes means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York, New York are generally authorized or obligated by law, regulations or executive order to close.

Floating Rate Notes

The floating rate notes were issued in an aggregate principal amount of \$850,000,000. The interest rate per annum for the floating rate notes will be reset quarterly on the first day of each interest period (as defined below) and will be equal to LIBOR (as defined below) plus 0.61%, as determined by the calculation agent. The trustee will act as calculation agent. The amount of interest on each floating rate note for each day the floating rate notes are outstanding, which we refer to as the "daily interest amount," will be calculated by dividing the interest rate in effect for that day by 360 and multiplying the result by the principal amount of such floating rate notes. The amount of interest to be paid on the floating rate notes for each interest period will be calculated by adding the daily interest amounts for each day in the interest period. Interest on the floating rate notes accrues from the date of original issuance, or from the most recent interest payment date to which interest has been paid or provided for.

We will pay interest on the floating rate notes quarterly in arrears on January 18, April 18, July 18 and October 18 of each year, commencing October 18, 2006, to holders of record on the day that is 15 calendar days prior to each interest payment date, respectively. Each of these dates on which we will pay interest on the floating rate notes is referred to as a "floating rate notes interest payment date." The floating rate notes will mature on July 18, 2011.

If any floating rate notes interest payment date, other than a floating rate notes interest payment date at maturity, falls on a day that is not a Business Day, the floating rate notes interest payment date will be postponed to the next Business Day, except that, if that Business Day falls in the next calendar month, then the floating rate notes interest payment date will be advanced to the immediately preceding Business Day. If the maturity of the floating rate notes falls on a day that is not a Business Day, we will make the required payment of principal, premium, if any, and interest on the next Business Day, and no interest on such payment will accrue for the period from and after the maturity.

Business Day with respect to the floating rate notes means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York, New York or London are generally authorized or obligated by law, regulations or executive order to close.

Except as described below for the first interest period, on each floating rate notes interest payment date we will pay interest for the period commencing on and including the immediately preceding floating rate notes interest payment date and ending on and including the next day preceding that floating rate notes interest payment date. We will refer to this period as an "interest period." The first interest period began on and included July 18, 2006 and will end on and include October 17, 2006.

"LIBOR," with respect to an interest period, shall be the rate (expressed as a percentage per annum) for deposits in United States dollars for a three-month period beginning on the second London banking day after the determination date (as defined below) that

appears on Telerate Page 3750 (as defined below) as of 11:00 a.m., London time, on the determination date. If Telerate Page 3750 does not include this rate or is unavailable on the determination date, the calculation agent will request the principal London office of each of four major banks in the London interbank market, as selected by the calculation agent, to provide that bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on the determination date to prime banks in the London interbank market for deposits in a representative amount (as defined below) in United States dollars for a three-month period beginning on the second London banking day after the determination date. If at least two offered quotations are so provided, LIBOR for the interest period will be the arithmetic mean of those quotations. If fewer than two quotations are so provided, the calculation agent will request each of three major banks in New York City, as selected by the calculation agent, to provide that bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., New York City time, on the determination date for loans in a representative amount in United States dollars to leading European banks for a three-month period beginning on the second London banking day after the determination date. If at least two rates are so provided, LIBOR for the interest period will be the arithmetic means of those rates. If fewer than two rates are so provided, then LIBOR for the interest period will be LIBOR in effect with respect to the immediately preceding interest period.

"Determination date" with respect to an interest period will be the second London banking day preceding the first day of the interest period.

"London banking day" is any day in which dealings in United States dollars are transacted or, with respect to any future date, are expected to be transacted in the London interbank market.

"Representative amount" means a principal amount that is representative for a single transaction in the relevant market at the relevant time.

"Telerate Page 3750" means the display designated as "Page 3750" on Moneyline Telerate, Inc. or any successor service (or such other page as may replace Page 3750 on that service or a successor service).

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or 0.09876545) being rounded to 9.87655% (or 0.0987665)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate on the floating rate notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

The calculation agent will, upon the request of the holder of any floating rate note, provide the interest rate then in effect. All calculations of the calculation agent, in the absence of manifest error, shall be conclusive for all purposes and binding on us and holders of the floating rate notes.

Guarantees

Telecom Italia has fully unconditionally and irrevocably guaranteed the due and punctual payment of the principal of, premium, if any, and interest on the debt securities issued by TI Capital, including any additional amounts which may be payable by TI Capital in respect of the debt securities, as described under "**Payment of Additional Amounts**". Telecom Italia has guaranteed the payment of such amounts when such amounts become due and payable, whether at the stated maturity of the debt securities, by declaration or acceleration, call for redemption or otherwise.

The guarantees of Telecom Italia for the debt securities by TI Capital are unsecured obligations of Telecom Italia and each ranks equally in right of payment with other unsecured and unsubordinated indebtedness of Telecom Italia. Telecom Italia has provided a restriction on liens for the benefit of the debt securities as provided under "**Restrictive Covenants—Restrictions on Liens**". In connection with other debt issuances (including debt issued by Olivetti), Telecom Italia has provided different restrictions on liens that in some cases could be viewed as more restrictive. Consequently it is possible that, under certain limited circumstances, other debt of Telecom Italia could be secured when the notes covered by this listing memorandum are not secured.

The guarantees are governed and construed in accordance with the laws of the State of New York. In connection with any legal action or proceeding relating to the guarantees, Telecom Italia has agreed to submit to the nonexclusive jurisdiction of any Federal or State court in the Borough of Manhattan, the City of New York.

Legal Ownership

Book-Entry System

Upon issuance, each series of debt securities was represented by one or more global securities (each a "**Global Security**"). Each Global Security was deposited with, or on behalf of, The Depository Trust Company ("**DTC**") and registered in the name of Cede & Co., as nominee of DTC. Except under the circumstances described below, Global Securities are not exchangeable at the option of the holder for certificated debt securities and Global Securities will not otherwise be issuable in definitive form. JPMorgan Chase Bank, NA, as custodian for the DTC, has received the Global Securities on behalf of the DTC. JPMorgan Chase's address is set forth on the back cover page of the Listing Memorandum. TI Capital's records in respect of its capital structure, including the issuance of the Global Securities, reflect that the Global Securities were deposited with or on behalf of the DTC. TI Capital's address is set forth on the back cover of the Listing Memorandum

Upon issuance of the Global Securities, DTC credited the respective principal amounts of the debt securities represented by the Global Securities to the accounts of institutions that have accounts with DTC or its nominee ("**participants**"), including Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**"). Ownership of beneficial interests in the Global Securities was limited to participants or persons that hold interests through participants. Ownership of beneficial interests in the Global Notes is and will be shown on, and the transfer of that ownership is and will be effected only through, records maintained by DTC or its nominee (with respect to participants' interests) or by participants or persons that hold through participants. Such beneficial interest is in minimum denominations of \$2,000 or integral multiples of \$1,000.

So long as DTC, or its nominee, is the registered owner or holder of the Global Securities, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the Global Securities for all purposes under the indenture.

Except as set forth below, owners of beneficial interests in the Global Securities:

- are entitled to have the debt securities represented by the Global Securities registered in their names;
- do not receive, nor are entitled to receive, physical delivery of debt securities in definitive form registered in their names; and
- do not receive, nor are entitled to receive, physical delivery of debt securities in definitive form and are not considered the owners or holders thereof under the indenture.

Accordingly, each person owning a beneficial interest in the Global Securities must rely on the procedures of DTC, and indirectly Euroclear and Clearstream, and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture.

Principal and interest payments on Global Securities registered in the name of or held by DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner or holder of the Global Security. None of TI Capital, Telecom Italia, the trustee, or any paying agent for such Global Securities has any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

TI Capital expects that DTC, upon receipt of any payments of principal or interest in respect of the Global Securities, will credit the accounts of the related participants (including Euroclear and Clearstream), with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Securities as shown on the records of DTC. Payments by participants to owners of beneficial interests in the Global Securities held through such participants are the responsibility of the participants, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name".

Unless and until it is exchanged in whole or in part for debt securities in definitive form in accordance with the terms of the indenture, a Global Security may not be transferred except as a whole by the depository to a nominee of the depository or by a nominee of DTC to DTC or another nominee of DTC.

Beneficial interests in the Global Securities will trade in DTC's Same-Day Funds Settlement System, and secondary market trading activity in such interests will, therefore, settle in same-day funds.

Definitive Debt Securities

Global Securities are exchangeable for definitive debt securities registered in the names of persons other than DTC or its nominee for such Global Securities only if:

- DTC has notified TI Capital and Telecom Italia that it is unwilling or unable to continue as depository;
- DTC has ceased to be a clearing agency registered under the Exchange Act; or

- there shall have occurred and be continuing an event of default (as defined in the indenture) with respect to the debt securities.

Any Global Security that is exchangeable for definitive debt securities pursuant to the preceding sentence is exchangeable for debt securities issuable in minimum denominations of \$2,000 and integral multiples of \$1,000 and registered in such names as DTC shall direct. Subject to the foregoing, a Global Security is not exchangeable, except for a Global Security of like denomination to be registered in the name of DTC or its nominee. Bearer debt securities will not be issued.

In the remainder of this description "you" means direct holders and not street name or other indirect holders of debt securities.

Additional Mechanics

Payment and Paying Agents

TI Capital will pay interest, principal and any other money due on the debt securities at the corporate trust office of the trustee in New York City. That office is currently located at 4 New York Plaza, 15th Floor, New York, NY 10004. If you ever hold definitive debt securities you will make arrangements to have your payments picked up at or wired from that office or such other paying agency as we may establish. We may also arrange for additional payment officers, and may cancel or change these officers, including our use of the trustee's corporate trust officer. These offices are called paying agents. TI Capital may also choose to act as its own paying agent. TI Capital must notify you of changes in the paying agents for the debt securities.

Holders buying and selling debt securities in registered form must work out between them how to compensate for the fact that TI Capital will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sales price of the debt securities to pro rate interest fairly between buyer and seller. This pro rated interest amount is called accrued interest.

Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

Notices

TI Capital and the trustee will send notices only to direct holders, using their addresses as listed in the trustee's records. Such notices will be mailed to holders of registered securities. Notices will also be published in a newspaper with general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Regardless of who acts as paying agent, all money that TI Capital pays to a paying agent that remains unclaimed at the end of five years after the amount is due to direct holders will be repaid to TI Capital. After that five-year period, you may look only to TI Capital, or its successor, for payment and not to the trustee, any other paying agent or anyone else.

Mergers and Similar Events

Each of TI Capital and Telecom Italia is generally permitted to consolidate or merge with another company or firm. Each of TI Capital and Telecom Italia is also permitted to sell or lease substantially all of its assets to another company or to buy or lease substantially all of the assets of another company. In addition, Telecom Italia or one of its Italian subsidiaries generally is permitted to assume the obligations of TI Capital (or any successor) under the debt securities for the payment of the principal of and interest on the debt securities and any other payments on the debt securities. Upon assuming the obligations of TI Capital, Telecom Italia or any such subsidiary may exercise every right and power of TI Capital under the indenture. However, neither TI Capital nor Telecom Italia may consolidate or merge with, or sell or lease all or substantially all of its assets to, another company or firm, nor may Telecom Italia or one of its Italian subsidiaries assume the obligations of TI Capital under the debt securities, unless all of the following conditions are met:

- Where TI Capital or Telecom Italia merges out of existence or sells or leases all or substantially all of its assets, the acquiring or resulting company must assume its obligations, including, in the case of Telecom Italia, the obligations arising from Telecom Italia's guarantee of the debt securities either by law or contractual arrangements. The acquiring or resulting company's assumption of these obligations must include the obligation to pay the additional amounts described under "— Payment of Additional Amounts". If the acquiring or resulting company is organized under the laws of any jurisdiction other than the United States, any state thereof or the District of Columbia, it must indemnify each holder of the debt securities against any governmental charge or other cost resulting from the transaction.

- TI Capital, Telecom Italia, or Telecom Italia's Italian subsidiary, as the case may be, must provide the trustee with an officer's certificate and an opinion of counsel as to compliance with the merger or assumption, as the case may be, provisions of the indenture; provided that if TI Capital consolidates or merges with, or sells or leases all or substantially all of its assets to, an Italian company, or Telecom Italia or one of its Italian subsidiaries assumes TI Capital's obligations under the debt securities, TI Capital, or Telecom Italia or its Italian subsidiary, as the case may be, is required to deliver the additional opinions of counsel described below.
- The merger or sale or lease of all or substantially all of TI Capital or Telecom Italia's assets, or the assumption of the obligations of TI Capital under the debt securities, must not cause a default on the debt securities, and Telecom Italia and TI Capital must not already be in default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described under "—Events of Default". A default for this purpose would also include any event that would be an event of default if the requirement for giving Telecom Italia or TI Capital default notice or their default having to exist for a specific period of time were disregarded.

Telecom Italia or one of its Italian subsidiaries may only become the obligor under the debt securities by assumption or merger, and any other Italian company may only become the obligor under the debt securities by merger, if TI Capital (or any successor) delivers to the trustee a legal opinion, reasonably satisfactory to the trustee, of nationally recognized external Italian and U.S. law firms to the effect that the provisions of the Trust Indenture Act of 1939, as amended, are not in conflict with mandatory provisions of Italian law applicable to holders of debt securities of Italian companies.

It is possible that an assumption, merger or other similar transaction may cause the holders of the debt securities to be treated for U.S. federal income tax purposes as though they had exchanged the debt securities for new debt securities. This could result in the recognition of taxable gain or loss for U.S. federal income tax purposes and possibly other adverse tax consequences.

Modification and Waiver

There are three types of changes TI Capital, or its successors, can make to the indenture and the debt securities.

Changes Requiring Your Approval

First, there are changes that cannot be made to the debt securities without the specific approval of each holder of debt securities of that series. The following is the list of those changes:

- change the stated maturity of the principal on a series of the debt securities;
- change the interest on a series of debt securities;
- reduce the principal amount due on a series of the debt securities;
- change any obligation of TI Capital to pay additional amounts described under "—Payment of Additional Amounts";
- reduce the amount of principal payable upon acceleration of the maturity of a series of debt securities following a default;
- change the place of payment of a series of debt securities;
- impair your right to sue for payment;
- reduce the percentage of the outstanding aggregate principal amount of a series of debt securities whose holder's consent is needed to modify or amend the indenture;
- reduce the percentage of the outstanding aggregate principal amount of a series of debt securities whose holder's consent is needed to waive compliance with various provisions of the indenture or to waive various defaults;
- modify any other aspect of the provisions dealing with modification and waiver of the indenture; and
- change the obligations of Telecom Italia as Guarantor with respect to payment of principal, premium, if any, and interest payments in any manner adverse to the interests of the holders of the series of debt securities.

Changes Requiring a Majority Vote

The second type of change to the indenture and the debt securities is the kind that requires a vote in favor by holders of debt securities owning a majority of the outstanding principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes and other changes that would not adversely affect holders of the debt securities in any material respect. The same vote would be required for TI Capital to obtain a waiver of all or part of the covenants described in this section, or a waiver of a past default. However, TI Capital cannot obtain a waiver of a payment default or any other aspect of the indenture or the debt securities listed in the first category described under "—Changes Requiring Your Approval" unless TI Capital obtains your individual consent to the waiver.

Changes Not Requiring Approval

The third type of change does not require any vote by holders of the debt securities. This type is limited to clarifications and other changes that would not adversely affect holders of the debt securities in any material respect.

Further Details Concerning Voting

Debt securities are not considered outstanding, and therefore not eligible to vote, if TI Capital has deposited or set aside in trust money for their payment or redemption. Debt securities also are not be eligible to vote if they have been fully defeased as described under "—Discharge and Defeasance".

TI Capital generally is entitled to set any day as a record date for the purpose of determining the holders of outstanding debt securities that are entitled to vote or take other action under the indenture. In limited circumstances, the trustee is entitled to set a record date for action by holders. If TI Capital or the trustee set a record date for a vote or other action to be taken by holders of a particular series of the debt securities, that vote or action may be taken only by persons who are holders of outstanding debt securities of that series on the record date and must be taken within 180 days following the record date or another period that TI Capital may specify (or as the trustee may specify if it set the record date). TI Capital or the trustee, as the case may be, may shorten or lengthen (but not beyond 180 days) this period from time to time.

Street name and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if TI Capital seeks to change the terms of the indenture or request a waiver.

Redemption at TI Capital's Option

Fixed Rate Notes

Beginning on January 19, 2008, the fixed rate notes will be redeemable in whole or in part at TI Capital's (or TI Capital successor's) option at any time at a redemption price equal to the greater of:

- 100% of the principal amount of the applicable fixed rate notes; or
- as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued and unpaid as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 20 basis points for the 2011 notes and 30 basis points for the 2036 notes,

plus accrued and unpaid interest thereon to the date of redemption.

The definitions of certain terms used in the paragraph above are listed below.

Adjusted treasury rate means, with respect to any redemption date:

- the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the comparable treasury issue (if no maturity is within three months before or after the remaining life, yields for the two published maturities most closely corresponding to the comparable treasury issue will be determined and the treasury rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or
- if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the comparable treasury issue, calculated using a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

The treasury rate will be calculated on the third Business Day preceding the date fixed for redemption.

Comparable treasury issue means the U.S. Treasury security selected by the quotation agent as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

Comparable treasury price means, with respect to any redemption date, (1) the average of five reference treasury dealer quotations for such redemption date, after excluding the highest and lowest reference treasury dealer quotations, or (2) if the quotation agent obtains fewer than five such reference treasury dealer quotations, the average of all such quotations.

Quotation agent means either J.P. Morgan Securities Inc. or Lehman Brothers Inc., or such other agent as appointed by TI Capital or Telecom Italia, or, if these firms are unwilling or unable to select the comparable treasury issue, an independent investment banking institution of national standing appointed by TI Capital or Telecom Italia.

Reference treasury dealer means:

- Each of J.P. Morgan Securities Inc. and Lehman Brothers Inc. or their respective affiliates which are primary U.S. Government securities dealers, or their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "**primary treasury dealer**"), TI Capital will substitute such reference treasury dealer with another primary treasury dealer; and
- any three primary treasury dealers selected by the quotation agent after consultation with TI Capital or Telecom Italia.

Reference treasury dealer quotations means with respect to each reference treasury dealer and any redemption date, the average, as determined by the quotation agent, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such reference treasury dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

Floating Rate Notes

Beginning on January 19, 2008, the floating rate notes will be redeemable in whole or in part at TI Capital's (or TI Capital successor's) option at any time at a redemption price equal to the greater of:

- 100% of the principal amount of the applicable floating rate notes; or
- the sum of the present values of the remaining scheduled payments of principal and interest (assuming that LIBOR through maturity would remain constant as of the date of redemption) thereon (not including any portion of such payments of interest accrued and unpaid as of the date of redemption) discounted to the redemption date on a bond-equivalent yield basis (using the same interest rate convention as that used in computing interest on the floating rate notes) at a rate per annum equal to LIBOR as of the redemption date, minus 36 basis points,

plus accrued and unpaid interest thereon to the date of redemption.

General

Remaining scheduled payments means, with respect to each note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is not an interest payment date with respect to such notes, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

If less than all of a series of notes is to be redeemed at any time, selection of notes for redemption will be made by the trustee on a pro rata basis, by lot or by such method as the trustee deems fair and appropriate; provided that notes with a principal amount of \$2,000 will not be redeemed in part.

TI Capital will give DTC a notice of redemption at least 30 but not more than 60 days before the redemption date. If any notes are to be redeemed in part only, the notice of redemption that relates to such notes will state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note.

Unless TI Capital defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption.

Optional Tax Redemption

In the event of various tax law changes after the date of this listing memorandum and other limited circumstances that require us to pay additional amounts, (see "Description of Notes and Guarantees—Payment of Additional Amounts"), we may call all, but not less than all, of the notes for redemption. This means we may repay them early. You have no right to require us to call the notes. We discuss our ability to redeem the notes in greater detail under "Description of Notes and Guarantees—Optional Tax Redemption".

Further, TI Capital has the option to redeem the debt securities in the two situations described below. The redemption price for the debt securities will be equal to the principal amount of the debt securities being redeemed plus accrued interest and any additional amounts due on the date fixed for redemption. Furthermore, TI Capital must give holders of the debt securities between 30 and 60 days' notice before redeeming the debt securities.

- The first situation is where, as a result of a change in, execution of or amendment to any laws, regulations or treaties or the official application or interpretation of any laws, regulations or treaties, either:
 - TI Capital (or its successor) or Telecom Italia (or its successor) would be required to pay additional amounts as described below under "—Payments of Additional Amounts", or
 - Telecom Italia (or its successor) or any of its subsidiaries would have to deduct or withhold tax on any payment to TI Capital (or its successor) to enable TI Capital (or its successor) to make a payment of principal, premium, if any, or interest on the debt securities.

This applies only in the case of changes, executions, amendments, applications or interpretations that occur on or after the date of the issuance of the securities and in the jurisdiction where TI Capital (Luxembourg) or Telecom Italia (Italy) is incorporated. If TI Capital or Telecom Italia is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which the successor entity is organized, and the applicable date will be the date the entity became a successor.

TI Capital would not have the option to redeem the debt securities if TI Capital or Telecom Italia could have avoided the payment of additional amounts or the deduction or withholding by using reasonable measures available to TI Capital or Telecom Italia.

- The second situation is where a person into which TI Capital or Telecom Italia is merged or to whom it has conveyed, transferred or leased all or substantially all of its property, is required to pay additional amounts. TI Capital would have the option to redeem the debt securities even if TI Capital or Telecom Italia is required to pay additional amounts immediately after the merger, conveyance, transfer or lease. Neither Telecom Italia nor TI Capital is required to use reasonable measures to avoid the obligation to pay additional amounts in this situation. However, TI Capital will not have the option to redeem the debt securities if the sole purpose of such a merger would be to permit TI Capital to redeem the debt securities.

The election of TI Capital to redeem the debt securities shall be evidenced by a board resolution or in another manner specified in the indenture. In case of any redemption TI Capital shall, at least 60 days prior to the redemption date (unless a shorter notice will be reasonably satisfactory to the trustee), notify the trustee of the redemption date and of the principal amount of debt securities to be redeemed.

Payment of Additional Amounts

Luxembourg or Italy may require TI Capital, as Issuer, or Telecom Italia, as Guarantor, to withhold amounts from payments of principal or interest on the debt securities or any amounts to be paid under the related guarantees, as the case may be, for taxes or any other governmental charges. If Luxembourg or Italy requires a withholding of this type, TI Capital or Telecom Italia, as the case may be, may be required to pay holders of the debt securities additional amounts so that the net amount you receive will be the amount specified in the debt securities to which you are entitled.

TI Capital or Telecom Italia, as the case may be, will not have to pay additional amounts in respect of taxes or other governmental charges that are required to be deducted or withheld by any paying agent from a payment on a debt security, if such payment can be made without such deduction or withholding by any other paying agent, or in respect of taxes or other governmental charges that would not have been imposed but for:

- the existence of any present or former connection between you and Luxembourg or Italy, as the case may be, other than the mere holding of the debt security and the receipt of payments thereon;

- the application of the European Directive 2003/48/EC of June 3, 2003, on the taxation of income from savings, as well as any equivalent measure adopted according to such directive;
- a failure to comply with any certification, documentation, information or other reporting requirements concerning your nationality, residence, identity or connection with Luxembourg or Italy, as the case may be, if such compliance is required as a precondition to relief or exemption from such taxes or other governmental charges (including, without limitation, a certification that you are not resident in Luxembourg or Italy or are not an individual resident of a member state of the European Union);
- a change in law that becomes effective more than 30 days after a payment on the debt security becomes due and payable or on which payment thereof is duly provided for, whichever occurs later; or
- any tax or other governmental charge imposed on non-residents for income tax purposes in Italy as provided under Italian laws and regulations relating to countries which do not have an adequate exchange of information with Italy (i.e., other than the countries listed under the heading "—Transfer Restrictions Due to Certain Tax Considerations").

These provisions also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to TI Capital or Telecom Italia is organized.

For additional information, see section 803 of the indenture.

Restrictive Covenants

Restrictions on Liens

Some of TI Capital's and Telecom Italia's property may be subject to a mortgage or other legal mechanism that gives their lenders preferential rights in that property over other lenders, including you and the other direct holders of the debt securities, or over their general creditors if they fail to pay them back. These preferential rights are called liens. Each of TI Capital and Telecom Italia has promised that it will not create or permit to subsist any encumbrance to secure capital markets indebtedness, which is described further below, on the whole or any part of its present or future revenues or assets, other than permitted encumbrances.

As used here, encumbrance means:

- any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof; and
- any arrangement providing a creditor with prior right to an asset, or its proceeds of sale, over other creditors in a liquidation.

As used here, permitted encumbrance means:

- any encumbrance existing on the date of issuance of the debt securities;
- any encumbrance over or affecting any asset acquired by TI Capital or Telecom Italia after the date of the indenture and subject to which such asset is acquired, if:
 - such encumbrance was not created in contemplation of the acquisition of such asset by TI Capital or Telecom Italia;
 - the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by TI Capital or Telecom Italia;
- any encumbrance over or affecting any asset of any company which becomes an obligor after the date of issuance of the securities, where such encumbrance is created prior to the date on which such company becomes an obligor under the debt securities, if:
 - such encumbrance was not created in contemplation of that company becoming an obligor; and
 - the amount thereby secured has not been increased in contemplation of, or since the date of, that company becoming an obligor under the debt securities;

- any netting or set-off arrangement entered into by any member of the Telecom Italia Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances;
- any title transfer or retention of title arrangement entered into by any member of the Telecom Italia Group in the normal course of its trading activities on the counterparty's standard or usual terms;
- encumbrances created in substitution of any encumbrance permitted under the first two bullet points above over the same or substituted assets. This only applies if: (a) the principal amount secured by the substitute encumbrance does not exceed the principal amount outstanding and secured by the initial encumbrance; and (b) in the case of substituted assets, if the market value of the substituted assets at the time of the substitution does not exceed the market value of the assets replaced;
- encumbrances created to secure:
 - loans provided, supported or subsidized by a governmental agency, national or multinational investment guarantee agency, export credit agency or a lending organization established by the United Nations, the European Union or other international treaty organization, including, without limitation the European Investment Bank, the European Bank for Reconstruction and Development and the International Finance Corporation;
 - project finance indebtedness (as described below);

this will, however, only apply if the encumbrance is created on an asset of the project being financed by such loans (and/or on the shares in, and/or shareholder loans made to, the company conducting such project) or, as the case may be, such project finance indebtedness and remains confined to that asset (and/or shares and/or shareholder loans);

- encumbrances arising out of the refinancing of any capital markets indebtedness secured by any encumbrance permitted by the preceding bullet points. These encumbrances will, however, only be permitted if the amount of such capital markets indebtedness is not increased and is not secured by an encumbrance over any additional assets;
- any encumbrance arising by operation of law;
- any encumbrance created in connection with convertible bonds or notes where the encumbrance is created over the assets into which the convertible bonds or notes may be converted and secures only the obligation of the issuer to effect the conversion of the bonds or notes into such assets;
- any encumbrance created in the ordinary course of business to secure capital markets indebtedness under hedging transactions entered into for the purpose of managing risks arising under funded debt obligations such as credit support annexes and agreements;
- any encumbrance over or affecting any asset of Telecom Italia to secure capital markets indebtedness under a permitted leasing transaction (as described below); provided that the aggregate capital markets indebtedness secured by all such encumbrances does not exceed €1 billion;
- any encumbrance created on short-term receivables used in any asset-backed financing;
- any encumbrance on real estate assets of Telecom Italia, any subsidiary or any person to which such real estate assets may be contributed by Telecom Italia or any subsidiary in connection with the issuance of any indebtedness, whether such indebtedness is secured or unsecured by such real estate assets or any other assets of such person to which real estate assets have been contributed by Telecom Italia or any subsidiary; and
- any other encumbrance securing capital markets indebtedness of an aggregate amount not exceeding 10% of the total net worth of Telecom Italia (as disclosed in the most recent audited consolidated balance sheet of Telecom Italia).

As used here, capital markets indebtedness means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, any certificate of indebtedness, bond, note or other security which is listed or traded on a stock exchange or other recognized securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by Telecom Italia or TI Capital, the expressions "assets" and "obligations for the payment of borrowed money" as used in this definition do not include assets and obligations of Telecom Italia or TI Capital which, pursuant to the requirements of law and accounting principles generally accepted in Italy or Luxembourg, as the case may be, currently need not, and are not, reflected in the balance sheet of Telecom Italia or TI Capital, as the case may be.

As used here, permitted leasing transaction means one or more transactions or a series of transactions as a result of which Telecom Italia disposes of or otherwise transfers (including, without limitation, by way of sale of title or grant of a leasehold or other access, utilization and/or possessory interest(s)) its rights to possess, use and/or exploit all or a portion of a particular asset or particular assets owned, used and/or operated by Telecom Italia (or its rights and/or interests in respect thereof) to one or more other persons in circumstances where Telecom Italia or an affiliate shall have the right to obtain or retain possession, use and/or otherwise exploit the asset or assets (or rights and/or interests therein) so disposed of or otherwise transferred.

As used here, project finance indebtedness means any indebtedness incurred by a debtor to finance the ownership, acquisition, construction, development and/or operation of an asset in respect of which the person or persons to whom such indebtedness is, or may be, owed have no recourse whatsoever for the repayment of or payment of any sum relating to such indebtedness other than:

- recourse to such debtor for amounts limited to the cash flow from such asset; and/or
- recourse to such debtor generally, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty or an obligation, representation or warranty to procure payment by another or an obligation, representation or warranty to comply or to procure compliance by another with any financial ratios or other test of financial condition) by the person against whom such recourse is available; and/or
- if such debtor has been established specifically for the purpose of constructing, developing, owning and/or operating the relevant asset and such debtor owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of such debtor and the shares in the capital of such debtor and shareholder loans made to such debtor.

Discharge and Defeasance

TI Capital or Telecom Italia can be legally released from any payment or other obligation on the debt securities except for various obligations described below if, in addition to other actions, the following arrangements for you to be repaid are put in place:

- TI Capital or Telecom Italia deposits in trust for your benefit and the benefit of all other direct holders of the debt securities of a particular series a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, premium, if any, principal and any other payments on the debt securities on their various due dates.
- TI Capital or Telecom Italia delivers to the trustee a legal opinion of their counsel confirming that there has been a change in U.S. federal income tax law, and under then current U.S. federal income tax law TI Capital or Telecom Italia may make the above deposit without causing you to be taxed on the debt securities any differently than if TI Capital or Telecom Italia did not make the deposit and was not legally released from its obligations on the debt securities. TI Capital or Telecom Italia would not have to deliver this opinion if TI Capital or Telecom Italia received from, or there has been published by, the U.S. Internal Revenue Service (the "**IRS**") a ruling that states the same conclusion.
- If the notes listed on the Luxembourg Stock Exchange or another exchange, TI Capital or Telecom Italia must deliver to the trustee a legal opinion of their counsel confirming that the deposit, defeasance and discharge will not cause the debt securities to be delisted from such exchange.

However, even if TI Capital or Telecom Italia takes these actions, a number of TI Capital's or Telecom Italia's obligations relating to the notes will remain. These include the following obligations:

- to register the transfer and exchange of debt securities;
- to replace mutilated, destroyed, lost or stolen debt securities;
- to maintain paying agencies; and
- to hold money for payment in trust.

Ranking

No notes covered by this listing memorandum are secured by any of Telecom Italia's or TI Capital's property or assets. Accordingly, your ownership of the debt securities means you are one of Telecom Italia's or TI Capital's senior unsecured creditors. The debt securities are not subordinated to any of Telecom Italia's or TI Capital's other debt obligations and therefore they rank equally with all Telecom Italia's and TI Capital's other senior unsecured and unsubordinated indebtedness.

Events of Default

A holder of debt securities of a particular series will have special rights if an event of default occurs with respect to that series and is not cured, as described later in this subsection.

An "**event of default**" with respect to the debt securities is defined in the indenture as:

- the failure by TI Capital or Telecom Italia to pay principal on a series of debt securities within 10 days from the relevant due date or the failure to pay interest on a debt security within 30 days from the relevant due date;
- the failure by TI Capital to perform any other obligation under a series of the debt securities or the failure by Telecom Italia to perform any obligation under its guarantee and such failure continues for more than 60 days after the trustee has received notice of it from the affected holder of the debt securities;
- any of TI Capital's or Telecom Italia's capital markets indebtedness (as defined above in "—Restrictive Covenants—Restrictions on Liens") in excess of €100 million (or the equivalent thereof in other currencies) has to be repaid prematurely due to a default under its terms;
- the failure by TI Capital or Telecom Italia to fulfill any payment obligation exceeding €100 million (or the equivalent thereof in other currencies) under any capital markets indebtedness (as defined above in "—Restrictive Covenants—Restriction on Liens") of TI Capital or Telecom Italia, or under any guarantee provided for any such capital markets indebtedness in excess of €100 million (or the equivalent thereof in other currencies) of others, and this failure remains uncured for 30 days;
- any security or guarantee relating to capital markets indebtedness in excess of €100 million (or the equivalent thereof in other currencies) provided by TI Capital or Telecom Italia is enforced by the lenders and such enforcement is not contested in good faith by TI Capital or Telecom Italia or TI Capital or Telecom Italia publicly announces their inability to meet their financial obligations;
- a court opens insolvency or equivalent proceedings against TI Capital or Telecom Italia which are not resolved within six months, unless such proceedings are frivolous or vexatious and contested in good faith and appropriately and do not result in court orders; or TI Capital or Telecom Italia apply for such insolvency or equivalent proceedings;
- TI Capital or Telecom Italia approves a resolution pursuant to which it goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by TI Capital or Telecom Italia, in connection with the debt securities; or
- Telecom Italia's guarantee relating to the debt securities ceases to be valid or legally binding for any reason.

If an event of default has occurred and has not been cured, the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of at least a majority in principal amount of the outstanding debt securities of the affected series.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This protection is called an indemnity. If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing another action under the indenture.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

- You must give the trustee written notice that an event of default has occurred and remains uncured.
- The holders of not less than 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default, and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.

- The trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity.

Each of TI Capital and Telecom Italia will furnish to the trustee every year, within 120 days after the end of Telecom Italia's fiscal year, a written statement from its designated officers certifying that, to their knowledge, it is in compliance with the indenture and the debt securities, or else specifying any default.

Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the Trustee and to make or cancel a declaration of acceleration.

Regarding the Trustee

Telecom Italia and several of its subsidiaries maintain banking relations with the trustee in the ordinary course of their business.

If an event of default occurs, or a default, that would become an event of default if the requirements for giving a default notice or any specific grace period of time were disregarded, occurs, the trustee may be considered to have a conflicting interest with respect to the debt securities for purposes of the Trust Indenture Act of 1939, as amended. In that case, the trustee may be required to resign as trustee under the applicable indenture, in which case TI Capital and Telecom Italia would be required to appoint a successor trustee.

Transfer Restrictions Due to Certain Tax Considerations

You understand that the debt securities have only be offered and sold to investors who are resident for income tax purposes in countries listed in the Decree of the Ministry of Finance of Italy of September 4, 1996, as amended. A copy of the decree can be obtained from the website of the Ministry of Finance of Italy at www.finanze.it. You also understand that it is the intention of Telecom Italia that the debt securities will be held only by investors resident in countries identified in the above Decree. If Telecom Italia becomes the obligor under the debt securities due to substitution or otherwise (see "—Mergers and Similar Events") and Telecom Italia was obligated to withhold on any payments made on the debt securities, there would be no obligation to gross up such payments to investors not resident in the countries identified in the above Decree (including investors resident in the United States who do not furnish the required certifications under applicable Italian tax requirements). See "—Payment of Additional Amounts".

The following is the current exclusive list of countries or territories where, if the debt securities were held by residents for income tax purposes of such countries or territories, and Telecom Italia were to become the obligor on the notes, Telecom Italia would have an obligation to gross up payments in the event of a withholding on any payments on the debt securities, subject to the limitations set forth under "—Payment of Additional Amounts": Albania, Algeria, Argentina, Australia, Austria, Bangladesh, Belarus, Belgium, Brazil, Bulgaria, Canada, China (People's Republic), Croatia, Czech Republic, Denmark, Ecuador, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Israel, Ivory Coast, Japan, Kazakhstan, Kuwait, Lithuania, Luxembourg, Macedonia, Malta, Mauritius, Mexico, Morocco, The Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russian Federation, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Sweden, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America, Venezuela, Vietnam, Yugoslavia and Zambia.

You also understand the notes have not been and will not be offered, sold or delivered in Italy or to investors resident in Italy. Investors resident in Italy for tax purposes may suffer adverse tax consequences from holding the notes and in connection therewith there is no obligation for either TI Capital or Telecom Italia to gross up any payment on the notes made to Italian investors.

DESCRIPTION OF TI CAPITAL

The legal and commercial name of the company is Telecom Italia Capital. TI Capital is a limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, governed by the Luxembourg law of August 10, 1915 with respect to commercial companies, as amended and incorporated on September 27, 2000, for an unlimited duration. TI Capital is a directly and indirectly wholly-owned subsidiary of Telecom Italia. TI Capital is registered with the *Registre de Commerce et des Sociétés* of Luxembourg under B-77.970. TI Capital's Articles of Incorporation were published in the *Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations No. 755* on October 13, 2000. TI Capital's Articles of Incorporation were amended most recently on December 20, 2002 and the modifications were published in the *Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations No. 184* on February 20, 2003.

TI Capital's primary purpose is to provide access to the international financial markets for the Telecom Italia Group.

TI Capital's registered office and postal address is 12 rue Eugène Ruppert, L-2453, Luxembourg and its telephone number is +352-456060-1.

Capitalization

As of September 30, 2006 the subscribed share capital of TI Capital is 2,336,000.00, consisting of 100,000 ordinary shares, nominal value 23.36 per share; all of the shares have been issued and are fully paid up. See also "—Financial Information" below.

Solvency

There are no recent events that would affect the solvency of TI Capital.

Business

The corporate object of TI Capital, as set out in Article 3 of its Articles of Incorporation, is to finance the companies of the Telecom Italia Group. TI Capital may, among other things, provide loans and grant guarantees or create securities in any kind or form. TI Capital may acquire and hold interests in Luxembourg and/or in foreign subsidiaries, as well as administer, develop and manage such holdings. TI Capital may also use its funds to invest in real estate and intellectual property rights in any kind of form. TI Capital may participate in the creation and development of any other companies and entities and provide to them financial assistance in any kind or form. TI Capital may borrow in any kind or form and issue bonds or notes. TI Capital may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and developments of its purposes. The present financing activities of TI Capital are described below under the caption "Bond Issuances and Other Transactions".

TI Capital's activity is not dependent on patents, licences, commercial contracts or new manufacturing processes. TI Capital enters into financial contracts on its own behalf. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which TI Capital is aware) during a period covering at least the previous 12 month which may have, or have had in the recent past, significant effects on TI Capital and/or the Telecom Italia Group's financial position or profitability.

TI Capital is dependent on Telecom Italia S.p.A. and the performance of other group companies, to service debt obligations. See "Risks Factors Relating to the Notes" on page 18.

Board of Directors

The Directors of TI Capital are:

- Francesco Tanzi, resident in Milan, Italy, manager; business address Piazza degli Affari 2, Milano, Italy;
- Adriano Trapletti, domiciled in Luxembourg, manager; business address rue Eugène Ruppert, Luxembourg;
- Alex Bolis, resident in Milan, Italy, manager; business address Piazza degli Affari 2, Milano, Italy;
- Andrea Balzarini, resident in Milan, Italy, manager; business address Piazza degli Affari 2, Milano, Italy;
- Jacques Loesch, resident in Luxembourg, Lawyer; business address 35, avenue John F. Kennedy, Luxembourg.

The remuneration of the Directors is determined from time to time by the shareholders of TI Capital in a general meeting. No Director has an interest in the share capital of TI Capital. TI Capital complies with applicable Luxembourg corporate governance rules.

Description of Directors Outside Interest

Messrs Francesco Tanzi, Adriano Trapletti, Alex Bolis and Andrea Balzarini are managers of Telecom Italia Group. Mr Jacques Loesch is a lawyer at the law firm Linklaters Loesch (Luxembourg).

Statutory Auditor

Telecom Italia Capital's statutory auditor is Mr. Nicholas Brimeyer. Mr. Brimeyer's postal address is c/o Telecom Italia Capital S.A., 12 rue Eugène Ruppert, L-2453, Luxembourg.

Potential Conflicts of Interest

No potential conflict of interests exist between (i) any duties of Telecom Italia Capital of the Telecom Italia Capital Directors and Statutory Auditor and (ii) the private interests, and/or other duties, of such persons.

Financial Year

The financial year of Telecom Italia Capital is the calendar year.

Financial Information

The statutory financial statements of TI Capital have been audited by the independent auditor Ernst & Young S.A. for the years ended December 31, 2001, 2002, 2003, 2004 and 2005. TI Capital is not required under Luxembourg law to, and does not, publish interim financial statements.

Pursuant to Luxembourg law, TI Capital is currently exempt from preparing consolidated annual accounts. TI Capital's accounts are included in the consolidated accounts of the Telecom Italia Group, which are available at the registered office of Telecom Italia S.p.A., located at Piazza degli Affari 2, 20123 Milan, Italy. The financial statements are available at the offices of the Luxembourg paying agent and transfer agent, BNP Paribas, Securities Services, Luxembourg Branch, 33 rue de Gasperich Howald-Hesperange, L-2085, Luxembourg.

Since its incorporation, TI Capital has not traded other than in connection with the issuance of the debt securities, the borrowings and loans described below. Based on its results for the financial year 2005, TI Capital paid the first dividend to shareholders since its incorporation in an amount of €2,250,000.00, part of which distributed as an advance dividend on December 19, 2005. TI Capital has entered into a number of contracts for the purpose of providing administrative, secretarial, legal, audit and tax services in connection with the issue of debt securities.

Bond Issuances and Other Transactions

On July 18, 2006, TI Capital issued the notes covered by this listing memorandum, specifically, \$750,000,000 aggregate nominal amount of 6.2% guaranteed senior notes due 2011, \$1,000,000,000 aggregate nominal amount of 7.2% guaranteed senior notes due 2036, and \$850,000,000 aggregate nominal amount of guaranteed senior floating rate notes due 2011, in each case guaranteed by Telecom Italia. With the proceeds of the bond issuance, TI Capital granted several loans to its parent company and certain Telecom Italia Subsidiaries for an amount of €2,054,000,000.

On September 28, 2005, TI Capital issued \$700,000,000 aggregate nominal amount of 4.875% guaranteed senior notes due 2010, \$1,400,000,000 aggregate nominal amount of 5.25% guaranteed senior notes due 2015, and \$400,000,000 guaranteed senior floating rate notes due 2011, in each case guaranteed by Telecom Italia and borrowed medium-long term loans from banks in U.S. dollars for a total amount of \$19,684,000. With the proceeds of the bond issuance, TI Capital granted several loans to its parent company and certain Telecom Italia Subsidiaries for an amount of €2,062,000,000.

On October 6, 2004, TI Capital issued \$1,250,000,000 aggregate nominal amount of 4% guaranteed senior notes due 2010, \$1,250,000,000 aggregate nominal amount of 4.95% guaranteed senior notes due 2014, and \$1,000,000,000 guaranteed senior notes due 2034, in each case guaranteed by Telecom Italia and borrowed medium-long term loans from banks in U.S. dollars for a total equivalent amount of €9,028,000. With the proceeds of the bond issuance, TI Capital granted several loans to its parent company and to certain Telecom Italia subsidiaries for an amount of €2,828.50 million.

TI Capital issued, on October 29, 2003, \$1 billion aggregate nominal amount of Series A 4% guaranteed senior notes due 2008, \$2 billion aggregate nominal amount of Series B 5.25% guaranteed senior notes due 2013 and \$1 billion aggregate nominal amount of Series C 6.375% guaranteed senior notes due 2033, in each case guaranteed by Telecom Italia and borrowed medium-long term loans

from banks in U.S. dollars for a total equivalent amount of €26,789,000 and granted a U.S. dollar loan to its parent company for a total equivalent amount of €3,423,485,000.

No Material Adverse Change

Since December 31, 2005, the date of TI Capital's last audited financial statements, there has been no material adverse change in its prospects. Other than as set forth herein, there has been no significant change in the financial or trading position of the Telecom Italia Group since June 30, 2006.

CERTAIN TAX CONSIDERATIONS

United States Federal Income Tax Considerations

The following summary of the principal United States federal income tax consequences of ownership of the notes deals only with notes held as capital assets by initial purchasers, and not with special classes of holders, such as:

- dealers in securities or currencies;
- traders in securities that elect to mark to market;
- financial institutions;
- tax-exempt organizations;
- insurance companies;
- persons that hold notes that are a hedge or that are hedged against currency risks, that are part of a straddle or conversion transaction or that are part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes;
- persons that are not "United States Holders", as defined below;
- persons whose functional currency is not the U.S. dollar; and
- persons that are treated as partnerships for United States federal income tax purposes or that hold notes through partnerships or other pass-through entities.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES, AS WELL AS THE TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION, OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES. TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS LISTING MEMORANDUM IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Payments of Interest

Interest on the notes will qualify as "qualified stated interest" for U.S. federal income tax purposes, including the interest on the Guaranteed Senior Floating Rate Notes by reason of qualifying as a "qualified floating rate" under the variable rate debt rules of Treasury Regulation Section 1.1275-5. Thus, interest on a note will be taxable to you if you are a United States Holder as ordinary income at the time you receive it or when it accrues, depending on your method of accounting for tax purposes. You are a United States Holder if you are a beneficial owner of a note who is:

- a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation, organized under the laws of the United States or any State;
- an estate the income of which is subject to United States federal income tax without regard to its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

Interest paid to you on the notes constitutes income to you from sources outside the United States, and, with certain exceptions (including certain circumstances where withholding applies to interest paid on the notes), will generally be "passive" income or, in the case of certain United States Holders, "financial services" income for purposes of computing allowable foreign tax credits for U.S.

federal income tax purposes. For taxable years beginning after December 31, 2006, interest income will generally constitute "passive category" income or, in the case of certain United States Holders, "general category" income for U.S. foreign tax credit purposes.

Payment of Additional Amounts

If we pay additional amounts to you, in the circumstances described above under "Description of Notes and Guarantees—Payment of Additional Amounts", such payments will generally be treated as ordinary income.

Market Discount

You will be treated as if you had purchased your note at a market discount, and your note will be a "Market Discount note", if:

- you purchased your note for less than its principal amount, and
- the note's principal amount exceeds the price you paid for your note by at least 1/4 of 1 percent of the note's principal amount, multiplied by the number of complete years to the note's maturity.

If such excess is not sufficient to cause the note to be a Market Discount note, then such excess constitutes "de minimis market discount" and the rules discussed below are not applicable to you.

You must treat any gain that you recognize on the maturity or disposition of your Market Discount note as ordinary income to the extent that such gain does not exceed the accrued market discount on such note. Alternatively, you may elect to include market discount in income currently over the life of the note. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the IRS.

You will accrue market discount on your Market Discount note on a straight-line basis unless you elect to accrue market discount on a constant-yield method. If you make this election, it will apply only to the note with respect to which it is made and you may not revoke it. If you do not elect to include market discount in income currently, you will generally be required to defer deductions for interest on borrowings allocable to your Market Discount note in an amount not exceeding the accrued market discount on such Market Discount note until the maturity or disposition of such Market Discount note.

Notes Purchased at a Premium

If you purchase your note for an amount in excess of its principal amount, you may elect to treat such excess as "amortizable bond premium", in which case you will reduce the amount you are required include in income each year with respect to interest on the note by the amount of amortizable bond premium allocable (based on the note's yield to maturity) to such year. If you elect to amortize bond premium, such election shall apply to all debt instruments (other than debt instruments the interest on which is excludible from gross income) that you hold at the beginning of the first taxable year to which the election applies or thereafter acquire, and you may not revoke such election without the consent of the IRS.

Purchase, Sale and Retirement of the Notes

Your tax basis in your note will generally be its cost, as adjusted to reflect any amounts of market discount included in income with respect to your note or any bond premium on such note applied to reduce income inclusions with respect to such note. You will generally recognize gain or loss on the sale or retirement of your note equal to the difference between the amount you realize on the sale or retirement and your tax basis in your note. Gain or loss you recognize on the sale or retirement of your note will, except to the extent described above under "Market Discount" or attributable to accrued but unpaid interest, be capital gain or loss and will be long-term capital gain or loss if you held the note for more than one year. Capital gain of a non-corporate United States Holder that is recognized in a taxable year beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The ability of a non-corporate United States Holder to deduct capital losses is subject to limitations.

Mergers or Assumptions of the Notes

As discussed in "Description of Notes and Guarantees—Mergers and Similar Events", TI Capital is generally permitted to merge or consolidate with another company or firm, and Telecom Italia or one of its Italian subsidiaries is also permitted to assume the obligations of TI Capital under the notes for the payment of principal and interest on the notes, if certain conditions are satisfied. The assumption of the obligations of TI Capital under the notes by Telecom Italia or another person pursuant to a merger, consolidation or assumption may cause the holders of the notes to be treated for U.S. federal income tax purposes as if they had exchanged the notes for new notes, with the results described above in "—Purchase, Sale and Retirement of the Notes".

Redemption of Notes

As described above in "Description of Notes and Guarantees—Redemption at TI Capital's Option", TI Capital has the right to redeem the notes beginning on January 19, 2008. As a result, TI Capital may redeem the notes for a price which may exceed the face amount of the notes plus accrued but unpaid interest. If the IRS were to find that the exercise of TI Capital's option to redeem the notes was not a remote contingency, it might maintain that the notes are subject to the contingent payment debt instrument rules of Treasury Regulation Section 1.1275-4 (the "CPDI rules"). In this case, United States Holders may be required to accrue original issue discount on the notes for United States federal income tax purposes based on a comparable yield for the notes and a projected payment schedule determined pursuant to the CPDI rules. The comparable yield and projected payment schedule cannot be determined at this time.

Backup Withholding and Information Reporting

In general, if you are a noncorporate holder, we or our paying agents may be required to report to the IRS all payments of principal, premium and interest on your note.

In addition, you may be subject to backup withholding on payments of principal, premium and interest on, and the proceeds of disposition of, a note. Backup withholding only will apply if you:

- fail to furnish your Taxpayer Identification Number ("TIN") which, for an individual, is your Social Security number, or furnish an incorrect TIN,
- are notified by the IRS that you have failed to properly report payments of interest and dividends, or
- fail to certify, under penalties of perjury, that you have furnished a correct TIN and have not been notified by the IRS that you are subject to backup withholding for failure to report interest or dividend payments.

You should consult your tax advisor regarding your qualification for exemption from backup withholding and the procedure for obtaining such an exemption if applicable. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is furnished to the IRS.

Luxembourg Tax Considerations

The statements herein regarding taxation in Luxembourg are based on the laws in force in the Grand Duchy of Luxembourg as of the date of this listing memorandum and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own, exchange or dispose the notes.

Luxembourg tax residency of the holders of the notes

A holder of the notes will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the notes, or the execution, performance, delivery, exchange and/or enforcement of the notes.

Withholding tax

Under Luxembourg tax law currently in effect, with the exception of interest paid to individuals who are resident for tax purposes in Luxembourg and those resident in other EU Member States who do not follow the procedures noted below, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to holders of the notes. There is also no Luxembourg withholding tax, with the exception of payments of accrued but unpaid interest made to individuals, upon repayment of the principal or upon redemption or exchange of the notes.

A 10% withholding tax has been introduced, as from January 1, 2006, on interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents.

Under the Luxembourg laws dated June 21, 2005 implementing the European Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") and several agreements concluded between Luxembourg and certain dependent territories of the European Union, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since July 1, 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, for the benefit of) an individual resident in another EU Member State or certain dependent territories of the European Union, unless the beneficiary of the interest payments opts for the procedure of exchange of information or the tax certificate procedure.

The withholding tax rate is initially 15%, increasing incrementally to 20% and to 35%. This withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

Taxation of the Holder of the Notes

Taxation of Luxembourg non-residents

Holders of the notes who are non-residents of Luxembourg and who have neither a permanent establishment nor a fixed base of business in Luxembourg with which the holding of the notes is connected are not liable to any Luxembourg income tax, whether they receive repayments of principal, payments of interest (including accrued but unpaid interest), payments received upon the redemption or the exchange of the notes, or realize capital gains on the sale of any notes.

Taxation of Luxembourg residents

Luxembourg resident holders of the notes, or non-resident holders of the notes who have a permanent establishment or a fixed base of business in Luxembourg with which the holding of the notes is connected will not be liable for any Luxembourg income tax on repayment of principal.

Luxembourg resident individuals

The 10% Luxembourg withholding tax (see the above section "—Withholding tax") represents the final tax liability for the Luxembourg individual resident taxpayers receiving the payment within the framework of his/her private estate.

Other Luxembourg individuals must include, for income tax purposes, any interest received in their taxable income. The 10% withholding tax will be credited against their income tax liability.

Luxembourg resident individual holders of the notes are not subject to taxation on capital gains upon the disposal of the notes, unless the disposal of the notes precedes the acquisition of the notes or the notes are disposed of within six months of the date of acquisition of these notes. Upon redemption of the notes, accrued but unpaid interest is subject to the 10% withholding tax. Such interest must also be included in the taxable income of Luxembourg resident individuals receiving the income as business income, with a credit for the withholding tax.

Luxembourg resident companies

Luxembourg resident companies (sociétés de capitaux) holders of the notes or foreign entities of the same type which have a permanent establishment in Luxembourg with which the holding of the notes is connected, must include in their taxable income any interest accrued and the difference between the sale, exchange or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the notes sold, redeemed or exchanged.

Luxembourg resident companies benefiting from a special tax regime

Luxembourg resident companies holders of the notes which are companies benefiting from a special tax regime (such as holding companies subject to the law of July 31, 1929 as amended by the law of June 21, 2005 and undertakings for collective investment subject to the law of December 20, 2002) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the subscription tax calculated on their share capital or net asset value.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a holder of the notes, unless (i) such holder of the notes is a fully taxable Luxembourg resident company or (ii) the notes are attributable to an enterprise or part thereof which is carried on by a non-resident company through a Luxembourg permanent establishment.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by holders of the notes as a consequence of the issuance of the notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption or exchange of the notes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the notes or in respect of the payment of interest or principal under the notes or the transfer of the notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such

services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

No inheritance tax is levied on the transfer of the notes upon death of a holder of the notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. No gift tax is levied in Luxembourg on the transfer of the notes by way of gift unless the gift is registered in Luxembourg.

Italian Tax Considerations

The following is a summary of certain Italian tax consequences of the receipt of interest on the debt securities and capital gains upon the disposal thereof by non-Italian investors, along with a summary of the Italian tax treatment of payments which might possibly be made by the Guarantor under the debt securities.

This summary is based upon Italian tax law and practice as in effect on the date of the listing memorandum and is subject to change, potentially with retroactive effect.

Prospective investors in the debt securities should consult their own advisors regarding the Italian or other tax consequences of the purchase, ownership and disposition of the debt securities in their particular circumstances, including the effect of any state, local or foreign tax laws.

Interest on Debt Securities

Interest payable on debt securities issued by TI Capital to a beneficial owner who is not resident in Italy and is not acting through an Italian permanent establishment is not subject to Italian taxes. To the extent that debt securities are deposited by a non-resident holder in an account with an Italian withholding agent, interest payable to a non-resident beneficial owner is subject to the substitute tax at rates up to 27%, according to the same rules applicable to Italian resident holders, unless the holder produces a declaration of non-residence in Italy. In addition, any element of the proceeds of sale of debt securities by a non-resident holder which represents accrued, and express or implied, interest in respect of such debt securities will be subject to Italian substitute tax if the debt securities are sold through an Italian withholding agent, unless such holder produces a declaration of non-residence and has provided details of the period during which he was the beneficial owner of the debt securities and the interest derived therefrom.

Payments under the Guarantees by Telecom Italia

There is no authority directly on point regarding the Italian tax regime of payments made by Telecom Italia under the guarantees. Accordingly, there can be no assurance that the Italian revenue authorities will not assert an alternative treatment of such payments than that set forth herein or that an Italian court would not sustain such an alternative treatment.

Payments to non-resident holders made by Telecom Italia under the guarantees, which represent interest payable on the debt securities, are subject to the Italian tax regime described above under "*Interest on Debt Securities*".

Capital Gains on the Notes

Capital gains realized by non-residents from the sale of the notes are in principle not subject to tax in Italy. However, a 12.5% substitute tax may apply to the extent the notes are located in the Italian territory if the notes are not listed on a regulated market. Although the notes are expected to be listed on the regulated market of the Luxembourg Stock Exchange, if the notes are not listed on a regulated market such 12.5% substitute tax may apply to the extent the notes are located in the Italian territory unless one of the two following sets of requirements is satisfied:

- (1) • the holder is resident of a country which allows an adequate exchange of information with Italy or, in the case of institutional investors not subject to tax, they are established in such country; and
- the relevant Italian withholding agent, if any, receives a self-declaration from the holder of the notes which states that the holder is a resident of that country. The self-declaration, which must be in conformity with the model approved by the Ministry of Economy and Finance (approved in Decree of the Ministry of Economy and Finance of December 12, 2001, published in the Ordinary Supplement No. 287 to the Official Journal No. 301 of December 29, 2001), is valid until revoked by the investor and does not have to be filed if an equivalent self-declaration (including Form 116/IMP) has been submitted to the same intermediary for the same or different purposes; in the case of institutional investors not subject to tax, the institutional investor shall be regarded as the beneficial owner and the relevant self-declaration shall be produced by the management company;

or

- (2) • the holder is resident in a country which has entered into a double taxation convention with Italy that provides for the exclusive right to tax such gains in the holder's country of residence; and
- the relevant Italian withholding agent, if any, receives a declaration signed by the tax authorities of the country of residence of the holder of the notes which states that the holder is a resident of that country for tax purposes.

Early Redemption

The early redemption of debt securities with a maturity period of no less than 18 months issued by a non-resident company, if occurring before expiration of the first 18 months, in certain cases may trigger the liability for the holder of a 20% surtax to be paid on all interest and other proceeds accrued until the date of early redemption.

In any event, the 20% surtax applies only if the holder of the debt securities is resident in Italy at the date of the early redemption. Conversely, no surtax applies if the holder is not resident in Italy, even if the debt securities are deposited by the non-resident holder in an account with an Italian withholding agent (provided that the holder produces a declaration of non-residence in Italy).

EU savings directive

The Council of the European Union has adopted a directive on June 3, 2003 regarding the taxation of savings income (Directive 2003/48/EC) (the "**Directive**"). Italy has implemented the directive through Legislative Decree No. 84 of April 18, 2005 ("**Decree 84/2005**"). Under Decree 84/2005, subject to a number of important conditions being met, with respect to interest paid starting from July 1, 2005 (including the case of interest accrued on the debt securities at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU Member State or in a dependent or associated territory under the relevant international agreement (currently, Jersey, Guernsey, Isle of Man, Netherlands Antilles, British Virgin Islands, Turks and Caicos, Cayman Islands, Montserrat, Anguilla and Aruba), Italian paying agents (i.e. banks, SIMs, fiduciary companies, SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, UCITS recognised in accordance with Directive 85/611/EEC.

Either payments of interest on the notes or the realization of the accrued interest through the sale of the notes would constitute "payments of interest" under Article 6 of the Directive and, as far as Italy is concerned, Article 2 of Decree 84/2005. Accordingly, such payment of interest arising out of the notes would fall within the scope of the Directive being the notes issued after March 1, 2001.

UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement dated July 11, 2006 between Telecom Italia, TI Capital and the underwriters named below, we agreed to sell to each of the underwriters, and each of the underwriters has severally agreed to purchase, the principal amount of notes set forth opposite the name of such underwriter below.

Underwriter	Principal amount		
	2011 notes	2036 notes	Floating rate notes
Credit Suisse Securities (USA) LLC	\$ 150,000,000	\$ 200,000,000	\$ 170,000,000
J.P. Morgan Securities Inc.	\$ 150,000,000	\$ 200,000,000	\$ 170,000,000
Lehman Brothers Inc.	\$ 150,000,000	\$ 200,000,000	\$ 170,000,000
Merrill Lynch International.....	\$ 150,000,000	\$ 200,000,000	\$ 170,000,000
Morgan Stanley & Co. Incorporated	\$ 150,000,000	\$ 200,000,000	\$ 170,000,000
Total.....	\$ 750,000,000	\$ 1,000,000,000	\$ 850,000,000

The underwriters initially offered to sell the notes to the public at the public offering price set forth on the cover of this listing memorandum. The underwriters may sell notes to securities dealers at a discount from the public offering price of up to 0.20% of the principal amount of the 2011 notes, 0.50% of the principal amount of the 2036 notes and 0.20% of the principal amount of the floating rate notes. These securities dealers may resell any notes purchased from the underwriters to other broker or dealers at a discount from the public offering price of up to 0.10% of the principal amount of the 2011 notes, 0.25% of the principal amount of the 2036 notes and 0.10% of the principal amount of the floating rate notes. If the underwriters did not sell all the notes at the offering price, they could have charged the offering price and the other selling terms.

The obligations of the underwriters under the underwriting agreement, including their agreement to purchase notes from us, are several and not joint. In the underwriting agreement, the underwriters have agreed, subject to the terms and conditions set forth in the underwriting agreement, to purchase all of the notes if any of the notes are purchased. If an underwriter defaults, the underwriting agreement provides that, in certain circumstances, the underwriting commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

TI Capital and Telecom Italia have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters offered the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to certain conditions contained in the underwriting agreement, including the receipt by the underwriters of officer's certificates and legal opinions, being satisfied. The underwriters reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Each series of the notes was a new issue of securities with no established trading market. We agreed with the underwriters to make an application to trade the notes on the regulated market and to list the notes on the official list of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market of financial assets in accordance with Directive 2004/39/EC of the European Commission. The underwriters have advised us that they presently intend to make a market in the notes after completion of this offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for the notes may not develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our performance and other factors.

In connection with the offering of the notes, the underwriters may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the underwriters. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. The underwriters are not required to engage in any of these activities. If the underwriters engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The underwriters and/or their affiliates have provided investment banking, commercial banking and/or financial advisory services to Telecom Italia or its affiliates in the past, for which they have received customary compensation and expense reimbursement, and may do so again in the future.

The underwriters were expected to make offers and sales both inside and outside of the United States through their selling agents. Any offers and sales in the United States were conducted by broker-dealers registered with the SEC. The underwriters were expected to make offers and sales in the United States through their respective selling agents in the United States.

Certain underwriters made the notes available for distribution on the Internet through a proprietary website and/or a third-party system operated by Market Axess Corporation, an Internet-based communications technology provider. Market Axess Corporation is providing the system as a conduit for communication between such underwriters and their customers and is not a party to any transaction. Market Axess Corporation, a registered broker-dealer, will receive compensation from such underwriters based on transactions such underwriters conduct through the system. Such underwriters will market the notes available to their customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

Delivery of the notes was made against payment on July 18, 2006. Trades of securities in the secondary market generally are required to settle in three business days, referred to as T+3, unless the parties to a trade agree otherwise. Accordingly, by virtue of the fact that the initial delivery of the notes was not to be made on a T+3 basis, investors who wished to trade the notes before a final settlement were required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement.

Selling Restrictions

No underwriter is authorized to make any representation or use any information in connection with the issue, offering and sale of the notes other than as contained in this listing memorandum, any free writing prospectus or incorporated by reference herein, or such other information relating to TI Capital, Telecom Italia and the notes which we have authorized to be used or is otherwise publicly available.

General . Other than in the United States, no action has been or will be taken by TI Capital (prior to the issue date), Telecom Italia or by or on behalf of any underwriter which would permit a public offering of any of the notes or distribution of a prospectus or offering material in any jurisdiction where there are requirements for such purpose to be complied with. Accordingly, notes may not be offered or sold, directly or indirectly, and neither this listing memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction other than the United States except under an exemption that would result in compliance with any applicable laws and regulations. Each underwriter has represented and agreed that it will only offer, sell or deliver any notes or distribute copies of this listing memorandum or any other document relating to the notes in the countries listed in the Decree of the Ministry of Finance of Italy of September 4, 1996, as amended. A copy of the decree can be obtained from the website of the Ministry of Finance of Italy at www.finanze.it.

Each underwriter will to the best of its knowledge comply with all relevant laws, regulations and directives in each jurisdiction in which it offers, sells, or delivers notes or has in its possession or distributes this listing memorandum or any amendment or supplement thereto or any other offering material.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each underwriter represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State (provided that the notes have not been and will not be offered, sold or delivered in Italy or to investors resident in Italy) at any time:

- in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or

- in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the foregoing, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Italy. No application has been made to obtain an authorization from CONSOB for a public offering of the notes. Each underwriter represents, warrants and agrees that it has not offered or sold, and will not offer or sell, any notes in Italy or to investors resident in Italy and will not distribute copies of this listing memorandum or any other document relating to the notes in Italy. Furthermore, secondary trades by professional investors to persons who are not professional investors in Italy for one year from the issuance should be made using an Italian information document drafted in accordance with Article 100bis, paragraph 2, of the UFA, failing which such professional investors would be liable for the solvency of the issuer vis-a-vis any purchasers of the notes who are not professional investors.

United Kingdom. Each underwriter has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the United Kingdom Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to TI Capital or Telecom Italia; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such notes in, from or otherwise involving the United Kingdom.

Japan. The notes have not been and will not be registered under the Securities and Exchange Law of Japan. Each underwriter has represented and agreed that the notes offered hereby which it purchases will be purchased by it as principal and that, in connection with the offering of the notes offered hereby, it has not offered or sold, and will not offer or sell, directly or indirectly, any notes in Japan or to, or for the account of, any resident thereof or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account of, any resident thereof, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

France. Each underwriter has represented and agreed that (i) it has not offered or sold and will not offer or sell, directly or indirectly, any notes to the public in France and (ii) it has not released, issued, distributed or caused to be released, issued or distributed and will not release, issue, distribute or cause to be released, issued or distributed in France this listing memorandum or any other offering material relating to the notes and has not used and will not use such material in connection with any offer for subscription or sale of the notes to the public in France. In France, such offers, sales, releases, issuances and distributions will have been and shall only be made to (a) qualified investors (*investisseurs qualifiés*) and/or (b) a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, as defined in Articles D.411-1, D.411-4, D.734-1, D.744-1, D.754-1, and D.764-1, and/or (c) to persons providing the investment service of portfolio management with third parties' funds, all as defined in and in accordance with Article L. 411-2 of the French *Code monétaire et financier*.

Such notes may be resold only in compliance with Articles L. 411-1 Seq. L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier*. Investors in France and persons into whose possession offering material comes must inform themselves about and observe any such restrictions.

GENERAL INFORMATION

Luxembourg Listing

Copies of Telecom Italia's bylaws, TI Capital's respective articles of association and all reports prepared and filed are available at the office of BNP Paribas Securities Services, Luxembourg Branch, the paying agent in Luxembourg. We will maintain a paying agent and registrar in Luxembourg for so long as any notes are listed on the Luxembourg Stock Exchange.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes and guarantees. The issuance of the notes and guarantees was approved by the board of directors of Telecom Italia on July 25, 2005. The issuance of the notes was approved by the board of directors of TI Capital on May 12, 2006. The terms and conditions of the offer, the issuance of the notes and guarantees in connection herewith and the preparation and filing of this listing memorandum was approved by the board of directors of Telecom Italia on July 25, 2005.

Documents on Display

You may obtain a copy of any of the documents listed in the "Incorporation by reference" section on pages 21 – 25 of this listing memorandum and any of the documents listed below, during the life of this listing memorandum from:

BNP Paribas
Securities Services, Luxembourg Branch
33 rue de Gasperich Howald-Hesperange
L-2085 Luxembourg

1. Memorandum and articles of association of TI Capital;
2. Bylaws of Telecom Italia;
3. All historical annual audited and interim unaudited financial information of the Telecom Italia Group and related reports, letters and other documents, and valuations and statements prepared by an expert at TI Capital's request which are included or incorporated by reference in this Listing Memorandum; and
4. The historical audited financial information of TI Capital for each of the two years preceding the publication of this Listing Memorandum.
5. The historical unaudited interim financial information of TI Capital for the period ending 30 June, 2006.

LEGAL MATTERS

The validity of the notes under New York law and certain matters of United States law relating to the notes have been passed upon for Telecom Italia and TI Capital by Morgan, Lewis & Bockius LLP. Certain matters of Italian law have been passed upon for Telecom Italia by Labruna Mazzotti Segni. Certain matters of Italian tax law have been passed upon for Telecom Italia by Maisto e Associati Associazione Professionale. Certain matters of Luxembourg law, including Luxembourg tax law, have been passed upon for TI Capital by Linklaters Loesch.

EXPERTS

The consolidated financial statements of Telecom Italia appearing in the Telecom Italia Annual Report (Form 20-F) for the year ended December 31, 2005, have been audited by Reconta Ernst & Young S.p.A., independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements have been incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated interim financial statements of Telecom Italia for the six months ended June 30, 2005 and 2006 were subject to a limited review, without qualification and in accordance with generally accepted auditing standards in Italy, by Reconta Ernst & Young S.p.A., as set forth in their reports thereon and included therein, and incorporated by reference elsewhere herein.

Reconta Ernst & Young S.p.A. is registered under no. 2 in the Special Register (Albo Speciale) maintained by CONSOB and set out at article 161 of the Unified Text of the Rules for the Capital Markets (Testo Unico delle Disposizioni in materia di mercati finanziari) and under no. 70945 in the Register of Accountancy Auditors (Registro dei Revisori Contabili), in compliance with the

provisions of the Legislative Decree 27th January 1992, n.88. Reconta Ernst & Young S.p.A., is also a member of ASSIREVI, the Italian association of auditing firms and it is registered at the PCAOB (Public Company Accounting Oversight Board) in the United States.

Ernst & Young S.A. (Luxembourg), independent registered public accounting firm, have audited the TI Capital financial statements at December 31, 2005 and 2004, as stated in their reports set forth in this listing memorandum (except for the cash flow statements of TI Capital set forth on page 99 of this Listing Memorandum, which have been reviewed by such firm). Such audited financial statements are set forth herein in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Ernst & Young S.A. (Luxembourg) is a member of the Institut des Reviseurs d'entreprises Luxemburgeois and the Ordre des Experts – Comptables Luxemburgeois.

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TI CAPITAL FINANCIAL STATEMENTS

BILAN AU 30 JUIN 2006

UN AUDITED

ACTIF	30/06/2006 en EUR	PASSIF	30/06/2006 en EUR
A) Actif immobilisé		A) Capitaux propres	
Immobilisations incorporelles	21,661.51	Capital social	2,336,000.00
Immobilisations corporelles	950.92	Réserves	
		- Réserve légale	234,000.00
Immobilisations financières		- Autres réserves indisponibles	358,829.57
- Créances sur Maison Mère	7,814,385,589.55	- Autres réserves	83,225.00
- Créances sur entreprises liées	179,961,052.84	Résultats reportés	56,448.76
		Bénéfice de la période	261,063.20
		Total A)	3,329,566.53
		B) Provision pour risques et charges	
		- Provisions pour impôts	914,602.51
		Total B)	914,602.51
B) Actif circulant		C) Dettes	
Créances		- <i>Dettes à long terme (> 12 mois)</i>	
- Créances sur entreprises liées	40,959,415.63	Emprunts obligataires	7,865,963,973.90
- Avoirs en banque	10,182,586.84	Dettes envers établ. de crédit	58,855,909.85
- Autres créances	96.00		
		- <i>Dettes à court terme (< 12 mois)</i>	
		Dettes financières envers entreprises liées	210.78
		Autres dettes financières	4,062.67
		Dettes envers Maison Mère	1,004,527.28
		Autres dettes envers tiers	767,985.83
		Réévaluation du change	179,963,549.57
Total B)	51,142,098.47	Total C)	8,106,560,219.88
C) Comptes de régularisation	262,135,431.40	D) Comptes de régularisation	196,842,395.77
	8,307,646,784.69		8,307,646,784.69
COMPTES D'ORDRE		COMPTES D'ORDRE	
Opérations liées aux taux de change et aux taux d'intérêt		Opérations liées aux taux de change et aux taux d'intérêt	
- Swaps de devises et de taux d'intérêt	5,232,196,307.35	- Swaps de devises et de taux d'intérêt	5,232,196,307.35
- Swaps de taux d'intérêt	7,551,325,414.93	- Swaps de taux d'intérêt	7,551,325,414.93
- Swaps de devises	354,379.45	- Swaps de devises	354,379.45
	12,783,876,101.73		12,783,876,101.73

COMPTES PROFITS ET PERTES AU 30 JUIN 2006

UNAUDITED

CHARGES	30/06/2006	PRODUITS	30/06/2006
	en EUR		en EUR
Frais de personnel		Intérêts et produits assimilés	
<i>a) Salaires</i>	19,489.99	- sur entreprises liées	126,201.07
<i>b) Charges sociales</i>	17,444.57	- sur Maison Mère	4,211,714.69
		- autres produits financiers	165,874,396.69
		- sur contrats de couverture	286,010,370.34
	36,934.56		456,222,682.79
Corrections sur immobilisations incorporelles	7,583.82		
Corrections sur immobilisations corporelles	72.58		
Charges d'exploitation	500,694.25		
Intérêts et charges assimilées			
- sur emprunts obligataires	202,062,030.70		
- sur établissements de crédit	1,892,610.27		
- sur Maison Mère	1,004,527.28		
- sur contrats de couverture	250,347,209.75		
	455,306,378.00		
Autres impôts	109,956.38		
Bénéfice de la période	261,063.20		
	456,222,682.79		456,222,682.79

BILAN AU 31 DECEMBRE 2005 - (EUR)

ACTIF	31/12/2005 en EUR
A) Actif immobilisé	
Frais d'établissement (note 4)	
	29,245.33
Immobilisations financières (note 5)	
- Créances sur Maison Mère	8,074,743,842.13
- Créances sur entreprises liées	179,961,052.84
	8,254,704,894.97
Total A)	8,254,734,140.30
B) Actif circulant	
Créances	
- Créances envers entreprises liées	40,967,327.14
- Réévaluation du change (note 6)	186,496,889.45
Avoirs en banque	11,640,961.87
Total B)	239,105,178.46
C) Comptes de régularisation (note 7)	262,909,106.81
	8,756,748,425.57
COMPTES D'ORDRE	
Opérations liées aux taux de change et aux taux d'intérêt (note 13)	
- Swaps de devises et de taux d'intérêt	5,232,196,307.35
- Swaps de taux d'intérêt	8,137,662,117.49
- Swap de devises	616,362.90
	13,370,474,787.74

Les notes 1 à 20 font partie intégrante de ces comptes.

PASSIF	31/12/2005 en EUR
A) Capitaux propres (Note 8)	
Capital social	2,336,000.00
Réserves	
- Réserve légale	234,000.00
- Autres réserves indisponibles	358,829.57
Résultats reportés	450,832.91
Bénéfice de la période	1,938,837.35
Acompte sur dividendes	-1,900,000.00
Total A)	3,418,499.83
C) Dettes	
<i>- Dettes à long terme (> 12 mois)</i>	
Emprunts obligataires (note 9)	8,476,731,372.40
Dettes envers etabl. de crédit (note 10)	65,903,247.13
<i>- Dettes à court terme (< 12 mois)</i>	
Dettes financières envers entreprises liées	210.89
Dettes envers Maison Mère	16,051,293.18
Dettes fiscales (note 11)	804,646.13
Autres dettes envers tiers	3,947,593.76
Total C)	8,563,438,363.49
D) Comptes de régularisation (note 12)	189,891,562.25
	8,756,748,425.57
COMPTES D'ORDRE	
Opérations liées aux taux de change et aux taux d'intérêt (note 13)	
- Swaps de devises et de taux d'intérêt	5,232,196,307.35
- Swaps de taux d'intérêt	8,137,662,117.49
- Swap de devises	616,362.90
	13,370,474,787.74

COMPTES PROFITS ET PERTES AU 31 DECEMBRE 2005 – (EUR)

CHARGES	31/12/2005 en EUR
Frais de personnel	
a) Salaires	77,697.73
b) Charges sociales	27,502.78
	105,200.51
Corrections sur immobilisations incoporelles	21,141.48
Charges d'exploitation	631,703.47
Intérêts et charges assimilées	
- sur emprunts obligataires (note 14)	351,270,137.05
- sur établissements de crédit	1,514,607.92
- sur Maison Mère	1,863,517.84
- sur contrats de couverture	130,415,995.63
- sur entreprises liées	25,803.33
- autres charges financières	122,505.37
	485,212,567.14
Impôts sur les revenus	781,801.79
Bénéfice de la période	1,938,837.35
	488,691,251.74

Les notes 1 à 20 font partie intégrante de ces comptes.

PRODUITS	31/12/2005 en EUR
Intérêts et produits assimilés	
- sur établissements de crédit	434,134.16
- sur entreprises liées	5,998,986.55
- sur Maison Mère	230,340,886.25
- sur contrats de couverture	251,606,594.78
	488,380,601.74
Autres produits d'exploitation (note 17)	310,650.00
	488,691,251.74

TELECOM ITALIA CAPITAL SA
COMPARAISON ENTRE LES BILANS 31/12/2005 – 31/12/2004

ACTIF	31/12/2005 en EUR	31/12/2004 en EUR	Différences en EUR
A) Actif immobilisé			
Frais d'établissement (note 4)	29,245.33	50,386.81	-21,141.48
Immobilisations financières (note 5)			
- Créances sur Maison Mère	8,074,743,842.13	5,602,641,949.93	2,472,101,892.20
- Créances sur entreprises liées	179,961,052.84	121,761,052.84	58,200,000.00
Total A)	8,254,704,894.97	5,724,403,002.77	2,530,301,892.20
	8,254,734,140.30	5,724,453,389.58	2,530,280,750.72
B) Actif circulant			
Créances			
- Créances envers entreprises liées	40,967,327.14	45,959,415.63	-4,992,088.49
- Réévaluation du change (note 6)	186,496,889.45	-	186,496,889.45
Avoirs en banque	11,640,961.87	216.85	11,640,745.02
Total B)	239,105,178.46	45,959,632.48	193,145,545.98
C) Comptes de régularisation (note 7)	262,909,106.81	138,394,860.68	124,514,246.13
	8,756,748,425.57	5,908,807,882.74	2,847,940,542.83
COMPTES D'ORDRE			
Opérations liées aux taux de change et aux taux d'intérêt (note 13)			
- Swaps de devises et de taux d'intérêt	5,232,196,307.35	2,831,459,963.57	2,400,736,343.78
- Swaps de taux d'intérêt	8,137,662,117.49	5,506,203,656.12	2,631,458,461.37
- Swap de devises	616,362.90	-	616,362.90
	13,370,474,787.74	8,337,663,619.69	5,032,811,168.05

TELECOM ITALIA CAPITAL SA
COMPARAISON ENTRE LES BILANS 31/12/2005 – 31/12/2004

PASSIF	31/12/2005 en EUR	31/12/2004 en EUR	Différences en EUR
A) Capitaux propres (note 8)			
Capital social	2,336,000.00	2,336,000.00	-
Réserves			
- Réserve légale	234,000.00	-	234,000.00
- Autres réserves indisponibles	358,829.57	592,829.57	-234,000.00
Résultats reportés	450,832.91	-225,430.02	676,262.93
Bénéfice de l'exercice	1,938,837.35	676,262.79	1,262,574.56
Acompte sur dividendes	-1,900,000.00	-	-1,900,000.00
Total A)	3,418,499.83	3,379,662.34	38,837.49
C) Dettes			
<i>-Dettes à long terme (> 12 mois)</i>			
Emprunts obligataires (note 9)	8,476,731,372.40	5,506,203,656.11	2,970,527,716.29
Dettes envers établ. de crédit (note 10)	65,903,247.13	46,853,679.67	19,049,567.46
<i>- Dettes à court terme (< 12 mois)</i>			
Dettes financières envers entreprises liées	210.89	262,552.16	-262,341.27
Dettes envers Maison Mère	16,051,293.18	1,251,792.23	14,799,500.95
Dettes fiscales (note 11)	804,646.13	3,706,265.91	-2,901,619.78
Autres dettes envers tiers	3,947,593.76	132,231.89	3,815,361.87
Réévaluation du change (note 6)	-	261,835,907.40	-261,835,907.40
Total C)	8,563,438,363.49	5,820,246,085.37	2,743,192,278.12
D) Comptes de régularisation (note 12)	189,891,562.25	85,182,135.03	104,709,427.22
	8,756,748,425.57	5,908,807,882.74	2,847,940,542.83
COMPTES D'ORDRE			
Opérations liées aux taux de change et aux taux d'intérêt (note 13)			
- Swaps de devises et de taux d'intérêt	5,232,196,307.35	2,831,459,963.57	2,400,736,343.78
- Swaps de taux d'intérêt	8,137,662,117.49	5,506,203,656.12	2,631,458,461.37
- Swap de devises	616,362.90	-	616,362.90
	13,370,474,787.74	8,337,663,619.69	5,032,811,168.05

Les notes 1 à 20 font partie intégrante de ces comptes.

**COMPARAISON ENTRE LES COMPTES DE
PROFITS ET PERTES 31/12/2005 – 31/12/2004**

CHARGES	31/12/2005 en EUR	31/12/2004 en EUR	Différences en EUR
Corrections sur immobilisations incorporelles	21,141.48	21,142.92	-1.44
Frais de personnel	105,200.51	-	105,200.51
Charges d'exploitation	631,703.47	314,194.96	317,508.51
Autres impôts (note 16)	-	9,925,959.52	-9,925,959.52
Intérêts et charges assimilées			
- sur emprunts obligataires (note 14)	351,270,137.05	198,676,895.15	152,593,241.90
- sur établissement de crédit	1,514,607.92	816,030.51	698,577.41
- sur Maison Mère	1,863,517.84	970,394.33	893,123.51
- sur contrats de couverture	130,415,995.63	56,905,339.18	73,510,656.45
- sur entreprises liées	25,803.33	-	25,803.33
- pertes de change	122,505.37	-	122,505.37
	485,212,567.14	257,368,659.17	227,843,907.97
Impôts sur les revenus	781,801.79	316,200.00	465,601.79
Bénéfice de la période	1,938,837.35	676,262.79	1,262,574.56
	488,691,251.74	268,622,419.36	220,068,832.38

Les notes 1 à 20 font partie intégrante de ces comptes.

**COMPARAISON ENTRE LES COMPTES DE
PROFITS ET PERTES 31/12/2005 – 31/12/2004**

PRODUITS	31/12/2005 en EUR	31/12/2004 en EUR	Différences en EUR
Intérêts et produits assimilés			
- sur établissement de crédit	434,134.16	350,886.20	83,247.96
- sur entreprises liées	5,998,986.55	1,213,805.85	4,785,180.70
- sur Maison Mère	230,340,886.25	99,132,594.89	131,208,291.36
- sur contrats de couverture	251,606,594.78	167,878,999.04	83,727,595.74
- gains de change		46,133.38	-46,133.38
	488,380,601.74	268,622,419.36	219,758,182.38
Autres produits d'exploitation (note 17)	310,650.00	-	310,650.00
	488,691,251.74	268,622,419.36	220,068,832.38

Les notes 1 à 20 font partie intégrante de ces comptes.

NOTES EXPLICATIVES AUX ETATS FINANCIERS

NOTE 1 – CONSTITUTION DE LA SOCIETE

La société a été constituée le 27 Septembre 2000 pour une durée illimitée. Elle est enregistrée au Registre de Commerce et des Sociétés de Luxembourg sous le numéro B 77.970 et son siège social est actuellement au 287/289 Route d'Arlon L-1150 Luxembourg.

NOTE 2 – ACTIVITE DE LA SOCIETE

La société a pour objet de financer de la manière la plus large les sociétés et entreprises faisant partie du Groupe Telecom Italia.

A cette fin, elle peut se procurer tous fonds en émettant des obligations, des bons de caisse et tous autres instruments et en contractant tous emprunts sous toutes formes auprès de banques et d'investisseurs institutionnels et de toute autre manière, l'énumération qui précède étant purement énonciative et non limitative.

Elle peut également prendre des participations dans toute société luxembourgeoise ou étrangère et administrer, gérer et mettre en valeur son portefeuille.

Elle peut accomplir toutes opérations généralement quelconques, commerciales, financières, mobilières et immobilières se rapportant directement ou indirectement à son objet.

D'une manière générale, la société peut effectuer toute opération qu'elle jugera utile à l'accomplissement et au développement de son objet social.

L'exercice social de la Société débute le 1^{er} janvier et se termine le 31 décembre.

NOTE 3 – PRINCIPES ET METHODES COMPTABLES

Les états financiers de la Société TELECOM ITALIA CAPITAL SA pour l'exercice 2005 ont été établis conformément aux principes comptable généralement admis au Luxembourg.

La comptabilité sociale et le bilan annuel de la Société sont tenus et exprimés en euros (EUR).

La Société utilise la méthode de la comptabilité multidevises qui consiste à enregistrer les actifs et les passifs dans leur devise d'origine qui sont convertis en euros à la fin de chaque mois. Les différences nettes de change résultat de ces conversions sont imputées au compte de profits et pertes au poste autres charges / produits financiers.

Les produits et les charges réalisés en devises autres que l'euro sont enregistrés dans leurs devises respectives et convertis aux cours de change en vigueur à la date de l'opération.

Les différences de change provenant des opérations de financement libellées en devises autres que l'euro sont couvertes soit par le biais de placements et prêts congruents, soit par le recours à des contrats de swaps de devises par l'utilisation du compte de « réévaluation du change » dont l'évaluation au cours de clôture permet de neutraliser le risque de change.

Swaps de taux d'intérêt et de devises

Les engagements relatifs aux swaps de devises et de taux d'intérêt sont inscrits dans les postes hors bilan à la valeur nominale des contrats.

Compte de régularisation

Les comptes de régularisation comprennent d'une part les intérêts courus non échus relatifs aux dépôts et prêts accordés et les opérations de swap d'intérêts liées (compte de régularisation actif) et d'autre part les intérêts courus non échus sur les emprunts obligataires et les opérations de swap d'intérêts liées (compte de régularisation passif).

Les comptes de régularisation actifs incluent également les primes d'émission et frais d'émission. Ceux-ci sont portés en compte de profits et pertes de manière linéaire sur la durée de vie des emprunts obligataires.

NOTE 4 – FRAIS D'ETABLISSEMENT

Les frais d'établissement sont amortis linéairement au taux de 20% par an.

Au 31 décembre 2005, les frais d'établissement se détaillent comme suit:

	<i>31/12/2005 en EUR</i>	<i>31/12/2004 en EUR</i>
Valeur d'acquisition au début de l'exercice	105,714.58	105,714.58
Acquisition au cours de l'exercice	-	-
Valeur d'acquisition à la fin de l'exercice	105,714.58	105,714.58
Corrections de valeur au début de l'exercice	55,327.77	34,184.33
Corrections de valeur au cours de l'exercice	21,141.48	21,143.44
Corrections de valeur à la fin de l'exercice	76,469.25	55,327.77
Valeur nette comptable à la fin de l'exercice	29,245.33	50,386.81

NOTE 5 – IMMOBILISATIONS FINANCIERES

Avec les montants reçus des émissions des emprunts obligataires, la Société a conclu des contrats de dépôts envers la Maison Mère et des contrats de financements envers des entreprises liées.

Avec une partie des fonds reçus des émissions obligataires effectuées le 28 septembre 2005, d'un montant total de US\$2,500,000,000, la société a conclu avec la Maison Mère deux contrats de dépôt pour un montant total de EUR 2,002,000,000 (EUR 1,732,000,000 échéance 2013, et EUR 270,000,000 échéance 2010) qui s'ajoutent aux contrats conclus au cours de l'exercice 2004 pour un montant total de EUR 2,666,000,000 (EUR 1,816,000,000, échéance 2019, et EUR 850,000,000, échéance 2006) et au contrat conclu au cours de l'exercice 2003 (tel que modifiée) d'un montant de US\$4,000,000,000, échéance 2014.

En outre, la société a octroyé au cours de l'exercice 2005 des financements supplémentaires à différentes sociétés du Groupe Telecom Italia pour un montant nominal de EUR 60 millions. Au 31 décembre 2005 le total des financements octroyés était de EUR 299.7.

NOTE 6 – REEVALUATION DU CHANGE

Le compte représente un montant de EUR 186,496,889.45 (EUR -261,835,907.40 au 31/12/04) relatif à l'évaluation au cours de clôture des contrats de change, souscrits dans un but de couvrir le risque de change dans le cadre des émissions du 6 octobre 2004 et du 28 septembre 2005. Cette réévaluation correspond à la différence entre le taux de change contractuel et le taux de change de clôture. La contrepartie au compte de profits et pertes est compensée avec le résultat de change provenant de la conversion en EUR des emprunts obligataires.

NOTE 7 – COMPTES DE REGULARISATION (ACTIF)

Le compte est composé des montants relatifs à la part des intérêts courus et aux autres charges payées d'avance.

	31/12/2005 en EUR	31/12/2004 en EUR
Intérêts courus sur dépôts bancaires	1,582.97	-
Charges payées d'avance sur Emprunt ob. (primes d'émission et frais d'émission)	64,843,890.90	46,350,462.74
Intérêts courus sur créances envers Maison Mère	62,380,781.87	33,638,659.09
Intérêts courus sur contrats de couverture	127,220,132.44	55,049,360.05
Intérêts courus sur créances envers société du Groupe	2,751,443.22	1,028,481.95
Autres charges payées d'avance	5,711,275.41	2,327,896.85
	262,909,106.81	138,394,860.68

NOTE 8 – CAPITAUX PROPRES

a) Capital social

La Société a été constituée avec un capital social s'élevant à US\$30,000 (trente mille), représenté par 3,000 (trois mille) actions d'une valeur nominale de US\$10 (dix) chacune, entièrement libérées.

Au cours de l'Assemblée Générale Extraordinaire du 5 mars 2001, le capital social a été augmenté pour le porter à US\$1,000,000, - (un million) par émission de 97,000 (quatre vingt dix-sept mille) actions d'une valeur nominale de US\$10, - (dix) chacune, entièrement libérées.

L'Assemblée Générale Extraordinaire du 20 décembre 2002 a décidé d'augmenter le capital pour le porter de US\$1,000,000 à US\$8,000,000 par augmentation de la valeur nominale des actions de US\$10 à US\$80. Elle a ensuite décidé de réduire à US\$2,400,000 le capital afin d'absorber des pertes reportées (US\$5,600,000). Ensuite, elle a décidé de convertir le capital social en Euro au cours de change de 1 euro égal à 1.0273 US\$.

Au 31 Décembre 2005, le capital social s'élève donc à EUR 2,336,000 divisé en 100,000 actions d'une valeur nominale de EUR 23.36 par action.

	Nombre d'actions 31/12/2005	Nombre d'actions 31/12/2004
TELECOM ITALIA S.p.A.	99,999	99,999
TELECOM ITALIA FINANCE S.A.	1	1
	100,000	100,000

b) Réserves

Les réserves se détaillent comme suit:

Réserve légale de EUR 234,000.00, soit 10% du capital social, qui a été créée aux cours de l'assemblée du 2 mars 2005 en y affectant le montant des réserves indisponibles.

Autres réserves indisponibles de EUR 358,829.57 qui a été constituée comme suit:

- EUR 51,273.64 correspondant à la différence entre le montant des pertes reportées à apurer et le montant de la réduction de capital effectuée par l'Assemblée Générale du 20 décembre 2002.
- EUR 221.16 résultant de la réduction du capital pour le convertir de Dollars des Etats Unis d'Amérique en Euros.
- EUR 541,334.77 correspondant à la différence entre la perte enregistrée au 31/12/2002 et celle apurée par l'Assemblée Générale du 20 décembre 2002.

- En date du 2 mars 2005 l'assemblée des actionnaires a réduit le montant des réserves indisponibles ainsi constitués en transférant un montant de EUR 234,000.00 à la réserve légale.
 - *Résultats reportés* (EUR 450,832.91) il a été constitué au cours de l'assemblée du 2 mars 2005 avec les bénéfices reportés des exercices précédents.
- c) **Acompte sur dividendes** représente le montant payé d'avance au cours de l'année 2005 aux actionnaires par décision du Conseil d'Administration.

NOTE 9 – EMPRUNTS OBLIGATAIRES

La Société a émis les emprunts obligataires suivants:

	<i>31/12/2005 en EUR</i>	<i>31/12/2004 en EUR</i>
Emprunt obligataire US\$1,000,000,000 29/10/2003-15/11/2008 taux fixe 4%	847,673,137.24	734,160,487.48
Emprunt obligataire US\$2,000,000,000 29/10/2003-15/11/2013 taux fixe 5.25%	1,695,346,274.48	1,468,320,974.97
Emprunt obligataire US\$1,000,000,000 29/10/2003-15/11/2033 taux fixe 6.375%	847,673,137.24	734,160,487.48
Emprunt obligataire US\$1,250,000,000 06/10/2004-15/01/2010 taux fixe 4%	1,059,591,421.55	917,700,609.35
Emprunt obligataire US\$1,250,000,000 06/10/2004-30/09/2014 taux fixe 4.95%	1,059,591,421.55	917,700,609.35
Emprunt obligataire US\$1,000,000,000 06/10/2004-30/09/2034 taux fixe 6%	847,673,137.24	734,160,487.48
Emprunt obligataire US\$400,000,000 28/09/2005-01/10/2010 taux variable Libor 3M + 0.4800%	339,069,254.90	-
Emprunt obligataire US\$700,000,000 28/09/2005-01/02/2011 taux fixe 4.875%	593,371,196.07	-
Emprunt obligataire US\$1,400,000,000 28/09/2005-01/10/2015 taux fixe 5.25%	1,186,742,392.13	-
	8,476,731,372.40	5,506,203,656.11

NOTE 10 – DETTES ENVERS ETABLISSEMENTS DE CREDIT

L'émission des emprunts obligataires a engendré un montant de « *up front fees*» de US\$31.3 millions pour les émissions du 29 Octobre 2003, de US\$35.6 millions pour les émissions du 6 Octobre 2004 et de US\$19.7 millions pour les émissions du 28 Septembre 2005. Pour financer le paiement des « *up front fees*», la Société a conclu des contrats d'emprunts bancaires de même durée que les emprunts obligataires. Les contrats prévoient le remboursement par échéances trimestrielles.

DETTE ENVERS ETABLISSEMENTS DE CREDIT	<i>31/12/2005 en EUR</i>	<i>31/12/2004 en EUR</i>
Final Maturity : 15/11/2008	2,001,655.92	2,309,904.93
Final Maturity : 15/11/2013	9,556,652.86	9,310,819.29
Final Maturity : 15/11/2033	10,402,983.80	9,331,473.47
Final Maturity : 15/01/2010	5,270,562.50	5,671,389.77
Final Maturity : 30/09/2014	11,067,875.12	7,161,485.45

DETTES ENVERS ETABLISSEMENTS DE CREDIT	31/12/2005 en EUR	31/12/2004 en EUR
Final Maturity : 29/09/2034	10,937,991.84	13,068,606.76
Final Maturity : 01/10/2010	6,343,985.78	-
Final Maturity : 01/02/2011	1,166,669.42	-
Final Maturity : 01/10/2015	9,154,869.89	-
	65,903,247.13	46,853,679.67

NOTE 11 – DETTES FISCALES

	31/12/2005 en EUR	31/12/2004 en EUR
Retenues à la source	-	3,363,865.91
Provisions pour impôts	804,646.13	342,400.00
	804,646.13	3,706,265.91

NOTE 12 – COMPTES DE REGULARISATION (PASSIF)

Le compte est composé des montants relatifs à la part des intérêts courus non échus.

	31/12/2005 en EUR	31/12/2004 en EUR
Intérêts courus sur emprunts obligataires	95,120,835.51	49,376,116.53
Intérêts courus sur contrats de couverture	94,554,100.38	35,705,550.33
Intérêts courus envers des etabl. de crédit	216,626.36	100,454.17
Intérêts courus envers des entreprises liées		14.00
	189,891,562.25	85,182,135.03

NOTE 13 – CONTRATS DE COUVERTURE

Afin de couvrir le risque de taux lié aux emprunts obligataires émis en 2003, la Société a conclu des contrats IRS (Interest Rate Swap) de même durée que les emprunts, qui prévoient le paiement aux banques du taux variable US\$ contre le paiement par celles-ci du taux fixe US\$ du coupon.

Afin de couvrir le risque de taux et le risque de change liés aux emprunts obligataires à taux fixe émis en 2004 et en 2005, la Société a conclu plusieurs contrats de swaps de devises et taux (CCIRS) de même durée que les emprunts, qui prévoient le paiement aux banques du taux variable EUR contre le paiement par celles-ci du taux fixe US\$. Ces mêmes contrats permettent simultanément la couverture du risque de change (Note 6). En effet, la société a émis en 2004 et en 2005 des emprunts obligataires en US\$ mais a prêté les fonds reçus en EUR.

Pour ce qui concerne l'émission à taux variable de USD 400 millions émis au cours de l'année 2005, a été prévu une couverture pour ce qui concerne le risque de change pour toute la durée de l'émission.

NOTE 14 - INTERETS ET CHARGES ASSIMILEES SUR EMPRUNTS OBLIGATAIRES

	<i>31/12/2005 en EUR</i>	<i>31/12/2004 en EUR</i>
Intérêts sur emprunts obligataires	346,133,271.73	196,007,857.38
Amortissement des primes et frais d'émission des emprunts obligataires	5,136,865.32	2,669,037.77
	351,270,137.05	198,676,895.15

NOTE 15 - GARANTIES

Les emprunts obligataires émis par Telecom Italia Capital S.A. pour un montant total de US\$ 10,000,000,000 et les contrats dérivés pour la couverture du risque de taux et du risque de change, sont garantis par Telecom Italia S.p.A. Une commission de EUR 1,863,517.84 est enregistrée dans le compte de profits et pertes (intérêts et charges assimilées sur Maison Mère).

NOTE 16 - AUTRES IMPOTS

Ce poste comprend les montants payés et provisionnés au titre de retenue à la source à payer en Italie sur les intérêts reçus ou à recevoir sur les créances Telecom Italia S.p.A. En accord avec la Directive européenne, implémentée dans le droit italien, les retenues à la source ne sont plus applicables en 2005.

	<i>31/12/2005 en EUR</i>	<i>31/12/2004 en EUR</i>
Retenues à la source	-	9,925,959.52
		-
		9,925,959.52

NOTE 17 - AUTRES PRODUITS D'EXPLOITATION

Le montant de EUR 310,650.00 se réfère à une « reprise de provision pour impôts » en relation avec les exercices antérieurs.

NOTE 18 - SITUATION FISCALE

La Société est soumise au Luxembourg au droit fiscal commun applicable à toutes les sociétés de capitaux.

NOTE 19 - CONSOLIDATION

Les comptes de la société sont inclus dans les comptes consolidés de Telecom Italia S.p.A., qui sont disponibles auprès du siège social de Telecom Italia S.p.A. situé à Milano, Piazza degli Affari 2.

NOTE 20 - REMUNERATION DES ADMINISTRATEURS

Aucune rémunération n'a été payée aux Administrateurs au cours de l'exercice 2005.

RAPPORT DU RÉVISEUR D'ENTREPRISES

Aux actionnaires de
TELECOM ITALIA CAPITAL S.A.
Société Anonyme
Luxembourg

Conformément au mandat donné par l'Assemblée Générale des actionnaires, nous avons contrôlé les comptes annuels ci-joints de TELECOM ITALIA CAPITAL S.A. pour l'exercice se terminant le 31 décembre 2005 et avons pris connaissance du rapport de gestion y relatif. Les comptes annuels et le rapport de gestion relèvent de la responsabilité du Conseil d'Administration. Notre responsabilité est, sur base de nos travaux de révision, d'exprimer une opinion sur ces comptes annuels et de vérifier la concordance du rapport de gestion avec ceux-ci.

Nous avons effectué nos travaux de révision selon les normes internationales de révision. Ces normes requièrent que nos travaux de révision soient planifiés et exécutés de façon à obtenir une assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Une mission de révision consiste à examiner, sur base de sondages, les éléments probants justifiant les montants et informations contenus dans les comptes annuels. Elle consiste également à apprécier les principes et méthodes comptables suivis et les estimations significatives faites par le Conseil d'Administration pour l'arrêté des comptes annuels, ainsi qu'à effectuer une revue de leur présentation d'ensemble. Nous estimons que nos travaux de révision forment une base raisonnable à l'expression de notre opinion.

A notre avis, les comptes annuels ci-joints donnent, en conformité avec les prescriptions légales et réglementaires en vigueur au Luxembourg, une image fidèle du patrimoine et de la situation financière de TELECOM ITALIA CAPITAL S.A. au 31 décembre 2005 ainsi que des résultats de l'exercice se terminant à cette date.

Le rapport de gestion est en concordance avec les comptes annuels.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

/s/Jean-Marie GISCHER

Jean-Marie GISCHER

Luxembourg, le 28 février 2006

BILAN AU 31 DECEMBRE 2004-(EUR)

ACTIF		PASSIF	
A) Actif immobilisé		A) Capitaux propres	
Immobilisations incorporelles (note 4)	50,386.81	Capital social(note 7)	2,336,000.00
		Réserves	
		- Autres réserves (note 8)	592,829.57
Immobilisations financières: (note 5)		Résultats reportés	- 225,430.02
- Créances envers la Maison Mère	5,602,641,949.93	Bénéfice de l'exercice	676,262.79
- Créances envers des entreprises liées	121,761,052.84		
	<hr/>	Total A)	<hr/> 3,379,662.34
	5,724,403,002.77		
	<hr/>		
Total A)	5,724,453,389.58		
B) Actif circulant		B) Dettes	
Créances		- Dettes à long terme (>12 mois)	
- Créances envers la Maison Mère		Emprunts obligataires (note 9)	5,506,203,656.11
- Créances envers des entreprises liées	45,959,415.63	Dettes envers établ de crédit (note 10)	46,853,679.67
- Avoirs en banque	216.85	- Dettes à court terme (<12 mois)	
	<hr/>	Dettes envers établ.de crédit	150.47
Total B)	45,959,632.48	Dettes financières envers entreprises liées	269,347.75
		Dettes envers Maison Mère (note 11)	1,251,792.23
		Réévaluation du change (note 12)	261,829,111.81
		Dettes fiscales (note 13)	3,706,265.91
		Autres dettes envers tiers	132,081.42
			<hr/>
		Total B)	5,820,246,085.37

C) Comptes de régularisation (note 6)	138,394,860.68	C) Comptes de régularisation (note 14)	85,182,135.03
	<hr/>		<hr/>
	5,908,807,882.74		5,908,807,882.74
COMPTES D'ORDRE		COMPTES D'ORDRE	
Opérations liées aux taux de change et aux taux d'intérêt: (note 15)		Opérations liées aux taux de change et aux taux d'intérêt: (note 15)	
- Swaps de devises et de taux d'intérêt	2,831,459,963.57	- Swaps de devises et de taux d'intérêt	2,831,459,963.57
- Swaps de taux d'intérêt	5,506,203,656.12	- Swaps de taux d'intérêt	5,506,203,656.12
	<hr/>		<hr/>
	8,337,663,619.69		8,337,663,619.69

Les notes 1 à 21 font partie intégrante de ces comptes

COMPTES PROFITS ET PERTES AU 31 DECEMBRE 2004 – (EUR)

CHARGES		PRODUITS	
Corrections sur immobilisations incorporelles	21,142.92	Intérêts et produits assimilés	
Charges d'exploitation (<i>note 16</i>)	314,194.96	- sur établissement de crédit	350,886.20
Autres impôts (<i>note 17</i>)	9,925,959.52	- sur entreprises liées	1,213,805.85
		- sur Maison Mère	99,132,594.89
		- sur contrats de swaps de devises e de taux	167,878,999.04
		- gains de change	46,133.38
Intérêts et charges assimilées			
- sur emprunts obligataires (<i>note 18</i>)	198,676,895.15		
- sur établissement de crédit	816,030.51		
- sur Maison Mère	970,394.33		
- sur contrats de swaps de devises e de taux	56,905,339.18		
- pertes de change	-		
	257,368,659.17		268,622,419.36
Impôts sur les revenus	316,200.00		
Bénéfice de l'exercice	676,262.79		
	268,622,419.36		268,622,419.36

Les notes 1 à 21 font partie intégrante de ces comptes

COMPARAISON ENTRE LES BILANS 31/12/04 – 31/12/03

ACTIF	31/12/2004 en EUR	31/12/2003 en EUR	Differences en EUR
A) Actif Immobilisé			
Immobilisations incorporelles (note 4)	50,386.81	71,529.73	- 21,142.92
Immobilisations financières: (note 5)			
- Créances envers la Maison Mère	5,602,641,949.93	-	5,602,641,949.93
- Créances envers des entreprises liées	121,761,052.84	-	121,761,052.84
	5,724,403,002.77	-	5,724,403,002.77
Total A)	5,724,453,389.58	71,529.73	5,724,381,859.85
B) Actif circulant			
Créances			
- Créances envers la Maison Mère	-	3,167,062,549.49	-3,167,062,549.49
- Créances envers des entreprises liées	45,959,415.63	1,402,787.08	44,556,628.55
- Avoirs en banque	216.85	-	216.85
Total B)	45,959,632.48	3,168,465,336.57	-3,122,505,704.09
C) Comptes de régularisation (note 6)	138,394,860.68	66,078,698.49	72,316,162.19
	5,908,807,882.74	3,234,615,564.79	2,674,192,317.95

COMPTES D'ORDRE			
Opérations liées aux taux de change et aux taux d'intérêt: (note 15)	2,831,459,963.57	-	2,831,459,963.57
- Swaps de devises et de taux d'intérêt	5,506,203,656.12	3,167,062,549.49	2,339,141,106.63
- Swaps de taux d'intérêt			
	8,337,663,619.69	3,167,062,549.49	5,170,601,070.20

Les notes 1 à 21 font partie intégrante de ces comptes

COMPARISON ENTRE LES BILAN 31/12/04 - 31/12/03

PASSIF	31/12/2004 en EUR	31/12/2003 en EUR	Différences en EUR
A) Capitaux propres			
Capital social (note 7)	2,336,000.00	2,336,000.00	-
Réserves			
- Autres réserves (note 8)	592,829.57	592,829.57	-
Résultats reportés	-225,430.02	-267,677.31	42,247.29
Bénéfice de l'exercice	676,262.79	42,247.29	634,015.50
Total A)	3,379,662.34	2,703,399.55	676,262.79
B) Dettes			
<u>- Dettes à long terme (> 12 mois)</u>			
Emprunts obligataires (note 9)	5,506,203,656.11	3,167,062,549.48	2,339,141,106.63
Dettes envers établ.de crédit (note 10)	46,853,679.67	24,782,264.46	22,071,415.21
<u>- Dettes à court terme (<12 mois)</u>			
Dettes envers établ.de crédit	150.47	15.83	134.64
Dettes financières envers des entreprises liées	269,347.75	-	269,347.75
Dettes envers la Maison Mère (note 11)	1,251,792.23	166,596.17	1,085,196.06
Réévaluation du change (note 12)	261,829,111.81	-	261,829,111.81
Dettes fiscales (note 13)	3,706,265.91	1,207,098.44	2,499,167.47
Autres dettes envers tiers	132,081.42	3,062.07	129,019.35
Total B)	5,820,246,085.37	3,193,221,586.45	2,627,024,498.92
C) Comptes de régularisation (note 14)	85,182,135.03	38,690,578.79	46,491,556.24
	5,908,807,882.74	3,234,615,564.79	2,674,192,317.95

COMPTES D'ORDRE			
Opérations liées aux taux de change et aux taux d'intérêt: (note 15)			
- Swaps de devises et de taux d'intérêt	2,831,459,963.57		2,831,459,963.57
- Swaps de taux d'intérêt	5,506,203,656.12	3,167,062,549.49	2,339,141,106.63
	8,337,663,619.69	3,167,062,549.49	5,170,601,070.20

Les notes 1 à 21 font partie intégrante de ces comptes

**COMPARAISON ENTRE LES COMPTES DE
PROFITS ET PERTES 31/12/2004 – 31/12/2003**

CHARGES	31/12/2004 en EUR	31/12/2003 en EUR	Différences en EUR
Corrections sur immobilisations incorporelles	21,142.92	21,142.92	-
Charges d'exploitation (<i>note 16</i>)	314,194.96	121,134.05	193,060.91
Autres impôts (<i>note 17</i>)	9,925,959.52	1,207,098.44	8,718,861.08
Intérêts et charges assimilées			
- sur emprunts obligataires (<i>note 18</i>)	198,676,895.15	28,834,618.92	169,842,276.23
- sur établissement de crédit	816,030.51	92,023.34	724,007.17
- sur Maison Mère	970,394.33	166,596.17	803,798.16
- sur contrats de swaps de devises e de taux	56,905,339.18	-	56,905,339.18
- pertes de change	-	132,701.43	- 132,701.43
	257,368,659.17	29,225,939.86	228,142,719.31
Impôts sur les revenus	316,200.00	-	316,200.00
Bénéfice de l'exercice	676,262.79	42,247.29	634,015.50
	268,622,419.36	30,617,562.56	238,004,856.80

Les notes 1 à 21 font partie intégrante de ces comptes

**COMPARAISON ENTRE LES COMPTES DE
PROFITS ET PERTES 31/12/2004 – 31/12/2003**

PRODUITS	31/12/2004 en EUR	31/12/2003 en EUR	Différences en EUR
Intérêts et produits assimilés			
- sur établissement de crédit	350,886.20	-	350,886.20
- sur entreprises liées	1,213,805.85	60,888.59	1,152,917.26
- sur Maison Mère	99,132,594.89	12,070,984.43	87,061,610.46
- sur contrats de swaps de devises e de taux	167,878,999.04	18,331,593.23	149,547,405.81
- gains de change	46,133.38	142,910.33	- 96,776.95
	268,622,419.36	30,606,376.58	238,016,042.78
Produits exceptionnels	-	11,185.98	- 11,185.98
	268,622,419.36	30,617,562.56	238,004,856.80

Les notes 1 à 21 font partie intégrante de ces comptes

NOTES EXPLICATIVES AUX ETATS FINANCIERES

NOTE 1 – CONSTITUTION DE LA SOCIETE

La société a été constituée le 27 Septembre 2000 pour une durée illimitée. Elle est enregistrée au Registre de Commerce et des Sociétés de Luxembourg sous le numéro B 77.970 et son siège social est actuellement au 287/289 Route d'Arlon L-1150 Luxembourg.

NOTE 2 – ACTIVITE DE LA SOCIETE

La société a pour objet de financer de la manière la plus large les sociétés et entreprises faisant partie du Groupe Telecom Italia.

A cette fin, elle peut se procurer tous fonds en émettant des obligations, des bons de caisse et tous autres instruments et en contractant tous emprunts sous toutes formes auprès de banques et d'investisseurs institutionnels et de toute autre manière, l'énumération qui précède étant purement énonciative et non limitative.

Elle peut également prendre des participations dans toute société luxembourgeoise ou étrangère et administrer, gérer et mettre en valeur son portefeuille.

Elle peut accomplir toutes opérations généralement quelconques, commerciales, financières, mobilières et immobilières se rapportant directement ou indirectement à son objet.

D'une manière générale, la société peut effectuer toute opération qu'elle jugera utile à l'accomplissement et au développement de son objet social.

L'exercice social de la Société débute le 1^{er} janvier et se termine le 31 décembre.

NOTE 3 – PRINCIPES ET METHODES COMPTABLES

Les états financiers de la Société TELECOM ITALIA CAPITAL SA pour l'exercice 2004 ont été établis conformément aux principes comptables généralement admis au Luxembourg.

La comptabilité sociale et le bilan annuel de la Société sont tenus et exprimés en euros (EUR).

La Société utilise la méthode de la comptabilité multidevises qui consiste à enregistrer les actifs et les passifs dans leur devise d'origine qui sont convertis en euros à la fin de chaque mois. Les différences nettes de change résultant de ces conversions sont imputées au compte de profits et pertes au poste autres charges/produits financiers.

Les produits et les charges réalisés en devises autres que l'euro sont enregistrés dans leurs devises respectives et converties aux cours de change en vigueur à la date de l'opération.

Les différences et les charges réalisés en devises autres que l'euro sont enregistrés dans leurs devises respectives et converties aux cours de change en vigueur à la date de l'opération.

Les différences de change provenant des opérations de financement libellées en devises autre que l'euro sont couvertes soit par le biais de placements et prêts congruents, soit par le recours à des contrats de swaps de devises par l'utilisation du compte de <<réévaluation du change>> dont l'évaluation au cours de clôture permet de neutraliser le risque de change.

Swaps de taux d'intérêt et de devises

Les engagements relatifs aux swaps de devises et de taux d'intérêt sont inscrits dans les postes hors bilan à la valeur nominale des contrats.

Compte de régularisation

Les comptes de régularisation comprennent d'une part les intérêts courus non échus relatifs aux dépôts et prêts accordés ainsi que sur les opérations de swap d'intérêts liées (compte de régularisation actif) et d'autre part les intérêts courus non échus sur les emprunts obligataires et les opérations de swap d'intérêts liées (compte de régularisation passif).

Les comptes de régularisation actifs incluent également les primes d'émission et frais d'émission. Ceux-ci sont portés en compte de profits et pertes de manière linéaire sur la durée de vie des emprunts obligataires.

NOTE 4 – FRAIS D'ETABLISSEMENT

Les frais d'établissement sont amortis linéairement au taux de 20% par an.

Au 31 décembre 2004, les frais d'établissement se détaillent comme suit:

	31/12/2004 en EUR	31/12/2003 en EUR
Valeur d'acquisition au début de l'exercice	105,714	105,714
Acquisition au cours de l'exercice	0	0
Valeur d'acquisition à la fin de l'exercice	105,714	105,714
Corrections de valeur au début de l'exercice	—	—
Corrections de valeur au cours de l'exercice	34,184	13,041
Corrections de valeur à la fin de l'exercice	21,143	21,143
	55,327	34,184
Valeur nette comptable à la fin de l'exercice	50,387	71,530

NOTE 5 – IMMOBILISATIONS FINANCIERES

Avec les montants reçus des émissions des emprunts obligataires, la Société a conclu des contrats de dépôts envers la Maison Mère et des financements envers des entreprises liées.

La contrat de dépôt d'un montant de US\$4,000,000,000 conclu en l'octobre 2003, a été renouvelé pour une période de 10 ans, aux mêmes conditions de taux d'intérêt (US\$ libor + 0.765%). Avec une partie des fonds reçus par les émissions obligataires effectuées le 6 octobre 2004, d'un montant total de US\$3,500,000,000, la société a conclu avec la Maison Mère deux contrats de dépôt pour un montant total de EUR 2,666,000,000 (EUR 1,816,000,000 au taux de EURIBOR + 0.8787%, échéance 2019, et EUR 850,000,000 au taux de EURIBOR + 0.4675% échéance 2006).

En outre, la société a octroyé des financements à différentes sociétés du Groupe Telecom Italia pour EURO 121.76 millions, échéance 2008.

NOTE 6 – COMPTES DE REGULARISATION (ACTIF)

	<i>31/12/2004 en EUR</i>	<i>31/12/2003 en EUR</i>
Charges payées d'avance sur Emprunt ob. (primes d'émission et frais d'émission)	46,350,463	24,422,945
Intérêts courus sur créances envers Maison Mère	33,638,659	12,070,984
Intérêts courus sur contrats de couverture	55,049,360	28,465,074
Intérêts courus sur créances envers société du Groupe	1,028,482	777
Autres charges payées d'avance	2,327,897	1,118,918
	138,394,861	66,078,698

NOTE 7 – CAPITAUX PROPRES

La Société a été constituée avec un capital social s'élevant à US \$30,000 (trente mille), représenté par 3,000 (trois mille) actions d'une valeur nominale de US \$ 10 (dix) chacune, entièrement libérées.

Au cours de l'Assemblée Générale Extraordinaire du 5 mars 2001, le capital social a été augmenté pour le porter à US \$1,000,000, - (un million) par émission de 97,000 (quatre vingt dix-sept mille) actions d'une valeur nominale de US \$10, - (dix) chacune, entièrement libérées.

L'Assemblée Générale Extraordinaire du 20 décembre 2002 a décidé d'augmenter le capital pour le porter de US \$1,000,000 à US \$8,000,000 par augmentation de la valeur nominale des actions de US \$ 10 à US \$ 80. Elle a ensuite décidé de réduire à US\$2,400,000 le capital afin d'absorption des pertes reportées (US \$ 5,600,000). Ensuite, elle a décidé de convertir le capital social en Euro au cours de change de 1 euro égal à 1.0273 US\$.

Au 31 décembre 2003 et 2004, le capital social s'élève donc à EUR 2,336,000 divisé en 100,000 actions d'une valeur nominale de EUR 23.36 par action.

	<i>Nombre d'actions 31/12/2004</i>	<i>Nombre d'actions 31/12/2003</i>
TELECOM ITALIA S.p.A.	99,999	99,999
TELECOM ITALIA FINANCE S.A.	1	1
	100,000	100,000

NOTE 8 – AUTRES RESERVES

La réserve indisponible de EUR 592,829.57 a été constituée comme suit:

- EUR 51,273.64 correspondant a la différence entre le montant des pertes reportées à apurer et le montant de la réduction de capital effectuée par l'Assemblée Générale du 20 décembre 2002.
- EUR 221.16 résultant de la réduction du capital pour le convertir de Dollars des Etats Unis d'Amérique en Euros.

- EUR 541,334.77 correspondant à la différence entre la perte enregistrée au 31/12/2002 et celle apurée par l'Assemblée Générale du 20 décembre 2002.

Cette réserve indisponible ne pourra être distribué.

NOTE 9 – EMPRUNTS OBLIGATAIRES

La Société a émis les emprunts obligataires suivants:

	31/12/2004 en EUR	31/12/2003 en EUR
Emprunt obligataire US\$1,000,000,000 29/10/2003 – 15/11/2008 taux fixe 4%	734,160,487	791,765,637
Emprunt obligataire US\$2,000,000,000 29/10/2003-15/11/2013 taux fixe 5.25%	1,468,320,975	1,583,531,275
Emprunt obligataire US\$1,000,000,000 29/10/2003-15/11/2033 taux fixe 6.375%	734,160,488	791,765,637
Emprunt obligataire US\$1,250,000,000 06/10/2004-15/01/2010 taux fixe 4%	917,700,609	-
Emprunt obligataire US\$1,250,000,000 06/10/2004-30/09/2014 taux fixe 4.95%	917,700,609	-
Emprunt obligataire US\$1,000,000,000 06/10/2004-30/09/2034 taux fixe 6%	734,160,488	-
	5,506,203,656	3,167,062,549

NOTE 10 – DETTE ENVERS ETABLISSEMENTS DE CREDIT

	31/12/2004 en EUR	31/12/2003 en EUR
Upfront fees US\$ 3,970,000 15/11/2008	2,309,905	3,143,309
Upfront fees US\$ 14,160,000 15/11/2013	9,310,819	11,211,402
Upfront fees US\$ 13,170,000 15/11/2033	9,331,473	10,427,553
Upfront fees US\$ 7,725,000 15/01/2010	5,671,390	-
Upfront fees US\$ 9,987,500 30/09/2014	7,161,485	-
Upfront fees US\$ 17,940,000 29/09/2034	13,068,607	-
	46,853,679	24,782,264

L'émission des emprunts obligataires à engendré un montant de <<upfront fees>> de US\$ 31,300,000 pour les émissions du 29 Octobre 2003 et de US\$ 35,652,500 pour les émissions du 6 Octobre 2004. Pour financer le

paiement des <<upfront fees>>, la Société a conclu des contrats d'emprunts bancaires de la même durée que les emprunts obligataires. Les contrats prévoient le remboursement par échéances trimestrielles.

NOTE 11 – DETTES ENVERS MAISON MERE

	<i>31/12/2004 en EUR</i>	<i>31/12/2003 en EUR</i>
Dettes pour garanties reçus par TI Spa	1,111,287	166,596
Autres frais refacturés	140,505	-
	1,251,792	166,596

NOTE 12- REEVALUATION DU CHANGE

Le compte est essentiellement composé d'un montant de EUR 261,829,111.81 relatif à l'évaluation au cours de clôture des contrats de swaps de devises et de taux (CCIRS), souscrits dans un but de couverture dans le cadre de l'émission du 6 Octobre 2004. Cette réévaluation correspond à la différence entre le taux de change contractuel et le taux de change de clôture du mois et permet de neutraliser les effets de change affectant les opérations couvertes. La contre-partie au compte de profits et pertes est compensé avec le résultat de change provenant de la conversion en EURO des emprunts obligataires couverts par ces opérations.

NOTE 13 – DETTES FISCALES

	<i>31/12/2004 en EUR</i>	<i>31/12/2003 en EUR</i>
Retenues à la source	3,363,866	1,207,098
Provisions pour impôts sur les revenus et la fortune	342,400	-
	3,706,266	1,207,098

NOTE 14 – COMPTES DE REGULARISATION (PASSIF)

	<i>31/12/2004 en EUR</i>	<i>31/12/2003 en EUR</i>
Intérêts courus sur emprunts obligataires	49,376,117	28,465,074
Intérêts courus sur contrats de couverture	35,705,550	10,133,481
Intérêts courus envers des entreprises liées	14	-
Intérêts courus envers des établ. de crédit	100,454	92,023
	85,182,135	38,690,578

NOTE 15 – CONTRATS DE COUVERTURE

La Société a conclu des contrats de swaps de taux pour la couverture du risque de taux relatif aux emprunts obligataires émis au cours de l'exercice 2003.

Afin de couvrir le risque de taux lié aux emprunts obligataires émis en 2003, la Société a conclu des contrats IRS (Interest Rate Swap) de même durée que les emprunts, qui prévoient le paiement aux banque du taux variable US\$ contre le paiement par celle-ci du taux fixe US\$ du coupon.

Afin de couvrir le risque de taux et le risque de change liés aux emprunts obligataires émis en 2004, la Société a conclu plusieurs contrats de swaps de devises et taux (CCIRS) de même durée que les emprunts, qui prévoient le paiement aux banques du taux variable EUR contre le paiement par celle-ci du taux fixe US\$.

Ces Mêmes contrats permettent simultanément la couverture du risque de change qui porte sur le montant principal (note 12). En effet, la société a émis en 2004 des emprunts obligataires en US\$ mais a prêté les fonds reçus en EURO.

NOTE 16 – CHARGES D'EXPLOITATION

Au 31 décembre 2004, les autres charges d'exploitation se détaillent comme suit:

	<i>31/12/2004 en EUR</i>	<i>31/12/2003 en EUR</i>
Frais légaux et consultation	250,727	13,880
Loyer	6,000	6,000
Autres charges de gestion courante	4,945	140
Frais d'audit	39,023	6,349
Provision pour impôts sur exercices antérieurs	13,500	-
Agency Rating Fees	-	94,765
	314,195	121,134

NOTE 17 – AUTRES IMPOTS

Ce poste comprend les montants payés et provisionné au titre de retenue à la source sur les intérêts reçu ou à recevoir sur les créances Telecom Italia S.p.A.

	<i>31/12/2004 en EUR</i>	<i>31/12/2003 en EUR</i>
Retenues à la source	9,925,960	1,207,098
	9,925,960	1,207,098

NOTE 18 – INTERETS ET CHARGES ASSIMILEES SUR EMPRUNTS OBLIGATAIRES

	<i>31/12/2004 en EUR</i>	<i>31/12/2003 en EUR</i>
Intérêts sur emprunts obligataires	196,007,857	28,465,074
Amortissement des primes et frais d'émission des emprunts obligataires	2,669,038	369,545
	198,676,895	28,834,619

NOTE 19 – GARANTIES

Les emprunts obligataires émis par Telecom Italia Capital S.A. pour un montant total de US\$7,500,000,000, en plus des contrats dérivés, pour la couverture du risque des taux et du risque de change sont garantis par Telecom Italia S.p.A.. Une commission de EURO 970,394.33 relatif a l'exercice 2004 est enregistrée dans la compte de profits et pertes (intérêts et charges assimilées sur Maison Mère).

NOTE 20 – SITUATION FISCALE

La Société est soumise au Luxembourg au droit fiscal commun applicable à toutes les sociétés de capitaux.

NOTE 21 – CONSOLIDATION

Les comptes de la société sont inclus dans les comptes consolidés de Telecom Italia S.p.A., qui sont disponibles auprès du siège social de Telecom Italia S.p.A. situé à Milan, Piazza degli Affari 2.>>

Ernst & Young

RAPPORT DU RÉVISEUR D'ENTREPRISES

Aux actionnaires de
TELECOM ITALIA CAPITAL S.A.
Société Anonyme
Luxembourg

Conformément au mandat donné par l'Assemblée Générale des actionnaires, nous avons contrôlé les comptes annuels ci-joints de TELECOM ITALIA CAPITAL S.A. pour l'exercice se terminant le 31 décembre 2004 et avons pris connaissance du rapport de gestion y relatif. Les comptes annuels et le rapport de gestion relèvent de la responsabilité du Conseil d'Administration. Notre responsabilité est, sur base de nos travaux de révision, d'exprimer une opinion sur ces comptes annuels et de vérifier la concordance du rapport de gestion avec ceux-ci.

Nous avons effectué nos travaux de révision selon les normes internationales de révision. Ces normes requièrent que nos travaux de révision soient planifiés et exécutés de façon à obtenir une assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Une mission de révision consiste à examiner, sur base de sondages, les éléments probants justifiant les montants et informations contenus dans les comptes annuels. Elle consiste également à apprécier les principes et méthodes comptables suivis et les estimations significatives faites par le Conseil d'Administration pour l'arrêté des comptes annuels, ainsi qu'à effectuer une revue de leur présentation d'ensemble. Nous estimons que nos travaux de révision forment une base raisonnable à l'expression de notre opinion.

A notre avis, les comptes annuels ci-joints donnent, en conformité avec les prescriptions légales et réglementaires en vigueur au Luxembourg, une image fidèle du patrimoine et de la situation financière de TELECOM ITALIA CAPITAL S.A. au 31 décembre 2004 ainsi que des résultats de l'exercice se terminant à cette date.

Le rapport de gestion est en concordance avec les comptes annuels.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

/s/ Jean-Marie GISCHER

Jean-Marie GISCHER

Luxembourg, le 11 février 2005

TELECOM ITALIA CAPITAL S.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005

	<u>2004</u>	<u>2005</u>
	(thousands of euro)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	676	1,939
Dividends Paid	0	(1,900)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and other non cash items.....	99	(3,098)
Net changes in miscellaneous assets and liabilities	3,713	(337)
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,488	(3,396)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in fixed assets.....	--	--
Additions to intangible assets	--	--
Additions to other investments	--	--
Change in financial receivables and other financial assets	(2,603,300)	(2,509,259)
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,603,300)	(2,509,259)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in short-term debt.....	7	(8)
Increase in long-term debt	2,569,562	2,119,183
Other changes in long-term debt.....	27,578	405,383
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,597,147	2,524,558
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,665)	11,903
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR.....	1,403	(262)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF THE YEAR*	(262)	11,641
	<hr/>	<hr/>

* Cash and Cash Equivalents at the end of the year 2004 correspond to cash overdraft at Telecom Italia Finance S.A.
Cash and Cash Equivalents at the end of the year 2005 correspond to cash deposited at Banks.

**The statements of cash flows have been reviewed by Ernst & Young,
the independent auditors of the Company**

[Ernst & Young Letterhead]

To the Board of Directors
Telecom Italia Capital S.A.
Société Anonyme

We have reviewed the accompanying Statements of cash flows for the financial year ended December 31, 2005 of Telecom Italia Capital S.A. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Statements of cash flows for the financial year ended December 31, 2005 are not presented fairly, in all material respects, in accordance with Luxembourg Generally Accepted Accounting Principles.

ERNST & YOUNG
Société Anonyme

/s/ Jean-Marie GISCHER

Jean-Marie GISCHER

Luxembourg, September 29, 2006

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TELECOM ITALIA CAPITAL

\$750,000,000 6.20% Guaranteed Senior Notes due 2011

\$1,000,000,000 7.2% Guaranteed Senior Notes due 2036

\$850,000,000 Guaranteed Senior Floating Rate Notes due 2011

Guaranteed on a senior, unsecured basis by

TELECOM ITALIA S.p.A.

Dated •, 2006

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