



*F I N A N C E*

**Telecom Italia Finance**  
**Société Anonyme**  
12, rue Eugène Ruppert  
L-2453 Luxembourg

R.C.S. Luxembourg B 76.448

Audited Annual Accounts  
as at December 31, 2011

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## **Directors' report**

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The year 2011 of Telecom Italia Finance (the "Company" or "TI Finance") ends with a profit of EUR 69.919.778,31 versus a positive result of EUR 127.013.636,45 in the year 2010.

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

The on-going borrowing and lending activity generated a positive margin equal to EUR 123,19 million (EUR 149,09 million for the corresponding period 2010) of which EUR 7,2 million booked as dividends on Telecom Italia S.p.A. shares (EUR 6,2 million in the corresponding period 2010). The reduced contribution is due to a lower volume of intercompany loans connected with the Company bond repayment on April 20, 2011.

Impairments for a total amount of EUR 51,05 million (EUR 10,87 million in 2010) have been booked in relation to the participations in Telecom Italia S.p.A., Telecom Italia Media S.p.A., Italtel Group S.p.A. and investments funds.

The net financial position as per December 31, 2011 is positive for 1.471,58 million (1.365,45 million as per December 31, 2010).

## **Notes**

As of December 31, 2011, the total outstanding nominal amount of notes issued by Telecom Italia Finance amounts to EUR 2.893.576.798,40 (EUR 5.040.677.312,47 as of December 31, 2010). The notes are unconditionally and irrevocably guaranteed by the parent company Telecom Italia S.p.A.

During the year, the Company bought back in the market:

- EUR 198,76 million in nominal amount of its EUR 1.000.000.000,00 7,25% Notes maturing April 2012, EUR 187,45 million of which have been cancelled on June 16, 2011. Due to the cancellation, the principal amount of debt outstanding with regards to these notes is EUR 812.545.000,00;
- EUR 91,28 million in nominal amount of its EUR 850.000.000,00 6,875% Notes maturing January 2013. Such Notes have been cancelled on December 22, 2011. Due to the cancellation, the principal amount of debt outstanding with regards to these notes is EUR 758.716.000,00.

On April 20, 2011 matured and were repaid the EUR 1.883.885.000,00 7,50% Notes.

## **Fixed assets**

On December 1<sup>st</sup>, Telecom Italia S.p.A. exercised its option to early redeem its EUR 1.400.000.000,00 6,625% Notes due December 2012, entirely subscribed by Telecom Italia Finance and on December 23, 2011 repaid to the Company EUR 1.492.750.000,00, being the sum of principal plus accrued interest.

## **Share Capital**

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

## **Risks**

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

- the value of holdings in associated undertakings, equity investments and securities issued from third parties may be adversely affected by financial and economic development;
- foreign currency risk - according to its risk management policies, Telecom Italia Finance hedges the foreign currency exposure on its assets and liabilities in currencies other than euro through currency swap contracts or natural hedge positions;
- interest rate risk - according to its risk management policies and to its management strategy choices and in order to modify its interest rate exposure, Telecom Italia Finance enters into interest rate swaps. However, no assurance can be given that fluctuations in interest rates will not adversely affect its results of operations or cash flows.

The Company is exposed to generic market, credit and liquidity risks.

These financial risks are managed by:

- the application of guidelines defined at Group level, which preview a monitoring by a Group committee of the level of exposure to market risk consistency with prefixed general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach prefixed objectives;
- the monitoring of the results achieved.

Additional details on financial risk management policies of Telecom Italia Group are available in the Telecom Italia consolidated annual accounts.

## **Events subsequent to December 31, 2011**

During the month of January and February to date, TI Finance purchased in the market EUR 11,6 million in nominal amount of the notes due April 24, 2012 and EUR 52,8 million in nominal amount of its notes due January 2013.

During the next year 2012 it is foreseen to continue the activity of financial assistance to Telecom Italia Group companies and continue to manage the market risks above mentioned.

The Board reminds that during the year 2012 shall come to maturity the following bond issuances:

- on March 14, 2012, EUR 107.715.000,00 Floater rate Notes; and
- on April 24, 2012 EUR 812.545.000,00 7,25% Notes.

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

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


Financials as of December 31, 2011 herein reported comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes. Additionally, considering that the present

accounts have been prepared according to the new local GAAP (law dated as of December 10, 2010) a set of pro-forma tables has been drawn in order to allow the comparison with the previous accounts.

The Board invites you to approve the aforesaid financial statements and propose to allocate the benefit of 69.919.778,31 as follows:

- a) EUR 3.495.988,92, to the legal reserve;
- b) EUR 66.423.789,39 to the profit and loss brought forward.

For the Board of Directors  
The Managing Director  
Adriano Trapletti



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# Balance Sheet

## TELECOM ITALIA FINANCE S.A. BALANCE SHEET AS AT DECEMBER 31, 2011

ASSET - [EUR]	31.DECEMBER.2011	31.DECEMBER.2010	LIABILITIES - [EUR]	31.DECEMBER.2011	31.DECEMBER.2010
<b>B. Formation expenses</b>	[n. 4]	5,755,176.31	<b>A. Capital and reserves:</b>		
			I. Subscribed capital	1,670,944,161.28	1,601,024,382.97
			IV. Reserves	542,090,241.00	542,090,241.00
<b>C. Fixed assets</b>		3,146,051,875.03	1. Legal reserve	11,163,715.87	4,812,715.87
II. Tangible assets	[n. 5]	39,502.58	4. Other reserves	865,769,812.13	865,769,812.13
3. Other fixtures and fittings, tools and equipment			V. Profit or loss brought forward	182,000,613.97	61,337,977.52
III. Financial assets			VI. Result for the financial year	69,919,778.31	127,013,636.45
1. Shares in affiliated undertakings	[n. 7]	1,483,904,598.68	C. Provisions	2,413,800.61	11,850,402.02
2. Loans to affiliated undertakings	[n. 6]	1,649,974,454.04	3. Other provisions	2,413,800.61	11,850,402.02
3. Shares in undertakings with which the company is linked by virtue of participating interests	[n. 7]	223,493.66			
5. Investments held as fixed assets	[n. 8]	11,909,826.07	D. Not Subordinated debts		
			1. Debenture loans		
<b>D. Current assets</b>		6,247,118,030.97	b) Non convertible notes		
II. Debtors			i) becoming due and payable after less than one year	7,725,772,154.65	9,665,484,696.15
2. Amounts owed by affiliated undertakings	[n. 9]				
a) becoming due and payable after less than one year		199,526,791.98	ii) becoming due and payable after more than one year	1,084,447,898.86	2,163,189,802.49
b) becoming due and payable after more than one year		2,958,574.43	2. Amounts owed to credit institutions	1,973,462,987.15	3,156,921,305.33
4. Other debtors			a) becoming due and payable after less than one year	283,995,538.39	7,154,453.24
a) becoming due and payable after less than one year	[n. 10]	10,678,688.73	b) becoming due and payable after more than one year	449,370,979.10	433,461,649.81
b) becoming due and payable after more than one year	[n. 11]	79,136,281.02	4. Trade creditors		
III. Investments			a) becoming due and payable after less than one year	123,147,72	144,630,76
1. Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests					
3. Other investments		2,595,210,040.98	6. Amounts owed to affiliated undertakings		
IV. Cash at bank and in hand	[n. 12]	373,473,743.51	a) becoming due and payable after less than one year	2,553,776,871.95	2,607,219,910.92
		2,986,133,910.32	b) becoming due and payable after more than one year	1,360,715,910.12	1,292,000,000.00
			8. Tax and social security		
<b>E. Prepayments and accrued income</b>		240,415.24	a) Tax	68,350.32	373,303.42
			b) Social security	28,455.88	27,414.53
			9. Other creditors		
			a) becoming due and payable after less than one year	12,827,861.87	433,052.33
			b) becoming due and payable after more than one year	6,954,153.29	4,559,173.22
			<b>E. Accrued and deferred income</b>	35,381.01	52,089.58
<b>TOTAL ASSETS</b>		9,399,165,497.55	<b>TOTAL LIABILITIES</b>	9,399,165,497.55	11,278,411,570.72
		11,278,411,570.72			

The accompanying notes are an integral part of these annual accounts.

## Profit and Loss

TELECOM ITALIA FINANCES A.					
PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2011					
A. CHARGES - [EUR]	31.DECEMBER.2011	31.DECEMBER.2010	B. INCOME - [EUR]	31.DECEMBER.2011	31.DECEMBER.2010
1. Raw materials and consumables	12,721,57	10,421,74	1. Net turnover	365,695,66	201,056,66
2. Other external charges	967,283,84	3,941,921,12			
3. Staff costs	995,989,65	776,346,26	6. Income from financial fixed assets	[n.23]	116,655,110,36
a) Wages and salaries	866,230,51	674,444,40	a) derived from affiliated undertakings	116,655,110,36	115,723,943,38
b) Social security costs	91,473,03	83,047,67	b) other income from participating interests	0,00	3,143,917,36
c) Social security costs relating to pensions	33,745,41	18,854,19			
d) Other social security costs	2,540,70	0,00			
4. Value adjustments	1,357,288,46	1,923,491,60			
a) on formation expenses and on tangible and intangible fixed assets	1,357,288,46	1,923,491,60	7. Income from financial current assets	[n.24]	3,667,162,08
5. Other operating charges	95,876,72	403,615,27	a) derived from affiliated undertakings	3,474,000,00	2,488,815,30
			b) other income	193,162,08	0,00
6. Value adjustments and fair value adjustments on financial fixed assets	[n.18]	51,051,395,45			
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities	[n.19]	23,326,021,32	8. Other interest and other financial income	[n.25]	823,465,381,43
8. Interest payable and similar charges	[n.20]	795,944,199,69	a) derived from affiliated undertakings	637,682,203,87	615,730,649,63
a) concerning affiliated undertakings		123,098,879,92	b) other interest receivable and similar income	185,783,177,56	502,946,788,97
b) other interest payable and similar charges		672,845,319,77			112,784,060,66
9. Extraordinary charges		6,189,62	9. Extraordinary income		77,872,70
10. Tax on profit or loss	[n.21]	177,050,34			
11. Other taxes not included in the previous caption	[n.22]	400,000,00			
12. Profit for the financial year		69,919,776,31	12. Loss for the financial year	0,00	0,00
TOTAL CHARGES	944,253,796,97	737,366,455,05	TOTAL INCOME	944,253,796,97	737,366,455,05

The accompanying notes are an integral part of these annual accounts.



## Cash Flow Statements

### TELECOM ITALIA FINANCE S.A. CASH FLOW STATEMENT AS AT DECEMBER 31, 2011

		31.DECEMBER.2011	31.DECEMBER.2010
<b>Operating Activities</b>			
Profit after tax		69.919.778,31	127.013.636,45
Adjustments for			
Amortization of formation expenses and on tangible and intangible fixed assets	[n.3]	1.357.288,46	1.923.491,60
Finance Income	[n.3]	-943.610.603,53	-737.512.431,99
Finance Expenses	[n.3]	869.388.051,50	595.742.374,74
Changes in trade and other receivables		-133.063,50	2.076.406,92
Changes in trade and other payables		-675.966,06	-5.134.745,77
<b>Net cash flows from operating activities</b>		<b>-3.754.514,82</b>	<b>-15.891.268,05</b>
<b>Cash flows from Investing activities</b>			
Changes in Property, plant and equipment		-21.648,15	-26.410,34
Changes in Participations, funds and other securities		2.739.342.026,41	-21.644.942,12
Investments and re-payments in Financial Receivables		713.774.951,21	2.559.310.153,33
Interest, commissions and other financial income received		930.368.816,39	617.420.460,32
Dividends received		7.124.249,49	9.789.378,04
Income received from participations and funds		0,00	29.000,00
<b>Net cash flows from Investing activities</b>		<b>4.390.588.395,35</b>	<b>3.164.877.639,23</b>
<b>Cash flows from Financing activities</b>			
Net change in short-term Financial Payables		210.425.128,94	-1.709.984.631,32
Repayments of borrowings		-1.883.885.000,00	-31.115.000,00
Interest, commissions and other financial expenses paid		-792.667.170,53	-473.191.787,62
<b>Net cash flows from financing activities</b>		<b>-2.466.127.041,59</b>	<b>-2.214.291.418,94</b>
Net Increase / Decrease in Cash and Cash Equivalents		1.920.706.838,94	934.694.952,24
Net foreign exchange differences in C&CE		7.564.716,69	-13.716.315,27
Cash and cash equivalents at 01 January		1.054.452.217,92	133.473.580,95
<b>Cash and cash equivalents at the end of the year</b>	[n.12]	<b>2.982.723.773,55</b>	<b>1.054.452.217,92</b>

*The accompanying notes are an integral part of these annual accounts.*

## **Notes to the accounts**

*as at December 31, 2011*

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### **Note 1 – General**

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

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

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

### **Note 2 – Summary of significant accounting policies**

#### **Basis of presentation**

The accounts in hand are prepared in accordance with the accounting principles and regulations generally accepted in the Grand Duchy of Luxembourg (“Luxembourg GAAP”).

As allowed by the amended law of 19 Dec. 2002, the Board of Directors of the Company has decided to include the cash flow statement based on the indirect method.

Euro (EUR) is the book accounting currency.

#### **Use of estimates**

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

#### Foreign currency translation

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

The realized income and charges in currencies other than EUR are recorded in their respective currencies and converted at the exchange rate prevailing on the respective transaction dates.

The exchange differences arising from the transactions expressed in currencies other than EUR are hedged either by balanced deposits and loans, or through currency swap contracts using the account « exchange revaluation » incorporated into "Interest and other financial charges" and "Other interest and other financial income" whose valuation at the year-end rate allows to hedge off the exchange risk.

#### Formation expenses

Formation expenses may include incorporation expenses and bond issuance expenses. Incorporation expenses are valued at purchase price including the expenses incidental thereto less cumulated depreciation amounts written off over maximum 5 years. Bond issuance expenses are written off on a straight-line basis over the period of the note.

#### Tangible assets

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

#### Shares in affiliated undertakings and share in undertakings with which the company is linked by virtue of participating interests

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

#### Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where they recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

#### Investments

Investments in current assets are evaluated to the lower between the market value and the acquisition cost. Bonds purchased with the intention of holding to maturity are evaluated to acquisition cost that is never over the par amount.

### Cash at bank and in hand

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

### Accrued income and charges

Accrued interest are shown with their principal amount.

### Prepayments and accrued income/Accruals and deferred income

"Prepayments and accrued income" and "Accruals and deferred income" accounts include prepaid charges and prepaid income.

Issue discounts and issue premiums are listed with the related notes, while other similar charges are classified in the "Formation expenses". All are amortized through the profit and loss account on a straight-line basis over the lifetime of the notes.

### Derivative instruments

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

### Debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown in the same line of the debt and is written off over the period of the debt based on a linear/actuarial method.

### Provisions

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

## **Note 3 – New layout of Accounts**

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

Changes in Balance Sheet and in Profit and Loss are detailed in note 35 "Adjustment on the comparison period" (from page 32 to page 47) that is integral part of these annual accounts.

In Cash Flow Statements the only difference is the reclassification between *Amortization of formation expenses and on tangible and intangible fixed assets*, *Finance Income* and *Finance Expenses* (in *Operating activities* section) done to give consistency with the new profit and loss layout and detailed as follows:

	<i>Amortization of (...) fixed assets</i>	<i>Financial Income</i>	<i>Financial Expenses</i>
Cash Flow Statements as presented in the 2010 annual accounts	24.757,72	-739.731.663,09	599.860.339,72
Reclassification			
Amortization of bond issuance expenses	1.898.733,88		- 1.898.733,88
Amortization of issue premiums		2.219.231,10	- 2.219.231,10
<b>Cash Flow Statements as at December 31, 2010</b>	<b>1.923.491,60</b>	<b>-737.512.431,99</b>	<b>595.742.374,74</b>

**Note 4 – Formation expenses**

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Issuance expenses on debentures loans	5.595.263,97	6.827.206,47
Issuance expenses on amounts owed to credit institutions	159.912,34	259.857,58
	<b>5.755.176,31</b>	<b>7.087.064,05</b>

**Note 5 – Other fixtures and fittings, tools and equipment**

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Acquisitions at the beginning of the year	518.452,26	492.827,71
Acquisition during the year	21.648,15	26.444,50
Disposal or reduction during the year	(174.364,17)	(819,95)
Acquisition cost at the end of the year	365.736,24	518.452,26
Value adjustments at the beginning of the year	475.197,11	451.225,18
Value adjustments during the year	25.400,72	24.757,72
Disposal or reduction during the year	(174.364,17)	(785,79)
Value adjustments at the end of the year	326.233,66	475.197,11
	<b>39.502,58</b>	<b>43.255,15</b>

## Note 6 – Loans to affiliated undertakings

This item is composed by EUR 1.649.974.454,04 being the total amount of medium-long term loans granted to the Parent Company and other group companies (2010 – EUR 1.735.934.687,72). It could be detailed by final payment date as follows:

	December 31, 2011	December 31, 2010
	EUR	EUR
Nominal value: EUR 108.799.371,28 Reimbursed December 15, 2011 Floater rate: Euribor 3m + 0,424%	0,00	108.799.371,28
Nominal value: EUR: 250.000.000,00 Expiring August 7, 2014 Fixed rate: 6,558%	250.000.000,00	250.000.000,00
Nominal value: JPY 20.000.000.000 Expiring October 29, 2029 [*] Floater rate: JPYLibor 6m + 0,9463%	199.600.798,40	184.077.312,47
Nominal value: JPY 20.000.000.000 Expiring May 5, 2032 [*] Floater rate: JPYLibor 6m + 1,66%	199.600.798,40	184.077.312,47
Nominal value: EUR: 1.000.000.000,00 Expiring July 28, 2033 Fixed rate: 8,000%	1.000.000.000,00	1.000.000.000,00
Total from Parent Company	1.649.201.596,80	1.726.953.996,22
Nominal value: USD 12.000.000,00 Expiring August 31, 2012 Fixed rate: 4,530122%	Classified in Current portion	8.980.691,50
Nominal value: USD 1.000.000,00 Expiring January 7, 2014 Fixed rate: 4,09632%	772.857,24	0,00
Total from other group companies	772.857,24	8.980.691,50
	<b>1.649.974.454,04</b>	<b>1.735.934.687,72</b>

[\*] Differences between December 31, 2011 and December 31, 2010 are due to exchange rate impact.

**Note 7 – Shares in affiliated undertakings and shares in undertakings with which the company is linked by virtue of participating interests**

**1. Shares in affiliated undertakings**

		Ownership (%)	Number of shares	Nat Book value at the beginning of the year	Gross book value at the beginning of the year	Value Adjustments changes during the year	Nat Book value at the end of the year	Fair Value at the end of the year [***]
Telecom Italia S.p.A.	Piazza degli Affari, 2 Milan (Italy)	0,64	124.544.373	127.924.973,23	473.126.647,40	10.579.277,34	355.780.951,51	103.035.559,78
Telecom Italia Media S.p.A.	Via della Pipeta Sacchetti, 229 Rome (Italy)	2,25	32.624.295	7.644.939,35	50.177.899,30	1.130.546,80	43.663.506,75	5.262.298,78
Telecom Italia Finance Ireland Ltd	3 Harbourmaster place, International Financial Services Centre, Dublin 1 (Ireland)	100,00	1.360.000.000	1.360.000.000,00	1.360.000.000,00		1.360.000.000,00	
Olvestil Holding B.V.	Print Bernhardplein 200 Amsterdam (Netherlands)	100,00	1.588.277	0,01	0,01			0,01
Italtel Group S.p.A.	Via Reiss Romoli, Localita Castelletto Settimo Milanese (Italy)	34,68	6.160.999 (*)	34.997.013,48	145.993.930,23	34.997.013,48	145.993.930,23	
Movenda S.p.A.	Via Pian Di Sco 82 Rome (Italy)	25,00	33.333	44.510,23	44.510,23			44.510,23
<b>Total</b>				1.530.611.436,30	2.029.342.987,17	46.706.837,62	545.438.388,49	1.483.904.598,68

**3. Shares in undertakings with which the company is linked by virtue of participating interests**

Consolidated IP Holdings Inc [In Liquidation]	c/o Sherwood Partners 101 University Avenue, Suite 100 Palo Alto (California - United States)	2,93	2.131.366	0,01	0,01			0,01
Infomaster S.p.A.	Via Vmaggio 81 Genova (Italy)	12,00	19.412	273.913,56	413.304,84	50.419,92	189.811,20	223.493,64
Locationet System Ltd [In Liquidation]	Gold Bldg. 2nd Hamelacha St. P.O. Box 8673 Pong Industrial Zone, Netanya (Israel)	6,05	947.874	28.627,76	840.183,67	28.627,76	840.183,67	
Piedmont Int. S.A. [In Liquidation]	Not available	17,13	180.000 (**)					
DocuNet Inc	400 Oyster Pt Blvd Ste 111 South San Francisco (California - United States)	0,18	124.528	0,01	0,01			0,01
<b>Total</b>				302.541,34	1.253.488,53	79.047,68	1.029.994,87	223.493,66

[\*] - The held percentage of Ordinary Share Capital is 19,373% (No. 1.720.634 Ordinary shares). 34,68% is the fully diluted percentage taking into account the No. 4.440.365 Preferred shares having limited voting rights. All the shares of Italtel Group S.p.A. are pledged in favour of a group of banks in order to guarantee the performance of Italtel S.p.A. (100% controlled by Italtel Group) under certain financing agreements.

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

[\*\*\*] - Telecom Italia S.p.A. and Telecom Italia Media S.p.A. are evaluated according to the VWAP (Volume Weighted Average Price) method taking in consideration prices and volumes exchanged during the last twelve months

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**Note 8 – Investments held as fixed assets**

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

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Notes issued by Parent Company		
Exp. June 26, 2012	<i>Classified in Current portion</i>	2.500.000.000,00
Reimbursed December 23, 2011	0,00	1.400.000.000,00
Total from Parent Company	0,00	3.900.000.000,00
Investments in other Funds		
Clessidra Capital Partners	11.047.085,87	14.939.024,00
The Golden Mouse Partnership	862.740,20	862.740,20
Accel Internet/Strategic Technology Fund L.P.	0,00	59.586,18
Net Launch Ventures L.P.	0,00	51.836,33
Total of Investments in Funds	11.909.826,07	15.913.186,71
	<b>11.909.826,07</b>	<b>3.915.913.186,71</b>



**Note 9 – Amounts owed by affiliated undertakings**

This item refers to the loans receivable within one year granted to group companies (included accrued interests thereon), to accruals on interest rate swaps with Parent Company and currency swaps with group companies.

*a) becoming due and payable after less than one year:*

	December 31, 2011	December 31, 2010
	EUR	EUR
Latin American Nautilus Ltd	0,00	33.700.625,82
Olivetti S.p.A.	23.357.695,02	23.355.175,20
Telecom Italia Media S.p.A.	45.090.359,50	20.003.047,33
Telecom Italia Netherlands B.V.	1.004.471,67	2.300.407,68
Telecom Italia S.p.A.	42.811.558,24	682.265.451,32
Telecom Italia Spain SL	2.507.262,66	3.750.446,46
TI Sparkle France S.A.	12.224.214,76	18.012.583,70
TMI Telemedia Int.	3.001.022,66	3.521.027,12
Mediterranean Nautilus Greece S.A.	24.989.045,59	0,00
Telecom Italia Capital S.A.	6.615.825,87	0,00
TI Sparkle Singapore P.T.E.	4.649.191,25	0,00
Telecom Italia Germany	0,00	2.600.484,12
Mediterranean Nautilus B.V.	10.193.775,26	0,00
Mediterranean Nautilus		
Telekomünikasyon Hizmetleri TAS	9.285.987,05	0,00
Others	1.373.999,70	1.061.420,92
Accruals on interest rate swaps with Parent Company	9.524.165,08	0,00
Accruals on interest rate swaps with group companies	349.562,33	0,00
Currency swaps with group companies	2.548.655,34	0,00
	<b>199.526.791,98</b>	<b>790.570.669,67</b>

*b) becoming due and payable after more than one year*

Currency swaps with group companies	2.958.574,43	0,00
	<b>2.958.574,43</b>	<b>0,00</b>

**Note 10 – Other debtors becoming due and payable after more than one year**

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Receivables from Lehman Brothers Special Financing Inc. [*]	10.382.070,07	10.053.405,53
Positive exchange evaluation of long term currency swaps	68.715.910,12	0,00
Other receivables	38.300,83	42.652,71
	<b>79.136.281,02</b>	<b>10.096.058,24</b>

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

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

**Note 11 – Investments**

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

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Notes issued by Parent Company [*]	2.595.210.040,98	1.857.148.602,74
	<b>2.595.210.040,98</b>	<b>1.857.148.602,74</b>
Notes from other issuers	153.843.043,36	148.557.211,07
Euro Commercial Papers	219.630.700,15	214.664.516,61
	<b>373.473.743,51</b>	<b>363.221.727,68</b>

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

**Note 12 – Cash at bank and in hand**

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Cash in hand	98,34	130,85
Bank current accounts	1.542.599,90	3.296.126,02
Bank term deposit accounts	2.981.181.075,31	1.051.155.961,05
Cash and cash equivalent as shown in Cash Flow Statement	2.982.723.773,55	1.054.452.217,92
Accruals on bank term deposits	3.410.136,77	1.027.240,26
	<b>2.986.133.910,32</b>	<b>1.055.479.458,18</b>

**Note 13 – Subscribed capital**

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

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

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i># of shares held</i>	<i># of shares held</i>
Telecom Italia S.p.A.	55.428.450	55.428.449
Mr Adriano Trapletti	-	1
	<b>55.428.450</b>	<b>55.428.450</b>

## Note 14 – Reserves

Reserves are split as follows:

	December 31, 2011	December 31, 2010
	EUR	EUR
Legal reserve	<b>11.163.715,87</b>	<b>4.812.715,87</b>
Other reserves		
Reserves unavailable for distribution	394.805.662,41	394.805.662,41
Other distributable reserves	470.964.149,72	470.964.149,72
Total other reserves	<b>865.769.812,13</b>	<b>865.769.812,13</b>

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reverse equals 10% of the subscribed share capital. This reserve may not be distributed. Legal reserve has been set aside for an amount of EUR 1.584.401,26 by shareholders meeting as of April 4, 2008, increased by an amount of EUR 3.228.314,61 by shareholders meeting of April 28, 2010 and increased by an amount of EUR 6.351.000,00 by shareholders meeting of April 11, 2011.

	Legal reserve	Other reserves	Profit brought forward	Profit for financial year
	EUR	EUR	EUR	EUR
Balance as at 31.12.10	4.812.715,87	865.769.812,13	61.337.977,52	127.013.636,45
Movements of the year				
Allocation of prior year's profit	6.351.000,00	0,00	120.662.636,45	-127.013.636,45
Profit for the year	0,00	0,00	0,00	69.919.778,31
Total movements	6.351.000,00	0,00	120.662.636,45	-57.093.858,14
<b>Balance as at 31.12.11</b>	<b>11.163.715,87</b>	<b>865.769.812,13</b>	<b>182.000.613,97</b>	<b>69.919.778,31</b>

**Note 15 – Non convertible notes**

i) *becoming due and payable after less than one year*

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: EUR 2.000.000.000,00 Expired April 20, 2011 Fixed rate: 7,500%	0,00	1.883.885.000,00
Nominal value: EUR: 107.715.000,00 Expiring March 14, 2012 Floater rate: Euribor 3m + 1,300%	107.715.000,00	<i>Classified in long term portion</i>
Nominal value: EUR 1.000.000.000,00 Expiring April 24, 2012 Fixed rate: 7,250%	812.545.000,00	<i>Classified in long term portion</i>
Prepaid income on notes (issue premiums) <i>Current portion</i>	890.298,52	2.219.231,10
Prepaid charges on notes (issue discounts) <i>Current portion</i>	- 907.494,40	- 1.499.119,28
Accrued interest on notes	164.205.094,74	278.584.690,67
	<b>1.084.447.898,86</b>	<b>2.163.189.802,49</b>

i) *becoming due and payable after more than one year*

Nominal value: Eur: 107.715.000,00		
Expiring March 14, 2012		
Floater rate: Euribor 3m + 1,300%	<i>Classified in short term portion</i>	107.715.000,00
Nominal value: Eur 1.000.000.000,00		
Expiring April 24, 2012		
Fixed rate: 7,250%	<i>Classified in short term portion</i>	1.000.000.000,00
Nominal value: Eur 850.000.000,00		
Expiring January 24, 2013		
Fixed rate: 6,875%	758.716.000,00	850.000.000,00
Nominal value: Jpy 20.000.000.000		
Expiring May 14, 2032[*]		
Fixed rate: 3,550%	199.600.798,40	184.077.312,47
Nominal value: Eur 800.000.000,00		
Expiring January 24, 2033		
Fixed rate: 7,750%	765.000.000,00	765.000.000,00
Nominal value: Eur 250.000.000,00		
Expiring January 24, 2033		
Fixed rate: 7,750%	250.000.000,00	250.000.000,00
Prepaid income on notes (issue premiums)		
Long term portion	5.733.543,71	6.623.842,23
Prepaid charges on notes (issue discounts)		
Long term portion	- 5.587.354,96	- 6.494.849,37
	<b>1.973.462.987,15</b>	<b>3.156.921.305,33</b>

[\*] Differences between December 31, 2011 and December 31, 2010 are due to exchange rate impact. The Note has embedded an option allowing the repayment of the total notional amount of the debt each year starting from 2012 to maturity. The Company sold to a bank the reverse option.

**Note 16 – Amounts owed to credit institutions**

a) *becoming due and payable after less than one year*

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Payables to banks	274.832.684,77	27.420,92
Accrued interest	9.548.696,99	7.511.821,48
Prepaid charges on notes (issue discounts)		
Current portion	- 385.843,37	- 384.789,16
	<b>283.995.538,39</b>	<b>7.154.453,24</b>

*b) becoming due and payable after more than one year*

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: Eur 250.000.000,00		
Expiring August 7, 2013		
Fixed rate: 6,25%	250.000.000,00	250.000.000,00
Nominal value: Jpy 20.000.000.000		
Expiring October 29, 2029[*]		
Fixed rate: 5,45%	199.600.798,40	184.077.312,47
Prepaid charges on notes (issue discounts)		
Long term portion	- 229.819,30	- 615.662,66
	<b>449.370.979,10</b>	<b>433.461.649,81</b>

[\*] Differences between December 31, 2011 and December 31, 2010 are due to exchange rate impact.

# **Note 17 – Amounts owed to affiliated undertakings**

This item refers to the deposit agreements within one year granted to group companies (included accrued interests thereon), to accruals on interest rate swaps with Parent Company and currency swaps with group companies.

## *a) becoming due and payable after less than one year*

	December 31, 2011	December 31, 2010
	EUR	EUR
ICH - International Comm. Holding NV	0,00	249.122.828,85
TI Sparkle Luxembourg S.A.	0,00	48.226.361,92
TI Deutschland Holding GmbH	6.774.197,78	6.583.765,87
TI International NV	2.385.376.934,17	2.096.093.725,53
TI United Kingdom	0,00	7.815.181,27
ETI TI International	0,00	71.648.139,53
Mediterranean Nautilus Israel Ltd	12.694.462,00	17.230.789,47
Olivetti Holding BV	2.435.870,72	2.418.268,55
Olivetti Engineering	446.674,61	1.560.214,69
Telecom Italia Finance Ireland Ltd [*]	67.986.976,89	67.980.413,08
Mediterranean Nautilus Greece	16.029,92	0,00
Latin American Nautilus Ltd	29.762.650,25	0,00
Telecom Italia S.p.A.	933.564,96	38.537.256,39
Others	52,18	2.965,77
Interest rate swaps with Parent Company	38.967.502,09	0,00
Interest rate swaps with group companies	7.830.573,71	0,00
Currency and interest rate swaps with Parent Company	551.382,67	0,00
	<b>2.553.776.871,95</b>	<b>2.607.219.910,92</b>

## *b) becoming due and payable after more than one year*

	December 31, 2011	December 31, 2010
	EUR	EUR
Telecom Italia Finance Ireland Ltd [**]	1.292.000.000,00	1.292.000.000,00
Currency and interest rate swaps with group companies	15.214.313,80	0,00
Currency and interest rate swaps with Parent Company	53.501.596,80	0,00
	<b>449.370.979,10</b>	<b>433.461.649,81</b>

[\*] The amount includes, among others, a Promissory Note for EUR 66.000.000,00.

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



**Note 18 – Value adjustments and fair value adjustments on financial fixed assets**

	December 31, 2011	December 31, 2010
	EUR	EUR
Adjustments on shares in undertakings		
Telecom Italia S.p.A.	10.579.277,34	811.403,63
Telecom Italia Media S.p.A.	1.130.546,80	5.793.150,66
Italtel Group S.p.A.	34.997.013,48	0,00
Locationet System Ltd	28.627,76	811.555,91
Infomaster S.p.A.	50.419,92	139.391,28
Total value adjustments on shares	46.785.885,30	7.555.501,48
Value adjustments on Investment Funds	4.265.510,15	3.316.104,95
	<b>51.051.395,45</b>	<b>10.871.606,43</b>

**Note 19 – Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities**

	December 31, 2011	December 31, 2010
	EUR	EUR
Value adjustments on securities	5.958.484,40	3.156.006,56
Losses on securities disposal	2.026.288,83	855.889,62
Losses on own securities bought back	15.340.214,72	6.878.404,00
Losses on investment funds	1.033,37	0,00
	<b>23.326.021,32</b>	<b>10.890.300,18</b>

**Note 20 – Interest payable and similar charges***a) concerning affiliated undertakings*

	December 31, 2011	December 31, 2010
	EUR	EUR
Guarantee fee due to Parent Company	933.564,96	1.222.094,67
Charges on interest rate swaps with Parent Company	41.803.882,45	43.056.861,11
Charges on swap currency with other group companies	50.594.268,43	7.724.125,00
Interest due to group companies	29.767.164,08	25.114.882,02
	<b>123.098.879,92</b>	<b>77.117.962,80</b>

*b) other interest payable and similar charges*

	December 31, 2011	December 31, 2010
	EUR	EUR
Interest and charges vs. banks	25.255.932,62	23.620.229,36
Interest and charges on debentures	246.346.597,35	364.494.595,94
Charges on interest rate swaps	302.982.309,90	12.402.520,08
Charges on currency swaps	1.691.342,70	1.228.733,09
Losses on exchange rates	97.300.797,30	97.824.651,83
Other financial charges and commissions	600.227,64	416.251,71
	<b>674.177.207,51</b>	<b>499.986.982,01</b>

**Note 21 – Tax on profit or loss**

	December 31, 2011	December 31, 2010
	EUR	EUR
Withholding tax on dividend received	177.050,34	107.871,45
Withholding tax on dividend related to previous years dividends cashed-in	0,00	1.280.440,93
	<b>177.050,34</b>	<b>1.388.312,38</b>

**Note 22 – Other taxes not included in the previous caption**

The item include payments for the Net Wealth Tax.

**Note 23 – Income from financial fixed assets***a) derived from affiliated undertakings*

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Dividend received from Parent Company	7.223.573,63	6.227.218,65
Interest on long term loans to Parent Company	109.003.113,11	109.269.977,30
Interest on long term loans to other group companies	428.423,62	226.747,43
	<b>116.655.110,36</b>	<b>115.723.943,38</b>

*b) other income from participating interests*

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Value adjustment on receivables	0,00	3.114.917,36
Dividend received from Investment Funds	0,00	29.000,00
	<b>0,00</b>	<b>3.143.917,36</b>

**Note 24 – Income from financial current assets***a) derived from affiliated undertakings*

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Gain on expired securities issued by Parent Company	3.474.000,00	0,00
	<b>3.474.000,00</b>	<b>0,00</b>

*a) other income*

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Reversal of value adjustments on securities	36.020,84	551.861,67
Gain on securities disposal	157.141,24	812.021,57
Gain on own securities bought back	0,00	540.000,00
Gain on SICAV disposal	0,00	584.932,06
	<b>193.162,08</b>	<b>2.488.815,30</b>

**Note 25 – Other interest and other financial income***a) derived from affiliated undertakings*

	December 31, 2011	December 31, 2010
	EUR	EUR
Interest on securities issued by Parent Company	280.774.938,24	396.187.500,00
Interest and commissions on receivables from Parent Company	10.596.663,73	51.867.946,34
Interest and commissions on receivables from group companies	4.635.083,73	6.698.333,88
Income on currency and interest rate swaps with Parent Company	239.722.562,86	46.119.145,16
Income on currency and interest Rate swaps with group companies	100.386.316,33	0,00
Income on currency swaps with group companies	1.670.366,74	1.136.403,58
Interest on own securities bought back	-103.727,76	937.460,01
	<b>637.682.203,87</b>	<b>502.946.788,97</b>

*b) other interest receivable and similar income*

	December 31, 2011	December 31, 2010
	EUR	EUR
Interest on other securities	9.391.336,89	4.191.942,87
Interest on banks	14.941.008,79	5.007.542,31
Income on currency and interest rate swaps with banks	69.142.490,11	5.497.555,70
Income on currency swaps with banks	1.037.565,09	28.065,53
Income on other derivatives	563.594,47	563.594,48
Gain on exchange rates	90.707.182,21	97.495.359,77
	<b>185.783.177,56</b>	<b>112.784.060,66</b>

**Note 26 – Warranties**

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

## **Note 27 – Off balance sheet commitments**

The table here below reports the sum of the notional amount for derivative agreements entered by the Company.

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps	247.514.504,95	76.090.658,44
IRS on liabilities	399.201.596,81	618.154.624,94
IRS on assets	3.622.576.736,94	1.000.000.000,00
CCIRS on Assets	1.087.145.628,00	0,00
Options	199.600.798,40	184.077.312,47
	<b>5.556.039.265,10</b>	<b>1.878.322.595,85</b>

The table here below reports the net sum of the mark to market value of the above reported derivative agreements.

	<i>December 31, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps	-1.227.159,46	186.961,55
IRS on liabilities	37.557.812,94	19.180.382,84
IRS on assets	-2.413.800,62	-11.850.402,02
Options	-31.934.611,48	-25.021.686,74
	<b>1.982.241,38</b>	<b>-17.504.744,37</b>

Furthermore, the Company has the commitment to subscribe up to EUR 25.000.000,00 in the investment fund Clessidra Capital Partner. As of December 31, 2011 payments of EUR 23.247.378,04 have been made.

The Company has also the commitment to subscribe up to EUR 2.400.000,00 in the investment fund Golden Mouse. As of December 31, 2011 payments of EUR 2.399.814,83 have been made.

## **Note 28 – Tax situation**

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

**Note 29 – Consolidation**

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

According to the Board evaluation, none of its subsidiaries have a material interest for the purposes of art 319 (paragraph 3) of the Law of August 10, 1915 on commercial companies. Hence the Company is exempted under article 317 of the aforesaid law from establishing consolidated accounts and a consolidated management report for the period ended December 31, 2011.

**Note 30 – Directors remuneration**

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

**Note 31 – Staff**

As of December 31, 2011 the company had 8 employees on its payroll (December 31, 2010 – 8). The average of employees during the fiscal year has been of 8,75 persons (2010 – 8,67).

**Note 32 – Litigation**

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

**Note 33 – Auditor's fees**

During fiscal year 2011 a total of EUR 48.940,00 (2010 – EUR 28.300,00) has been paid to PricewaterhouseCoopers s.à.r.l., for audit activity (EUR 32.940,00) and audit related services (EUR 16.000,00). No other amount has been paid by the Company to the Auditor or other Group Companies within the PricewaterhouseCoopers network.

#### **Note 34 – Other information**

The exchange rates used to translate the financial statements of foreign operations are summarized in the table here below.

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<i>Local currency against 1 EUR</i>		
BRL (Brazilian real)	2,28930	2,22638
CHF (Swiss franc)	1,21560	1,25040
GBP (Pound sterling)	0,83530	0,86075
HUF ( Hungarian forint)	314,58000	277,95000
JPY (Japan Yen)	100,20000	108,65000
RON (Romanian leu)	4,32330	4,26200
USD (U.S. dollar)	1,29390	1,33620

***Note 35 – Adjustment on the comparison period***

According to the Grand Duchy Law of the December 10, 2010 modifying the G.D. Law of the December 19, 2002 and in the respect of the G.D. Law of the June 22, 2009 introducing the standard Chart of Accounts of Luxembourg, the Company has drawn the Balance Sheet and the Profit and Loss as at December 31, 2010 under the new layout.

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



## Balance Sheets as at December 31, 2010

TELECOM ITALIA FINANCE S.A.  
RECONCILIATION BETWEEN THE BALANCE SHEET ITEMS APPROVED AS AT DECEMBER 31, 2010 AND THOSE SHOWN ACCORDINGLY WITH THE LAW OF DECEMBER 10, 2010

BALANCE SHEET APPROVED AS AT DECEMBER 31, 2010		ASSETS - EUR Δ	BALANCE SHEET IN NEW LAYOUT	
B. Incorporation expenses	0,00	7.087.064,05	B. Formation expenses	[i] 7.087.064,05
C. Non current assets	7.192.858.512,75	-10.053.405,53	C. Fixed assets	7.182.805.107,22
II Tangible assets			II Tangible assets	
2 Plant and machinery	32.533,31	32.533,31		
3 Other fixtures and fitting, tools and equipments	10.721,84	32.533,31	3 Other fixtures and fittings, tools and equipment	[ii] 43.255,15
III Non current financial assets			III Financial assets	
1 Securities with Telecom Italia S.p.A. (Parent company)	3.900.000.000,00	-2.369.388.563,70	1 Shares in affiliated undertakings	[iii] 1.530.611.436,30
2 Receivables from group companies	1.735.934.687,72		2 Loans to affiliated undertakings	1.735.934.687,72
3 Equity investments	1.395.041.523,72	-1.394.738.982,38	3 Shares in undertakings with which the company is linked by virtue of participating interests	[iv] 302.543,34
5 Securities other than equity investments	151.785.640,63	3.764.127.546,08	5 Investments held as fixed assets	[v] 3.915.913.186,71
6 Other receivable	10.053.405,53	-10.053.405,53		
D. Current Assets	3.787.067.136,59	301.213.829,36	D. Current assets	4.089.280.965,95
II Financial receivables			II Debtors	
2 Receivables from group companies			2 Amounts owed by affiliated undertakings	
a) receivable within 1 year	725.364.688,66	65.205.981,01	a) becoming due and payable after less than one year	[vi] 790.570.669,67
4 Other receivables			4 Other debtors	
a) receivable within 1 year	675.372,70	11.089.076,74	a) becoming due and payable after less than one year	[vii] 11.764.449,44
		10.096.058,24	b) becoming due and payable after more than one year	[viii] 10.096.058,24
III Securities in current assets			III Investments	
1 Parts in group companies	1.646.526.000,00	210.622.602,74	1 Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests	[ix] 1.857.148.602,74
3 Other securities	360.048.857,31	3.172.870,37	3 Other investments	[x] 363.221.727,68
IV Cash and cash equivalent	1.054.452.217,92	1.027.240,26	IV Cash at bank and in hand	[xi] 1.055.479.458,18
E. Prepayments and accrued income	307.460.341,85	-307.241.908,35	E. Prepayments and accrued income	238.433,50
TOTAL ASSETS	11.287.405.991,19	-8.994.420,47	TOTAL ASSETS	11.278.411.570,72
BALANCE SHEET APPROVED AS AT DECEMBER 31, 2010		LIABILITIES - EUR Δ	BALANCE SHEET IN NEW LAYOUT	
A. Capital and reserves	1.601.024.382,97	0,00	A. Capital and reserves	1.601.024.382,97
1 Subscribed share capital	542.090.241,00		I. Subscribed capital	542.090.241,00
IV Reserves			IV Reserves	
3 Legal reserve	4.812.715,87		1 Legal reserve	4.812.715,87
4 Other reserves	865.769.812,13		4 Other reserves	865.769.812,13
V Profit brought forward	61.337.977,52		V. Profit or loss brought forward	61.337.977,52
VI Result of the period	127.013.636,45		VI Result for the financial year	127.013.636,45
B. Provisions for liabilities and charges	12.201.402,02	-351.000,00	C. Provisions	11.850.402,02
2 Provision for taxation	351.000,00	-351.000,00		
3 Other provisions	11.850.402,02		3 Other provisions	11.850.402,02
C. Creditors	9.339.399.802,98	326.084.893,17	D. Not Subordinated debts	9.645.484.696,15
1 Notes			1 Debenture loans	
b) Non convertible notes			b) Non convertible notes	
a) payable within 1 year	1.883.885.000,00	279.304.802,49	i) becoming due and payable after less than one year	[xii] 2.163.189.802,49
b) payable beyond 1 year	3.156.792.312,47	128.992,85	ii) becoming due and payable after more than one year	[xiii] 3.156.921.305,33
2 Payables to banks (and financial institutions)			2 Amounts owed to credit institutions	
a) payable within 1 year	27.420,92	7.127.032,32	a) becoming due and payable after less than one year	[xiv] 7.154.453,24
b) payable beyond 1 year	434.077.312,47	-615.662,66	b) becoming due and payable after more than one year	[xv] 433.461.649,81
4 Trade and services payables			4 Trade creditors	
a) payable within 1 year	144.630,76		a) becoming due and payable after less than one year	144.630,76
6 Payables to associated companies			6 Amounts owed to affiliated undertakings	
a) payable within 1 year	2.567.431.360,42	39.788.550,50	a) becoming due and payable after less than one year	[xvi] 2.607.219.910,92
b) payable beyond 1 year	1.292.000.000,00		b) becoming due and payable after more than one year	1.292.000.000,00
8 Tax payables and social security contributions			8 Tax and social security	
a) payable within 1 year	27.414,53	345.888,89	a) Tax	[xvii] 373.303,42
		27.414,53	b) Social security	[xviii] 27.414,53
9 Other payables			9 Other creditors	
a) payable within 1 year	455.178,09	-22.125,76	a) becoming due and payable after less than one year	[xix] 433.052,33
b) payable beyond 1 year	4.559.173,32		b) becoming due and payable after more than one year	4.559.173,32
D. Accruals and deferred income	297.465.241,50	-297.433.151,82	E. Accruals and deferred income	51.089,58
TOTAL LIABILITIES	11.250.090.829,47	28.320.741,25	TOTAL LIABILITIES	11.278.411.570,72

## Profit and Loss for the year ended December 31, 2010

TELECOM ITALIA FINANCE S.A.  
RECONCILIATION BETWEEN THE BALANCE SHEET ITEMS APPROVED AS AT DECEMBER 31, 2010 AND THOSE SHOWN ACCORDINGLY WITH THE LAW OF DECEMBER 10, 2010

PROFIT AND LOSS APPROVED AS AT December 31, 2010		A. EXPENSES - EUR Δ	PROFIT AND LOSS IN NEW LAYOUT	
1. Net change in work in progress, unfinished and finished goods	0,00	10.421,74	1. Raw materials and consumables	(ix) 10.421,74
2.a) Acquisition of goods and services	0,00	3.941.921,12	2. Other external charges	(cxi) 3.941.921,12
3. Staff costs	776.846,26	0,00	3. Staff costs	776.846,26
a) Wages and salaries	674.444,40	.	a) Wages and salaries	674.444,40
b) Social security contributions	101.901,86	-18.854,19	b) Social security costs	83.047,67
		18.854,19	c) Social security costs relating to pensions	(cxii) 18.854,19
			d) Other social security costs	0,00
4.a) Value adjustments in respect of tangible and intangible assets	24.757,72	1.898.793,88	4. Value adjustments	1.923.491,60
			a) on formation expenses and on tangible and intangible fixed assets	1.923.491,60
5. Other operating expenses	4.357.026,32	-3.953.211,05	5. Other operating charges	403.815,27
6. Value adjustments in respect of financial assets	14.027.613,89	-8.156.006,56	6. Value adjustments and fair value adjustments on financial fixed assets	(xaii) 10.871.606,43
		10.890.300,18	7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities	(cxiv) 10.890.300,18
7. Interest and similar expenses	579.324.175,81	-4.117.964,98	8. Interest payable and similar charges	575.206.210,93
a) concerning group companies	82.965.697,68	-5.847.734,88	a) concerning affiliated undertakings	(cxv) 77.117.962,80
b) other interest and charges	496.358.478,23	1.729.769,90	b) other interest payable and similar charges	(cxvi) 498.088.248,13
10. Extraordinary expenses	7.784.293,62	-7.793.425,43	9. Extraordinary charges	860,19
12. Other taxes not mentioned in the points above	6.327.838,88	-4.939.524,50	10. Tax on profit or loss	1.388.311,38
		4.939.524,50	11. Other taxes not included in the previous caption	4.939.524,50
13. Net income for the period	127.013.838,45	0,00	12. Profit for the financial year	127.013.838,45
TOTAL EXPENSES	799.585.686,15	-2.219.231,10	TOTAL CHARGES	797.366.455,05

TELECOM ITALIA FINANCE S.A.  
RECONCILIATION BETWEEN THE BALANCE SHEET ITEMS APPROVED AS AT DECEMBER 31, 2010 AND THOSE SHOWN ACCORDINGLY WITH THE LAW OF DECEMBER 10, 2010

PROFIT AND LOSS APPROVED AS AT December 31, 2010		B. INCOME - EUR Δ	PROFIT AND LOSS IN NEW LAYOUT	
4. Other operating incomes	201.056,68	0,00	1. Net turnover	201.056,68
5. Income from Equity Investments	6.227.218,65	-6.227.218,65		
a) from group companies	6.227.218,65	-6.227.218,65		
6. Income from other securities	403.834.718,18	-284.966.857,44	6. Income from financial fixed assets	118.867.860,74
a) from group companies	396.187.500,00	-280.463.556,62	a) derived from affiliated undertakings	(cxvii) 115.723.943,38
b) other income	7.647.218,18	-4.503.300,82	b) other income from participating interests	(cxviii) 3.143.917,36
7. Other interest and similar income	329.244.819,84	-326.756.004,64	7. Income from financial current assets	2.488.815,30
a) from group companies	218.895.788,51	-218.895.788,51	a) derived from affiliated undertakings	0,00
b) other interest and similar income	110.349.031,43	-107.860.216,13	b) other income	(cxix) 2.488.815,30
		615.730.849,63	8. Other interest and other financial income	615.730.849,63
		502.946.788,97	a) derived from affiliated undertakings	(cxi) 502.946.788,97
		112.784.060,66	b) other interest receivable and similar income	(cxix) 112.784.060,66
9. Extraordinary income	77.872,70	0,00	9. Extraordinary income	77.872,70
10. Net loss for the period	0,00	0,00	12. Loss for the financial year	0,00
TOTAL INCOME	799.585.686,15	-2.219.231,10	TOTAL INCOME	797.366.455,05

## Details of reclassifications

In the following pages we explain the reclassifications carried out in the audited accounts in order to meet the new requirements, showing for each item the line used in the Audited Balance Sheet as at December 31, 2010 and, where applicable, the related note and the description used in it.

### **[i] – Formation expenses**

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

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

### **[ii] – Other fixtures and fittings, tools and equipment**

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

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

**[iii] – Shares in affiliated undertakings**

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

Line in previous schemes	Note	Amount	
<b><u>Assets</u></b>			
<b>C. Non current assets</b>			
III. Non current financial assets			
3. Equity investments	[5]	TI Finance Ireland Ltd, Italtel Group SpA, Olivetti Holding BV, Movenda SpA	1.395.041.523,72
5. Securities other than equity investments	[5]	Telecom Italia SpA, TI Media SpA	135.569.912,58
			<b>1.530.611.436.30</b>

**[iv] – Shares in affiliated undertaking with which the company is linked by virtues of participating interests**

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

Line in previous schemes	Note	Amount
<b><u>Assets</u></b>		
<b>C. Non current assets</b>		
III. Non current financial assets		
3. Equity investments	[5]	Piedmont Int. SA 0,00
5. Securities other than equity investments	[5]	Docunet Inc, 302.541,34 Infomaster SpA, Locationet System Ltd, Consolidated IP Holdings Inc
		<hr/> 302.541,34

**[v] – Investments held as fixed assets**

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

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

**[vi] – Amounts owed by affiliated undertakings becoming due and payable after less than one year**

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

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

**[vii] – Other debtors becoming due and payable after less than one year**

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

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

**[viii] – Other debtors becoming due and payable after more than one year**

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

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

**[ix] – Shares in affiliated undertaking and in undertakings with which the company is linked by virtues of participating interests**

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

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

**[x] – Other investments**

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

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

**[xi] – Cash at bank and in hand**

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

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

**[xii] – Non convertible notes becoming due and payable after less than one year**

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

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

**[xiii] – Non convertible notes becoming due and payable after more than one year**

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

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



**[xiv] – Amounts owed to credit institutions becoming due and payable after less than one year**

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

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

**[xv] – Amounts owed to credit institutions becoming due and payable after more than one year**

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

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

**[xvi] – Amounts owed to affiliated undertakings becoming due and payable after less than one year**

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

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

**[xvii] – Tax**

The item includes amounts provisioned and owed for VAT.

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

**[xviii] – Social security**

The item includes amounts owed to the Social Security office.

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

**[xix] – Other creditors becoming due and payable after less than one year**

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

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

**[xx] – Raw materials and consumables**

The item includes the charges for consumable materials acquisition.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Expenses</u></b>		
<b>5. Other operating expenses</b>		10.421,74
		<b>10.421,74</b>

**[xxi] – Other external charges**

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Expenses</u></b>		
<b>5. Other operating expenses</b>		3.941.921,12
		<b>3.941.921,12</b>

**[xxii] – Social security costs relating to pensions**

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

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Expenses</u></b>		
<b>5. Other operating expenses</b>		18.854,19
		<b>18.854,19</b>

***[xxiii] – Value adjustment and fair value adjustment on financial fixed assets***

The item includes the negative adjustment recorded on shares in affiliated undertakings and on shares in undertakings with which the company is linked by virtue of participation interests.

***[xxiv] – Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities***

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

<i>Line in previous schemes</i>	<i>Note</i>		<i>Amount</i>
<b><u>Expenses</u></b>			
<b>6. Value adjustment in respect of financial assets</b>	[15]	Value adjustment on other securities	3.156.006,56
<b>10. Exceptional expenses</b>	[17]	Losses on disposal of securities	7.734.293,62
			<b>10.890.300,18</b>

***[xxv] – Interest payable and similar charges concerning affiliated undertakings***

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

**[xxvi] – Interest payable and similar charges - other interest payable and similar charges**

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

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Expenses</u></b>		
<b>7. Interest and similar expenses</b>		
a) concerning group companies	[16]	Losses on exchange rates 5.847.734,88
b) other interest and charges	[16]	Interest and charges vs bank 23.936.535,82
	[16]	Interest and other charges on debentures 364.915.038,41
	[16]	Interest for derivative contracts vs third parties 13.631.253,17
	[16]	Losses on exchange rates 91.976.916,95
<b><u>Income</u></b>		
<b>7. Other interests and similar income</b>		
b) other income	[20]	Interest on banks - 2.219.231,10
		<b>498.088.248,13</b>

**[xxvii] – Income from financial fixed assets derived from affiliated undertakings**

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

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Income</u></b>		
<b>5. Income from equity investments</b>		
a) from group companies		6.227.218,65
<b>7. Other interests and similar incomes</b>		
b) from group companies	[20]	Interest on receivables from group companies 109.496.724,73
		<b>115.723.943,38</b>

**[xxviii] – Income from financial fixed assets – other income from participating interests**

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Income</u></b>		
<b>6. Income from other securities</b>		
b) other income	[19] From other Companies – In Current assets	29.000,00
<b>7. Other interest and similar incomes</b>		
b) other interest and similar income	[19] Positive adjustment on other receivables	48.347.404,17
		<b>48.376.404,17</b>

**[xxix] – Income from financial current assets – other incomes**

The item includes positive interest, plus-value and value adjustment on current assets with third parties.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Income</u></b>		
<b>6. Income from other securities</b>		
b) other incomes	[19] From other Companies – in Current assets	2.488.815,30
		<b>2.488.815,30</b>

**[xxx] – Other interest and other financial income derived from affiliated undertakings**

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

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Income</u></b>		
<b>6. Income from other securities</b>		
a) from group companies	[19] From group companies - in non-current assets	396.187.500,00
b) other income	[19] From other companies - in current assets	937.460,01
<b>7. Other interest and similar income</b>		
a) from group companies	[20] Interest and commissions on receivables from group companies	58.566.280,22
	[20] Interest for derivatives entered with group companies	47.255.548,74
		<b>502.946.788,97</b>

**[xxxi] – Other interest and other financial income – other interest receivable and similar income**

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

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<b><u>Income</u></b>		
<b>6. Income from other securities</b>		
a) from group companies	[19] From group Companies – In non-current assets	4.191.942,87
<b>7. Other interest and similar income</b>		
a) from group companies	[20] Gain on exchange rates	3.577.234,82
b) other income	[20] Interest on banks	5.007.542,31
	[20] Gain on exchange rates	93.918.124,95
	[20] Interest on derivatives contracts vs third parties	6.089.215,71
		<b>112.784.060,66</b>

### **Declaration of the manager responsible for financial reporting**

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Pursuant to paragraph 3 of Luxembourg's Transparency Law, the undersigned Adriano Trapletti, Managing Director of the Company, to the best of his knowledge, hereby declares that the above financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes a fair review of the development and performance of the business and the position of the issuer as at and for the period ended December 31, 2011, together with a description of the principal risks and uncertainties that the issuer faces.

Adriano Trapletti  
Managing Director







## **Audit report**

To the Shareholders of  
**Telecom Italia Finance S.A.**

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### **Report on the annual accounts**

We have audited the accompanying annual accounts of Telecom Italia Finance S.A., which comprise the balance sheet as at 31 December 2011, the profit and loss account and cash flow statement for the year then and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' responsibility for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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



*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Telecom Italia Finance S.A. as of 31 December 2011, and of the results of its operations and its cash flow for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

**Report on other legal and regulatory requirements**

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

PricewaterhouseCoopers S.à r.l.  
Represented by

Luxembourg, 23 March 2012

A handwritten signature in black ink, appearing to read 'F. Goffin', with a long horizontal stroke extending to the right.

Fabrice Goffin

**Desisions taken during the Annual General Meeting held on April 4, 2012**

The shareholders:

- a) approved the financials as of December 31, 2011, which comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes.
- b) approved the proposal of the Board of Directors to allocate the benefit amounting to EUR 69.919.778,31 as follows:
  - EUR 3.495.988,92 to the legal reserve;
  - EUR 66.423.789,39 to the profit and loss brought forward.
- c) discharged all the Directors (comprising those who resigned during the year) for their activity till the date of the shareholders meeting.
- d) Took note Ms Petralia and Mr Taranto resignations during the fiscal year 2011 and fixed in five (5) the number of members of the Board;
- e) Confirmed as Director Ms Gigliola Bonino born in Pinerolo (Italy) on May 5, 1966, domiciled at Corso Bramante 20, 10134 Torino (Italy). Ms Bonino shall remain in place till the annual general shareholders meeting which will take place in 2014.

Board of Directors Members

- 1. Mr Andrea Balzarini, domiciled in Milano (Italy), Chairman
- 2. Mr Adriano Trapletti, domiciled in Luxembourg, Managing Director
- 3. Mr Jacques Loesch, domiciled in Luxembourg, Director
- 4. Ms Gigliola Bonino, domiciled in Torino (Italy), Director
- 5. Mr Antonio Sica, domiciled in Luxembourg, Director