



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, 2012

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Directors' report

Dear Shareholder,

The year 2012 of Telecom Italia Finance (the "Company" or "TI Finance") ends with a profit of EUR 21.062.061,10 versus a positive result of EUR 69.919.778,31 in the year 2011.

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 50,46 million (EUR 123,16 million in 2011). The reduced contribution of EUR 72,7 million is due for EUR 35,6 million to the termination of a swap transaction having a notional amount of JPY 20 billion. The residual reduced contribution of EUR 37,1 million is due to a change into the asset mix: lower volume of intercompany lending and consequently higher liquidity at banks.

Impairments for a total amount of EUR 25,85 million (EUR 51,05 million in 2011) have been booked in relation with the participations in Telecom Italia S.p.A., Telecom Italia Media S.p.A. and investments funds.

The net financial position as per December 31, 2012 is positive for 1.514,98 million (1.471,58 million as per December 31, 2011).

Notes

As of December 31, 2012, the total outstanding nominal amount of notes issued by TI Finance amounts to EUR 1.868.978.841,48 (EUR 2.893.576.798,40 as of December 31, 2011). The notes are unconditionally and irrevocably guaranteed by the Parent Company, Telecom Italia S.p.A.

During the year,

- a) Matured and were repaid, by reducing for the same amount cash deposit with banks, the following notes:
- On March 14, 2012 the EUR 107.715.000,00 Floater rate Notes.
 - On April 24, 2012 the EUR 812.545.000,00 7,25% Notes (11,56 million of which had been bought back on the market during the year).
- b) the Company bought back in the market:
- EUR 80,78 million in nominal amount of its EUR 758.716.000,00 6,875% Notes maturing January 2013. Such Notes have been cancelled on June 28, 2012. Due to the cancellation, the principal amount of debt outstanding with regards to these notes is EUR 677.938.000,00.

Credit towards Lehman Brothers Special Finance Inc

On June 25, an agreement has been reached with Lehman Brothers Special Finance Liquidators ("LBSF") concerning the nominal amount of the claims towards such company and the guarantor, Lehman Brothers Holding Inc. The agreed amount equals to USD 35.696.077,01 versus LBSF and USD 35.590.272,35 in respect of the Guarantor. Those amounts have been allowed by the competent United States Bankruptcy Court.

On October 1, the Company received a first reimbursement of USD 9.917.678,40 (comprehensive of interest), corresponding to the 27,76% of the outstanding nominal amount. The residual credit versus LBSF is booked for USD 8.924.019,25, which represents the 25% of the agreed amount.

The next additional installments are scheduled for April and October 2013.

Fixed assets

On June 26, Telecom Italia S.p.A. redeemed its EUR 2.500.000.000,00 7,375% Notes due June 2012, entirely subscribed by Telecom Italia Finance and repaid to the Company EUR 2.684.375.000,00 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.

Participations

In 2012 the Company received dividends on Telecom Italia S.p.A. shares per EUR 5,36 million (EUR 7,22 million in 2011)

On September 2012 the Company bought all assets and liabilities of the controlled company Olivetti Holding B.V. which has been subsequently liquidated.

On December 2012 Telecom Italia Finance together with the others shareholders and a pool of banks financing Italtel Group S.p.A. and Italtel S.p.A. entered into a restructuring financial agreement of the two aforesaid companies under Italian Bankruptcy law.

Under the terms of this agreement the Company accepted to grant to Italtel S.p.A. a no interest bearing loan of EUR 4,5 million, convertible in Italtel S.p.A.' financial participative instruments and to further commit to grant to the same company credit facilities up to EUR 11,5 million.

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 S.p.A. consolidated annual accounts.

Events subsequent to December 31, 2012

On January 24, 2013 matured and were repaid the EUR 677.938.000,00 6,875% Notes.

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

During the year 2013 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 on August 7, 2013 shall come to maturity and shall be repaid the "Schuldschein", loan issued under German law for the principal outstanding amount of EUR 250.000.000,00.

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, 2012 herein reported comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes.

The Board invites you to approve the aforesaid financial statements and propose to allocate the benefit of EUR 21.062.061,10 as follows:

- a) EUR 1.053.103,05 to the legal reserve;
- b) EUR 20.008.958,04 to the retaining earnings.

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, 2012					
ASSETS - [EUR]		31.DECEMBER.2012	31.DECEMBER.2011	LIABILITIES - [EUR]	
B. Formation expenses	[n.3]	4.934.771,48	5.755.176,31	A. Capital and reserves	1.692.006.222,38
C. Fixed assets		3.684.554.613,84	3.146.051.875,03	I. Subscribed capital	[n.12] 542.090.241,00
II. Tangible assets				IV. Reserves	[n.13]
3. Other fixtures and fittings, tools and equipment	[n.4]	26.953,13	39.502,58	1. Legal reserve	14.659.704,79
III. Financial assets				4. Other reserves	865.769.812,13
1. Shares in affiliated undertakings	[n.6]	1.461.259.754,52	1.483.904.598,68	V. Profit or loss brought forward	248.424.403,36
2. Loans to affiliated undertakings	[n.5]	2.213.450.486,96	1.649.974.454,04	VI. Result for the financial period	21.062.061,10
3. Shares in undertakings with which the company is linked by virtue of participating interests	[n.6]	37.350,87	223.493,66	C. Provisions	2.765.514,56
5. Investments held as fixed assets	[n.7]	9.780.068,36	11.909.826,07	2. Provisions for taxation	[n.14] 1.166.356,47
D. Current assets		4.839.412.653,59	6.247.118.030,97	3. Other provisions	1.599.158,09
II. Debtors				D. Not Subordinated debts	6.834.093.932,01
2. Amounts owed by affiliated undertakings	[n.8]			1. Debenture loans	
a) becoming due and payable after less than one year		1.108.122.719,30	199.526.791,98	b) Non convertible notes	[n.15]
b) becoming due and payable after more than one year		32.267.710,62	2.958.574,43	i) becoming due and payable after less than one year	796.124.147,12
4. Other debtors				ii) becoming due and payable after more than one year	1.191.215.316,21
a) becoming due and payable after less than one year		13.483.730,83	10.678.688,73	2. Amounts owed to credit institutions	[n.16]
b) becoming due and payable after more than one year	[n.9]	94.787.860,03	79.136.281,02	a) becoming due and payable after less than one year	533.016.464,71
III. Investments	[n.10]			b) becoming due and payable after more than one year	176.040.841,48
1. Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests		0,00	2.595.210.040,98	4. Trade creditors	
3. Other investments		532.862.890,84	373.473.743,51	a) becoming due and payable after less than one year	132.344,04
IV. Cash at bank and in hand	[n.11]	3.057.887.741,97	2.986.133.910,32		
E. Prepayments		0,00	240.415,24	6. Amounts owed to affiliated undertakings	[n.17]
				a) becoming due and payable after less than one year	2.704.242.833,70
				b) becoming due and payable after more than one year	1.379.989.211,74
				8. Tax and social security	
				b) Social security	33.057,55
				9. Other creditors	
				a) becoming due and payable after less than one year	21.032.004,84
				b) becoming due and payable after more than one year	32.267.710,62
TOTAL ASSETS		8.528.902.038,91	9.399.165.497,55	E. Deferred income	36.369,96
				TOTAL LIABILITIES	8.528.902.038,91
					9.399.165.497,55

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

Profit and Loss

TELECOM ITALIA FINANCE S.A.					
PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2012					
A. CHARGES - [EUR]	31.DECEMBER.2012	31.DECEMBER.2011	B. INCOME - [EUR]	31.DECEMBER.2012	31.DECEMBER.2011
1. Raw materials and consumables	9.556,67	12.721,57	1. Net turnover	157.702,61	365.695,68
2. Other external charges	1.054.287,32	967.283,84			
3. Staff costs	873.898,03	995.989,65	6. Income from financial fixed assets [n.23]	117.421.981,89	116.655.110,36
a) Wages and salaries	756.220,56	868.230,51	a) derived from affiliated undertakings	117.398.035,74	116.655.110,36
b) Social security costs	82.280,05	91.473,03	b) other income from participating interests	23.946,15	0,00
c) Social security costs relating to pensions	32.423,02	33.745,41			
d) Other social security costs	2.974,40	2.540,70			
4. Value adjustments	844.080,00	1.357.288,46	7. Income from financial current assets [n.24]	12.517.956,06	3.667.162,08
a) on formation expenses and on tangible and intangible fixed assets	844.080,00	1.357.288,46	a) derived from affiliated undertakings	0,00	3.474.000,00
5. Other operating charges	89.338,08	95.878,72	b) other income	12.517.956,06	193.162,08
6. Value adjustments and fair value adjustments on financial fixed assets [n.18]	25.853.244,65	51.051.395,45			
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities [n.19]	4.319.985,27	23.326.021,32	8. Other interest and other financial income [n.25]	863.790.193,76	823.465.381,43
8. Interest payable and similar charges [n.20]	938.102.305,03	795.944.199,69	a) derived from affiliated undertakings	406.880.083,47	637.682.203,87
a) concerning affiliated undertakings	323.515.687,94	123.098.879,92	b) other interest receivable and similar income	456.910.110,29	185.783.177,56
b) other interest payable and similar charges	614.586.617,09	672.845.319,77			
9. Extraordinary charges	960,77	6.189,62	9. Extraordinary income	22.363,96	100.447,42
10. Tax on profit or loss [n.21]	184.486,36	177.050,34			
11. Other taxes not included in the previous caption [n.22]	1.515.995,00	400.000,00			
12. Profit for the financial year	21.062.061,10	69.919.778,31			
TOTAL CHARGES	993.910.198,28	944.253.796,97	TOTAL INCOME	993.910.198,28	944.253.796,97

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, 2012		
	31.DECEMBER.2012	31.DECEMBER.2011
Operating Activities		
Profit after tax	21.062.061,10	69.919.778,31
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	844.080,00	1.357.288,46
Finance Income	-989.416.436,95	-943.610.603,53
Finance Expenses	967.641.460,21	869.388.051,50
Changes in trade and other receivables	-560.247,30	-133.063,50
Changes in trade and other payables	2.412.096,17	-675.966,06
Net cash flows from operating activities	1.983.013,23	-3.754.514,82
Cash flows from Investing activities		
Changes in Property, plant and equipment	-11.125,72	-21.648,15
Changes in Participations, funds and other securities	2.262.670.825,04	2.739.342.026,41
Investments and re-payments in Financial Receivables	-1.496.696.239,55	713.774.951,21
Interest, commissions and other financial income received	930.758.262,39	930.368.816,39
Dividends received	5.280.787,42	7.124.249,49
Income received from participations and funds	872.061,63	0,00
Net cash flows from investing activities	1.702.874.571,21	4.390.588.395,35
Cash flows from Financing activities		
Net change in short-term Financial Payables	185.667.017,05	210.425.128,94
Repayments of borrowings	-920.260.000,00	-1.883.885.000,00
Interest, commissions and other financial expenses paid	-896.003.804,58	-792.667.170,53
Net cash flows from financing activities	-1.630.596.787,53	-2.466.127.041,59
Net Increase / Decrease in Cash and Cash Equivalents	74.260.796,91	1.920.706.838,94
Net foreign exchange differences in C&CE	503.668,88	7.564.716,69
Cash and cash equivalents at 01 January	2.982.723.773,55	1.054.452.217,92
Cash and cash equivalents at the end of the year	[n.11] 3.057.488.239,34	2.982.723.773,55

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

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 preparation

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

As allowed by the amended law of August 10, 1915, 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 "Interest payable and similar charges/ Other interest and 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 "Other interest payable and similar charges" and "Other interest receivable and similar 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.

Fixed financial assets

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 their 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 and classified as financial fixed assets 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 interest

Accrued interest are shown with their principal amount.

Prepayments / Deferred income

“Prepayments” and “Deferred income” accounts include prepaid charges and deferred income.

Issue discounts and issue premiums are listed with the related notes, while other similar charges are classified in “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.

Not subordinated 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 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.

Comparison Period

The figures exposed in the liabilities account “Tax” as at December 31, 2011 have been reclassified in “Provisions for taxation” to ensure the comparability of the annual accounts.

Note 3 – Formation expenses

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Issuance expenses on debentures loans	4.875.078,18	5.595.263,97
Issuance expenses on amounts owed to credit institutions	59.693,30	159.912,34
	4.934.771,48	5.755.176,31

The movements for the year are only due to depreciation.

Note 4 – Other fixtures and fittings, tools and equipment

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Acquisitions at the beginning of the year	365.736,24	518.452,26
Acquisition during the year	11.125,72	21.648,15
Disposal or reduction during the year	(702,86)	(174.364,17)
Acquisition cost at the end of the year	376.159,10	365.736,24
Value adjustments at the beginning of the year	326.233,66	475.197,11
Value adjustments during the year	23.675,17	25.400,72
Disposal or reduction during the year	(702,86)	(174.364,17)
Value adjustments at the end of the year	349.205,97	326.233,66
	26.953,13	39.502,58

Note 5 – Loans to affiliated undertakings

This item is composed by EUR 2.213.450.486,96 being the total amount of medium-long term loans granted to the Parent Company and other group companies (2011 – EUR 1.649.974.454,04). It could be detailed by final payment date as follows:

	December 31, 2012	December 31, 2011
	EUR	EUR
Nominal value: EUR: 600.000.000,00		
Expiring February 6, 2014		
Fixed rate: 2,6969%	600.000.000,00	0,00
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%	176.040.841,48	199.600.798,40
Nominal value: JPY 20.000.000.000		
Expiring May 5, 2032 [*]		
Floater rate: JPYLibor 6m + 1,66%	176.040.841,48	199.600.798,40
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 to Parent Company	2.202.081.682,96	1.649.201.596,80
Nominal value: USD 1.000.000,00		
Expiring January 7, 2014 [*]		
Fixed rate: 4,09632%	757.920,27	772.857,24
Nominal value: USD 12.000.000,00		
Expiring September 2, 2014		
Fixed rate: 3,8208%	9.095.043,19	0,00
Nominal value: USD 1.000.000,00		
Expiring August 4, 2014		
Fixed rate: 4,0367%	757.920,27	0,00
Nominal value: USD 1.000.000,00		
Expiring January 15, 2015		
Fixed rate: 3,7506%	757.920,27	0,00
Total to group companies	11.368.804,00	772.857,24
	2.213.450.486,96	1.649.974.454,04

[*] Differences between December 31, 2012 and December 31, 2011 are due to exchange rate impact.

Note 6 – Shares in affiliated undertakings and shares in undertakings with which the company is linked by virtue of participating interests

		Ownership (%)	Number of shares	Net Book value at the beginning of the year	at the beginning of the year	Gross book value changes during the year	at the end of the year	at the beginning of the year	Value Adjustments changes during the year	at the end of the year	Net Book value at the end of the period	Fair Value at the end of the period [**]
1. Shares in affiliated undertakings												
Telecom Italia S.p.A.	Piazza degli Affari, 2 Milan (Italy)	0,64	124.544.373	117.345.695,89	473.126.647,40	.	473.126.647,40	355.780.951,51	21.996.342,25	377.777.293,76	95.349.353,64	85.063.806,76
Telecom Italia Media S.p.A.	Via della Pineta Sacchetti, 229 Rome (Italy)	2,25	32.624.295	6.514.392,55	50.177.899,30	.	50.177.899,30	43.663.506,75	648.501,90	44.312.008,65	5.865.890,65	4.991.517,14
Telecom Italia Finance Ireland Ltd	3 Harbourmaster place, International financial Services Centre, Dublin 1 (Ireland)	100,00	1.360.000.000	1.360.000.000,00	1.360.000.000,00	.	1.360.000.000,00	.	.	.	1.360.000.000,00	
Olivetti Holding B.V.	Prins Bernhardplein 200 Amsterdam (Netherlands)	100,00	1.588.277	0,01	0,01	-0,01
Italtel Group S.p.A.	Via Reiss Romoli, Località Castelletto Settimo Milanese (Italy)	34,68	6.160.999 [*]	.	145.993.930,23	.	145.993.930,23	145.993.930,23		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	.	.	.	44.510,23	
Total				1.483.904.598,68	2.029.342.987,17	-0,01	2.029.342.987,16	545.438.388,49	22.644.844,15	568.083.232,64	1.461.259.754,52	

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

Venture Investors Property Recovery LLC (ex Consolidated IP Holdings Inc.)	c/o Sherwood Partners 101 University Avenue, Suite 100 Palo Alto (California - United States)	0,50	2.131.366	0,01	0,01	.	0,01	.	.	.	0,01	
Infomaster S.p.A.	Via Vmaggio 81 Genova (Italy)	2,93	19.412	223.493,64	413.304,84	.	413.304,84	189.811,20	186.142,79	375.953,99	37.350,85	
Locationet System Ltd. [Dismissed]	Gold Bldg. 2nd Hamelacha St. P.O.Box 8673 Poleg Industrial Zone, Netanya (Israel)	-	-	.	840.183,67	-840.183,67	.	840.183,67	-840.183,67	.	.	
Docunet Inc.	400 Oyster Pt Blvd Ste 111 South San Francisco (California - United States)	0,18	124.528	0,01	0,01	.	0,01	.	.	.	0,01	
Total				223.493,66	1.253.488,53	-840.183,67	413.304,86	1.029.994,87	-654.040,88	375.953,99	37.350,87	

[*] - 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.

[**] - 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.

The Board of Directors has assessed that the decrease in the market value and consequently the differences between 'Fair Value at the end of the period' and 'Net Book Value at the end of the period' are not permanent, therefore no additional value adjustments are recorded on those financial assets in the accounts of the Company.

On February 16, 2012 the liquidation of Piedmont International S.A., a Luxembourg based company, has been completed.

During the month of April 2012, Telecom Italia Finance did not take part in the capital increase of IFM Infomaster S.p.A. and the participation in such company has been diluted from 12,0% to 2,93%.

On June 25, 2012 all the preferred shares held in LocatioNet Systems Ltd, in liquidation have been bought back by LocatioNet itself.

Note 7 – Investments held as fixed assets

This item is composed by the investment in other funds.

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Clessidra Capital Partners	9.549.543,96	11.047.085,87
The Golden Mouse Partnership	230.524,40	862.740,20
	9.780.068,36	11.909.826,07

Note 8 – Amounts owed by affiliated undertakings

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

a) becoming due and payable after less than one year

	December 31, 2012	December 31, 2011
	EUR	EUR
Italtel S.p.A.	4.500.000,00	0,00
Mediterranean Nautilus B.V.	0,00	10.193.775,26
Mediterranean Nautilus Greece S.A.	24.979.707,53	24.989.045,59
Mediterranean Nautilus Telekomünikasyon Hizmetleri TAS	133.095,07	9.285.987,05
Olivetti S.p.A.	88.484.354,56	23.357.695,02
Telecom Italia Capital	0,00	6.615.825,87
Telecom Italia Media S.p.A.	0,00	45.090.359,50
Telecom Italia Netherlands B.V.	100.155,29	1.004.471,67
Telecom Italia S.p.A.	952.799.071,84	42.811.558,24
Telecom Italia Spain SL	1.504.005,03	2.507.262,66
TI Sparkle France S.A.	6.086.704,95	12.224.214,76
TI Sparkle Singapore P.T.E.	4.568.036,82	4.649.191,25
TMI Telemedia Int.	2.051.360,99	3.001.022,66
Others	1.085.480,62	1.373.999,70
Accruals on interest rate swaps with Parent Company	18.078.628,97	9.524.165,08
Accruals on interest rate swaps with group companies	2.471.753,68	349.562,33
Currency swaps with group companies	1.280.363,95	2.548.655,34
	1.108.122.719,30	199.526.791,98

b) becoming due and payable after more than one year

	December 31, 2012	December 31, 2011
	EUR	EUR
Currency swaps with group companies	0,00	2.958.574,43
Currency swaps with Parent company	32.267.710,62	0,00
	32.267.710,62	2.958.574,43

Note 9 – Other debtors becoming due and payable after more than one year

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Receivables from Lehman Brothers Special Financing Inc. [*]	6.763.695,05	10.382.070,07
Positive exchange evaluation of long term currency swaps	87.989.211,74	68.715.910,12
Other receivables	34.953,24	38.300,83
	94.787.860,03	79.136.281,02

[*] It reflects the estimated recovery value of the receivable registered vs. Lehman Brothers Special Financing Inc. in Liquidation (LBSF). Such receivable was originally booked for EUR 25.016.035,74. Based on the documentation filed with the US Courts, the position has been converted during 2009 from EUR into USD for an amount of USD 35.552.789,99 and then in 2012 updated to USD 35.590.272,35.

On October 01, 2012 it has been distributed to Ti Finance the amount of USD 9.902.109,48 and the receivable has been reduced consequently.

In accordance with market evaluations, the receivable is registered at its recoverable value of 25,00% (USD 8.924.019,25) of the principal value before distribution. The credit in hands is supported by the guarantee from Lehman Brothers Holding Inc. in Liquidation.

Note 10 – Investments

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

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Notes issued by Parent Company [*]	0,00	2.595.210.040,98
	0,00	2.595.210.040,98
Notes from other issuers	382.927.307,62	153.843.043,36
Euro Commercial Papers	149.935.583,22	219.630.700,15
	532.862.890,84	373.473.743,51

[*] Current portion of notes issued by Parent Company expired on June 26, 2012.

Note 11 – Cash at bank and in hand

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Cash in hand	149,62	98,34
Bank current accounts	1.544.526,95	1.542.599,90
Bank term deposit accounts	3.055.907.162,88	2.981.181.075,31
Other Liquid Assets	36.399,89	0,00
Cash and cash equivalent as shown in Cash Flow Statement	3.057.488.239,34	2.982.723.773,55
Accruals on bank term deposits	399.502,63	3.410.136,77
	3.057.887.741,97	2.986.133.910,32

Note 12 – Subscribed capital

As of December 31, 2012 and December 31, 2011, 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, 2012 and December 31, 2011 the Company is 100% held by Telecom Italia S.p.A.

Note 13 – Reserves

Reserves are split as follows:

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Legal reserve	14.659.704,79	11.163.715,87
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	865.769.812,13	865.769.812,13

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. Legal reserve is detailed as below:

shareholders meeting of April 4, 2008	EUR	1.584.401,26
shareholders meeting of April 28, 2010	EUR	3.228.314,61
shareholders meeting of April 11, 2011	EUR	6.351.000,00
shareholders meeting of April 4, 2012	EUR	3.495.988,92
	EUR	14.659.704,79

Movements for the year on the reserves and profit and loss items are as follows:

	<i>Legal reserve</i>	<i>Other reserves</i>	<i>Profit brought forward</i>	<i>Profit for financial year</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Balance as at 31.12.11	11.163.715,87	865.769.812,13	182.000.613,97	69.919.778,31
Movements of the year				
Allocation of prior year's profit	3.495.988,92	0,00	66.423.789,39	-69.919.778,31
Profit for the year	0,00	0,00	0,00	21.062.061,10
Total movements	3.495.988,92	0,00	66.423.789,39	-48.857.717,21
Balance as at 31.12.12	14.659.704,79	865.769.812,13	248.424.403,36	21.062.061,10

Note 14 – Provisions for taxation

	December 31, 2012	December 31, 2011
	EUR	EUR
Provisions for Net Wealth Tax	1.115.995,00	0,00
Provisions for Income Tax	1.575,00	0,00
Provisions for Value Added Tax	47.569,37	47.264,48
Other provisions for taxes	1.217,10	21.085,84
	1.166.356,47	68.350,32

Note 15 – Non convertible notes

i) becoming due and payable after less than one year

	December 31, 2012	December 31, 2011
	EUR	EUR
Nominal value: EUR: 107.715.000,00		
Expiring March 14, 2012		
Floater rate: Euribor 3m + 1,300%	0,00	107.715.000,00
Nominal value: EUR 1.000.000.000,00		
Expiring April 24, 2012		
Fixed rate: 7,250%	0,00	812.545.000,00
Nominal value: EUR 850.000.000,00		
Expiring January 24, 2013		
Fixed rate: 6,875%	677.938.000,00	<i>Classified in long term portion</i>
Prepaid income on notes (issue premiums)		
<i>Current portion</i>	285.581,80	890.298,52
Prepaid charges on notes (issue discounts)		
<i>Current portion</i>	- 313.867,77	- 907.494,40
Accrued interest on notes	118.214.433,09	164.205.094,74
	796.124.147,12	1.084.447.898,86

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

Nominal value: Eur 850.000.000,00		
Expiring January 24, 2013	<i>Classified in short term</i>	
Fixed rate: 6,875%	<i>portion</i>	758.716.000,00
Nominal value: Jpy 20.000.000.000		
Expiring May 14, 2032[*]		
Fixed rate: 3,550%	176.040.841,48	199.600.798,40
Nominal value: Eur 800.000.000,00		
Expiring January 24, 2033		
Fixed rate: 7,750%	765.000.000,00	765.000.000,00
Nominal value: Eur 250.000.000,00		
Expiring January 24, 2033		
Fixed rate: 7,750%	250.000.000,00	250.000.000,00
Prepaid income on notes (issue premiums)		
<i>Long term portion</i>	5.447.961,91	5.733.543,71
Prepaid charges on notes (issue discounts)		
<i>Long term portion</i>	- 5.273.487,18	- 5.587.354,96
	1.191.215.316,21	1.973.462.987,15

[*] Differences between December 31, 2012 and December 31, 2011 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.

Note 16 – Amounts owed to credit institutions

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

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: Eur 250.000.000,00		
Expiring August 7, 2013		<i>Classified in long term</i>
Fixed rate: 6,25%	250.000.000,00	<i>portion</i>
Payables to banks	272.666.227,58	274.832.684,77
Accrued interest	10.580.056,42	9.548.696,99
Prepaid charges on notes (issue discounts)		
<i>Current portion</i>	-229.819,29	- 385.843,37
	533.016.464,71	283.995.538,39

b) becoming due and payable after more than one year

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: Eur 250.000.000,00		
Expiring August 7, 2013		
Fixed rate: 6,25%	<i>Classified in short term</i>	250.000.000,00
	<i>portion</i>	
Nominal value: Jpy 20.000.000.000		
Expiring October 29, 2029[*]		
Fixed rate: 5,45%	176.040.841,48	199.600.798,40
Prepaid charges on notes (issue discounts)		
<i>Long term portion</i>	0,00	- 229.819,30
	176.040.841,48	449.370.979,10

[*] Differences between December 31, 2012 and December 31, 2011 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 interest thereon), to accruals on interest rate swaps with Parent and group companies and currency swaps with group companies.

a) becoming due and payable after less than one year

	December 31, 2012	December 31, 2011
	EUR	EUR
Latin American Nautilus Ltd	12.558.882,96	29.762.650,25
Mediterranean Nautilus Greece	0,00	16.029,92
Mediterranean Nautilus Israel Ltd	7.926.619,58	12.694.462,00
Olivetti Engineering	7.933,78	446.674,61
Olivetti Holding BV	0,00	2.435.870,72
Telecom Italia S.p.A.	634.074,76	933.564,96
Telecom Italia Finance Ireland Ltd [*]	67.994.425,38	67.986.976,89
TI Belgium SPRL	900.269,63	0,00
TI Deutschland Holding GmbH	11.653.574,76	6.774.197,78
TI International NV	2.589.307.008,34	2.385.376.934,17
TI Telecom Italia Austria		
Telekommunikationsdienste GmbH	400.012,48	0,00
Others	52,08	52,18
Interest rate swaps with Parent Company	1.560.949,36	38.967.502,09
Interest rate swaps with group companies	11.299.030,59	7.830.573,71
Currency and interest rate swaps with Parent Company	0,00	551.382,67
	2.704.242.833,70	2.553.776.871,95

b) becoming due and payable after more than one year

	December 31, 2012	December 31, 2011
	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	81.607.528,78	15.214.313,32
Currency and interest rate swaps with Parent Company	6.381.682,96	53.501.596,80
	1.379.989.211,74	1.360.715.910,12

[*] 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, 2012	December 31, 2011
	EUR	EUR
Adjustments on shares in undertakings		
Telecom Italia S.p.A.	21.996.342,25	10.579.277,34
Telecom Italia Media S.p.A.	648.501,90	1.130.546,80
Italtel Group S.p.A.	0,00	34.997.013,48
Locationet System Ltd	0,00	28.627,76
Infomaster S.p.A.	186.142,79	50.419,92
Total value adjustments on shares	22.830.986,94	46.785.885,30
Value adjustments on Investment Funds	3.022.257,71	4.265.510,15
	25.853.244,65	51.051.395,45

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

	December 31, 2012	December 31, 2011
	EUR	EUR
Value adjustments on securities	683.556,70	5.958.484,40
Losses on securities disposal	294.417,47	2.026.288,83
Losses on own securities bought back	3.342.011,10	15.340.214,72
Losses on investment funds	0,00	1.033,37
	4.319.985,27	23.326.021,32

Note 20 – Interest payable and similar charges

a) concerning affiliated undertakings

	December 31, 2012	December 31, 2011
	EUR	EUR
Guarantee fee due to Parent Company	634.074,74	933.564,96
Charges on interest rate swaps with Parent Company	185.782.794,54	85.833.483,71
Charges on interest rate swaps with group companies	123.514.172,82	5.720.638,42
Charges on currency swap with group companies	502.077,14	844.028,75
Interest due to group companies	13.082.568,70	29.767.164,08
	323.515.687,94	123.098.879,92

b) other interest payable and similar charges

	December 31, 2012	December 31, 2011
	EUR	EUR
Interest and charges vs. banks	37.545.757,49	25.255.932,62
Interest and charges on debentures	151.444.215,43	245.014.709,61
Charges on interest rate swaps	308.860.807,43	302.982.309,90
Charges on currency swaps	1.757.388,09	1.691.342,70
Losses on exchange rates	114.774.673,23	97.300.797,30
Other financial charges and commissions	203.775,42	600.227,64
	614.586.617,09	672.845.319,77

Note 21 – Tax on profit or loss

	December 31, 2012	December 31, 2011
	EUR	EUR
Withholding tax on dividend received	73.045,62	99.324,14
Withholding tax on interest received	109.865,74	77.726,20
Income tax	1.575,00	0,00
	184.486,36	177.050,34

Note 22 – Other taxes not included in the previous caption

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

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

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Dividend received from Parent Company	5.355.408,04	7.223.573,63
Income from equity investments in group companies	848.115,48	0,00
Interest on long term loans to Parent Company	110.730.521,97	109.003.113,11
Interest on long term loans to group companies	463.990,25	428.423,62
	117.398.035,74	116.655.110,36

b) other income from participating interests

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Income from disposal of equity investments	23.880,17	0,00
Dividend received from investment funds	65,98	0,00
	23.946,15	0,00

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

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Gain on expired securities issued by Parent Company	0,00	3.474.000,00
	0,00	3.474.000,00

b) other income

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Reversal of value adjustments on securities	1.394.936,00	36.020,84
Gain on securities disposal	6.993.811,66	157.141,24
Value adjustment on receivables from Lehman Brothers	4.129.208,40	0,00
	12.517.956,06	193.162,08

Note 25 – Other interest and other financial income

a) derived from affiliated undertakings

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Interest on securities issued by Parent Company	89.164.959,02	280.774.938,24
Interest and commissions on receivables from Parent Company	31.753.929,66	10.596.663,73
Interest and commissions on receivables from group companies	6.711.679,72	4.635.083,73
Income on currency and interest rate swaps with Parent Company	66.168.715,08	239.722.562,86
Income on currency and interest rate swaps with group companies	211.340.830,80	100.386.316,33
Income on currency swaps with group companies	1.681.359,28	1.670.366,74
Interest on own securities bought back	58.609,91	-103.727,76
	406.880.083,47	637.682.203,87

b) other interest receivable and similar income

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Interest on other securities	8.013.033,70	9.391.336,89
Interest on banks	17.326.902,09	14.941.008,79
Other interest and commissions	63.717,31	0,00
Income on currency and interest rate swaps with banks	312.474.796,80	69.142.490,11
Income on currency swaps with banks	504.816,60	1.037.565,09
Income on other derivatives	3.995.578,85	563.594,47
Gain on exchange rates	114.531.264,94	90.707.182,21
	456.910.110,29	185.783.177,56

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, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps	110.090.079,41	247.514.504,95
IRS on liabilities	352.081.682,95	399.201.596,81
IRS on assets	3.966.306.866,58	3.622.576.736,94
CCIRS on Assets	2.411.729.004,00	1.087.145.628,00
Options	176.040.841,48	199.600.798,40
	7.016.248.474,42	5.556.039.265,10

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

	<i>December 31, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps	192.249,93	-1.227.159,46
IRS on liabilities	45.988.993,04	37.557.812,94
IRS on assets	0,00	-2.413.800,62
Options	1.608.746,30	-31.934.611,48
	47.789.989,27	1.982.241,38

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, 2012 payments of EUR 24.139.878 have been made.

TI Finance has the commitment to subscribe up to EUR 2.400.000,00 in the investment fund Golden Mouse. As of December 31, 2012 payments of EUR 2.399.814,83 have been made.

Furthermore, the Company pledged its Italtel Group s.p.a. shares in favor of a pool of banks financing Italtel Group s.p.a. and its 100% controlled company Italtel s.p.a.

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, 2012.

Note 30 – Directors remuneration

The Directors have not been remunerated in their capacity as Director during 2012.

Note 31 – Staff

As of December 31, 2012 the company had 9 employees on its payroll (December 31, 2011 – 8). The average of employees during the fiscal year has been of 7,92 persons (2011 – 8,75).

Note 32 – Litigation

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

Note 33 – Auditor's fees

During fiscal year 2012 a total of EUR 33.498,90 (Net without taxes) has been paid to PricewaterhouseCoopers, Société cooperative for the audit activity (2011 – EUR 48.940,00). No other amount has been paid to the Auditor.

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, 2012</u>	<u>December 31, 2011</u>
<i>Local currency against 1 EUR</i>		
BRL (Brazilian real)	2,70360	2,28930
CHF (Swiss franc)	1,20720	1,21560
GBP (Pound sterling)	0,81610	0,83530
HUF (Hungarian forint)	292,30000	314,58000
JPY (Japan Yen)	113,61000	100,20000
RON (Romanian leu)	4,44450	4,32330
USD (U.S. dollar)	1,31940	1,29390

Declaration of the manager responsible for financial reporting

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, 2012, 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.

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 2012, the profit and loss account and cash flow statement for the year then ended 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 2012, and of the results of its operations 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, Société coopérative
Represented by

Luxembourg, 15 March 2013

A handwritten signature in black ink, appearing to read 'Fabrice Goffin'.

Fabrice Goffin