



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, 2015, which have been
authorized by the Board of Directors held
on February 25, 2016.

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Directors' report

The year 2015 of Telecom Italia Finance (the "Company" or "TI Finance") ends with a profit of EUR 68.048.586,21 vs. a positive result of EUR 103.449.727,45 in the year 2014.

Certain values referred to year 2014 reported herein below have been reclassified in order to give better understanding to the Directors' report.

The net result of the borrowing and lending activities is positive for EUR 39,3 million (EUR 76,3 million in 2014) of which: (i) EUR 18,7 million due to the termination of the derivative agreements linked to the JPY 20 billion Notes due 2032 early redeemed; (ii) EUR 9,8 million due to the fixed income portfolio (EUR 38,7 million in 2014); and (iii) EUR 10,8 million (EUR 37,6 million for the year 2014) as current financial margin on intercompany lending and liquidity investment return.

The participations and the investment funds generated a positive impact of EUR 29,6 million (EUR 30,0 million in 2014).

The net financial position as of December 31, 2015 is positive for EUR 1.670 million (EUR 1.633 million as of December 31, 2014).

Notes

As of December 31, 2015, the total outstanding nominal amount of notes issued by TI Finance amounts to EUR 2.315.000,00 (EUR 2.452.712.593,82 as of December 31, 2014). The notes are unconditionally and irrevocably guaranteed by the Parent Company Telecom Italia S.p.A.

On May 14, following the exercise of the call option by the Issuer, at par, the JPY 20.000.000.000,00 3,55% Fixed Rate Notes due 2032 were early redeemed.

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.

Participation

On September 30, became effective the merger of Telecom Italia Media S.p.A. ("TIME") with and into Telecom Italia S.p.A. ("TI"). The 2.330.306 ordinary shares of TIME held by the Company have been converted into 1.538.001 new ordinary shares of TI. As of December 31, the Company holds no. 126.082.374 ordinary shares of TI, equal to 0.646% of the TI outstanding capital (ordinary and saving shares).

Merger between Telecom Italia Finance and Telecom Italia International NV

On September 29, the Directors of both Telecom Italia International NV (a Telecom Italia Group company based in The Netherlands) and TI Finance approved the absorption into Telecom Italia Finance of the Dutch company.

The effectiveness of the merger was subject to the obtainment of a number of administrative authorizations. Not all authorization have been granted and the merger has not been executed within December 31, 2015. Thus, the merger project as approved is now void.

Risks

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

- 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 risk group management policies, TI 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: in order to modify its interest rate exposure, TI 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.

Moreover, the Company is exposed to generic market, credit and liquidity risks:

- credit risk: representing the risk of non-fulfillment of obligations assumed by a counterparty in relation to lending and liquidity management activities;
- liquidity risk: related to the need to meet short-term financial liabilities.

The above described financial risks are managed through:

- the application of the following guidelines defined at Group level:
 - for market risk: fully hedging the exchange risk and minimizing exposure to interest rates through appropriate diversification of the portfolio, including the use of derivative financial instruments;
 - for credit risk: liquidity management is based on prudential criteria and articulated in investment of temporary cash surplus (money market instruments) and investment of a permanent level of liquidity (bond portfolio management). In both situations, in order to manage the counterparty risk, the counterparties are selected according to their credit rating and the exposure is regulated both by names diversification and by tenor;
 - for liquidity risk: an adequate level of financial flexibility is obtained by maintaining a treasury margin that allows the refinancing requirements to be covered for at least the next twelve months.
- the identification of the most suitable financial instruments, including derivatives, to reach prefixed objectives;
- the monitoring of the results achieved.

Telecom Italia Finance is committed to the following Group organizational model:

- *Definition of strategic guidelines:* in charge of the Group Finance “Risk Committee” of which the CEO and the Treasurer of Telecom Italia Finance are members.
- *Execution activity:* in charge of Telecom Italia Finance Front and Back Office which, among others, implements such guidelines in coordination with the Group Treasurer and Capital Markets.
- *Group Financial Planning & Risk Control:* any deviation from the guidelines is reported by the Group Financial Risk Controller to the Finance “Risk Committee”.

Additional details on financial risk management policies of Telecom Italia Group are available in the Telecom Italia S.p.A. consolidated accounts and related documents.

Events subsequent to December 31, 2015 - Evolution of the year 2016

During the year 2016 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 remarks that the current financial environment characterized by very low level of short term interest rates will influence earnings of the Company especially the return on liquid assets. No event after the closing has a material impact on the financials herein reported.

On November 15, 2016 will mature and shall be repaid the EUR 1.300.000.000,00 6,125% mandatory convertible notes issued on November 15, 2013.

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, 2015 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 68.048.586,21 as follows:

- a) EUR 3.402.429,31 to the legal reserve;
- b) EUR 64.646.156,90 to the retaining earnings.

For the Board of Directors
The Managing Director
Adriano Trapletti

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Balance Sheet - Assets

TELECOM ITALIA FINANCE S.A. BALANCE SHEET AS AT DECEMBER 31,2015			
ASSETS - [EUR]		31.DECEMBER.2015	31.DECEMBER.2014
A. Subscribed capital unpaid		0,00	0,00
I. Subscribed capital not called		0,00	0,00
II. Subscribed capital called but unpaid		0,00	0,00
B. Formation expenses	[n.3]	10.554.232,53	19.674.097,23
C. Fixed assets		4.362.352.125,36	3.763.500.639,26
I. Intangible fixed assets			
1. Research and development costs		0,00	0,00
2. Concessions, patents, licenses, trade marks and similar rights and assets , if they were			
a) acquired for valuable consideration and need not be shown under C.I.3.		0,00	0,00
b) created by the undertaking itself		0,00	0,00
3. Goodwill, to the extent that it was acquired for valuable consideration		0,00	0,00
4. Payments on account and intangible fixed assets under development		0,00	0,00
II. Tangible fixed assets			
1. Land and buildings		0,00	0,00
2. Plant and machinery		0,00	0,00
3. Other fixtures and fittings, tools and equipment	[n.4]	152.324,82	24.145,81
4. Payments on account and tangible fixed assets under development		0,00	0,00
III. Financial fixed assets			
1. Shares in affiliated undertakings	[n.6]	1.500.102.114,29	1.471.758.457,84
2. Amounts owed by affiliated undertakings	[n.5]	2.859.479.169,08	2.286.938.623,51
3. Shares in undertakings with which the undertaking is linked by virtue of participating interests	[n.6]	42.485,23	43.950,75
4. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests		0,00	0,00
5. Securities and other financial instruments held as fixed assets	[n.7]	2.576.031,94	4.735.461,35
6. Loans and claims held as fixed assets		0,00	0,00
7. Own shares or own corporate units		0,00	0,00
D. Current assets		3.906.394.736,01	6.312.173.007,94
I. Inventories			
1. Raw materials and consumables		0,00	0,00
2. Work and contracts in progress		0,00	0,00
3. Finished goods and merchandise		0,00	0,00
4. Payments on account		0,00	0,00
II. Debtors			
1. Trade receivables		0,00	0,00
a) becoming due and payable within one year		0,00	0,00
b) becoming due and payable after more than one year		0,00	0,00
2. Amounts owed by affiliated undertakings	[n.8]		
a) becoming due and payable within one year		1.277.662.814,02	3.077.899.130,06
b) becoming due and payable after more than one year		23.350.685,59	79.872.368,48
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests		0,00	0,00
a) becoming due and payable within one year		0,00	0,00
b) becoming due and payable after more than one year		0,00	0,00
4. Other receivables	[n.9]		
a) becoming due and payable within one year		23.386.161,38	19.677.392,21
b) becoming due and payable after more than one year		320.333.099,57	210.254.160,23
III. Transferable securities and other financial instruments			
1. Shares in affiliated undertakings and in undertakings with which the undertaking is linked by virtue of participating interests		0,00	0,00
2. Own shares or own corporate units		0,00	0,00
3. Other transferable securities and other financial instruments	[n.10]	1.177.764.698,87	1.036.572.161,05
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand	[n.11]	1.083.897.276,58	1.887.897.795,91
E. Prepayments		531.042,38	540.960,88
TOTAL ASSETS		8.279.832.136,28	10.095.888.705,31

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

Balance Sheet - Liabilities

TELECOM ITALIA FINANCE S.A. BALANCE SHEET AS AT DECEMBER 31, 2015			
LIABILITIES - [EUR]		31.DECEMBER.2015	31.DECEMBER.2014
A. Capital and reserves		1.881.783.248,23	1.813.734.662,02
I. Subscribed capital	[n.12]	542.090.241,00	542.090.241,00
II. Share premium and similar premiums		0,00	0,00
III. Revaluation reserves		0,00	0,00
IV. Reserves	[n.13]		
1. Legal reserve		21.799.229,82	16.626.743,45
2. Reserve for own shares or own corporate units		0,00	0,00
3. Reserves provided for by the articles of association		0,00	0,00
4. Other reserves		865.769.812,13	865.769.812,13
V. Profit or loss brought forward		384.075.379,07	285.798.137,99
VI. Profit or loss for the financial year		68.048.586,21	103.449.727,45
VII. Interim dividends		0,00	0,00
VIII. Capital investment subsidies		0,00	0,00
IX. Temporarily not taxable capital gains		0,00	0,00
B. Subordinated debts		1.310.225.068,31	1.310.253.082,19
1. Convertible loans	[n.14]		
a) becoming due and payable within one year		1.310.225.068,31	10.253.082,19
b) becoming due and payable after more than one year		0,00	1.300.000.000,00
2. Non convertible loans			
a) becoming due and payable within one year		0,00	0,00
b) becoming due and payable after more than one year		0,00	0,00
C. Provisions		3.320.395,39	3.010.346,48
1. Provisions for pensions and similar obligations		0,00	0,00
2. Provisions for taxation	[n.15]	1.798.277,58	1.475.617,75
3. Other provisions	[n.16]	1.522.117,81	1.534.728,73
D. Non Subordinated debts		5.056.618.816,60	6.909.590.466,41
1. Debenture loans			
a) Convertible loans			
i) becoming due and payable within one year		0,00	0,00
ii) becoming due and payable after more than one year		0,00	0,00
b) Non convertible loans	[n.17]		
i) becoming due and payable within one year		73.756.620,86	74.351.486,84
ii) becoming due and payable after more than one year		1.015.816.505,78	1.152.871.983,98
2. Amounts owed to credit institutions	[n.18]		
a) becoming due and payable within one year		347.411.504,84	198.541.246,71
b) becoming due and payable after more than one year		152.590.218,97	137.712.593,82
3. Payments received on account of orders as far as they are not deducted distinctly from inventories			
a) becoming due and payable within one year		0,00	0,00
b) becoming due and payable after more than one year		0,00	0,00
4. Trade creditors			
a) becoming due and payable within one year		543.958,70	318.621,41
b) becoming due and payable after more than one year		0,00	0,00
5. Bills of exchange payable			
a) becoming due and payable within one year		0,00	0,00
b) becoming due and payable after more than one year		0,00	0,00
6. Amounts owed to affiliated undertakings	[n.19]		
a) becoming due and payable within one year		1.821.871.398,44	3.755.284.381,85
b) becoming due and payable after more than one year		1.609.649.177,08	1.497.604.440,76
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year		0,00	0,00
b) becoming due and payable after more than one year		0,00	0,00
8. Tax and social security debts			
a) Tax debts		0,00	0,00
b) Social security debts		37.546,99	32.654,23
9. Other creditors	[n.20]		
a) becoming due and payable within one year		11.591.199,35	13.000.688,33
b) becoming due and payable after more than one year		23.350.685,59	79.872.368,48
E. Deferred income	[n.30]	27.884.607,75	59.300.148,21
TOTAL LIABILITIES		8.279.832.136,28	10.095.888.705,31

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, 2015					
A. CHARGES - [EUR]	31.DECEMBER.2015	31.DECEMBER.2014	B. INCOME - [EUR]	31.DECEMBER.2015	31.DECEMBER.2014
1. Use of merchandise, raw materials and consumable materials	15.032,09	13.332,40	1. Net turnover	200.474,69	103.209,04
2. Other external charges	1.165.048,71	983.443,25	2. Change in inventories of finished goods and of work and contracts	0,00	0,00
3. Staff costs	1.078.592,19	996.128,80	3. Fixed assets under development	0,00	0,00
a) Salaries and wages	925.279,30	848.932,21			
b) Social security on salaries and wages	98.895,43	94.064,01			
c) Supplementary pension costs	50.789,92	48.742,87			
d) Other social costs	3.627,54	4.389,71			
4. Value adjustments	9.137.805,43	8.422.701,24	4. Reversal of value adjustments	0,00	0,00
a) on formation expenses and on tangible and intangible fixed assets	9.137.805,43	8.422.701,24	a) on formation expenses and on tangible and intangible fixed assets	0,00	0,00
			b) on current assets	0,00	0,00
5. Other operating charges	146.787,75	242.265,09	5. Other operating income	900,00	0,00
6. Value adjustments and fair value adjustments on financial fixed assets [n.21]	1.977.405,16	946.347,44	6. Income from financial fixed assets [n.26]	184.704.645,22	137.369.207,94
			a) derived from affiliated undertakings	183.485.169,62	137.090.807,71
			b) other income from participating interests	1.219.475,60	278.400,23
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities [n.22]	20.569.065,21	3.746.733,43	7. Income from financial current assets [n.27]	12.714.984,63	26.991.476,62
			a) derived from affiliated undertakings	0,00	0,00
			b) other income from financial current assets	12.714.984,63	26.991.476,62
8. Interest and other financial charges [n.23]	864.354.368,76	756.947.997,33	8. Other interest and other financial income [n.28]	767.300.926,81	713.128.297,18
a) concerning affiliated undertakings	156.953.993,08	124.431.512,24	a) derived from affiliated undertakings	270.582.723,26	242.075.379,43
b) other interest and similar financial charges	707.400.375,68	632.516.485,09	b) other interest and similar financial income	496.718.203,55	471.052.917,75
9. Share of losses of undertakings accounted for under the equity method	0,00	0,00	9. Share of profits of undertakings accounted for under the equity method	0,00	0,00
10. Extraordinary charges	692,44	0,00	10. Extraordinary income	8.491,96	10.389,99
11. Income tax [n.24]	180.797,36	322.909,34			
12. Other taxes not included in the previous caption [n.25]	-1.743.758,00	1.530.995,00			
13. Profit for the financial year	68.048.586,21	103.449.727,45	13. Loss for the financial year	0,00	0,00
TOTAL CHARGES	964.930.423,31	877.602.580,77	TOTAL INCOME	964.930.423,31	877.602.580,77

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

Cash Flow Statement

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

TELECOM ITALIA FINANCE S.A. CASH FLOW STATEMENT AS AT DECEMBER 31, 2015		
	31.DECEMBER.2015	31.DECEMBER.2014
Operating Activities		
Profit before tax	68.051.796,21	103.454.512,45
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	9.137.949,27	8.422.701,24
Amortization and impairment of intangible assets	0,00	0,00
Value adjustments on financial fixed assets [n.21]	1.977.405,16	946.347,44
Value adjustments on financial current assets and loss on disposal of securities [n.22]	20.217.796,86	3.746.733,43
Finance Income	-963.879.762,35	-875.626.334,85
Finance Expenses	863.922.909,36	756.495.869,77
Changes in trade and other receivables	-2.038.111,60	1.697.090,23
Changes in trade and other payables	529.721,00	-1.228.103,54
Income Taxes Paid [n.24]	-4.012,50	-5.557,50
Net cash flows from operating activities	-2.084.308,59	-2.096.741,33
Cash flows from Investing activities		
Changes in Property, plant and equipment	-146.263,58	-21.689,74
Changes in Intangible assets	0,00	0,00
Changes in Participations, funds and other securities	-143.421.202,33	65.910.919,04
Investments and re-payments in Financial Receivables	1.215.048.933,77	-1.748.337.084,86
Interest, commissions and other financial income received	630.940.257,63	532.291.625,17
Dividends received	0,00	0,00
Income received from participations and funds	1.219.475,60	279.102,41
Net cash flows from investing activities	1.703.641.201,09	-1.149.877.127,98
Cash flows from Financing activities		
Net change in short-term Financial Payables	-1.840.518.662,21	906.374.940,63
Proceeds from borrowings	-146.929.180,14	0,00
Repayments of borrowings	0,00	0,00
Interest, commissions and other financial expenses paid	-571.951.122,12	-529.851.425,65
Dividends paid	0,00	0,00
Net cash flows from financing activities	-2.559.398.964,47	376.523.514,98
Net Increase / Decrease in Cash and Cash Equivalents	-857.842.071,97	-775.450.354,33
Net foreign exchange differences in C&CE	53.859.954,27	12.512.455,82
Cash and cash equivalents at 01 January	1.887.344.286,07	2.650.282.184,58
Cash and cash equivalents at the end of the period [n.11]	1.083.362.168,37	1.887.344.286,07

Notes to the annual accounts

as at December 31, 2015, which have been authorized by the Board of Directors held on February 25, 2016.

Note 1 – General information

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 December 19, 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 Board of Directors 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 balance sheet date.

The exchange differences arising from the transactions expressed in currencies other than EUR are hedged either by balanced deposits and loans or through derivative instruments, such as Cross Currency Interest Rate Swaps ("CCIRS") or foreign exchange agreements, all hereby referred to as "currency swaps".

Currency swaps combine two positions that are represented by the amounts that will be exchanged with the counterparty at the maturity of the contract. They are recorded as assets or liabilities to the net between the payable and the receivable amount. Generally, one is in EUR and the other in currencies other than EUR. This latter is converted into EUR at the balance sheet date.

The unrealized exchange differences that arise from all these conversions are reflected in the profit and loss account in the items "Other interest and similar financial charges/ Other interest and similar 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 rates used for translation are disclosed in note 37.

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 fixed assets

Tangible fixed 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.

Financial fixed assets

Equity investments and securities held as fixed assets 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. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

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.

Transferable securities

Transferable securities in current assets are evaluated to the lower between the market value and the acquisition cost. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

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 is 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 method.

Provisions

Provisions are recognized when the Company 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.

Provisions for taxation

Provisions for taxation corresponding to the difference between the tax liability estimated by the Company and the advance payments for the financial years are recorded under the caption “Provisions for taxation”.

Note 3 – Formation expenses

All the formation expenses consist of issuance expenses related to long term debts.

	<i>Subordinated debts EUR</i>	<i>Non Subordinated debts EUR</i>	<i>Total formation expenses EUR</i>
Balance as at 31.12.2014	15.307.679,06	4.366.418,17	19.674.097,23
Movements of the period			
Depreciation during the period	(8.168.571,43)	(951.293,27)	(9.119.864,7)
Balance as at 31.12.2015	7.139.107,63	3.415.124,90	10.554.232,53

Note 4 – Other fixtures and fittings, tools and equipment

	<i>December 31, 2015 EUR</i>	<i>December 31, 2014 EUR</i>
Acquisitions at the beginning of the period	224.319,97	302.729,91
Acquisitions during the period	146.263,58	21.689,74
Disposal or reductions during the period	(1.784,58)	(100.099,68)
Acquisition cost at the end of the period	368.798,97	224.319,97
Value adjustments at the beginning of the period	200.174,16	289.385,76
Value adjustments during the period	17.940,73	10.888,08
Disposal or reduction during the period	(1.640,74)	(100.099,68)
Value adjustments at the end of the period	216.474,15	200.174,16
	152.324,82	24.145,81

Note 5 – Amounts owed by affiliated undertakings

This item is composed by EUR 2.859.479.169,08 being the total amount of medium-long term loans granted to the Parent Company and other group companies (2014 – EUR 2.286.938.623,51). The detail by final payment date is as follows:

	December 31, 2015 EUR	December 31, 2014 EUR
Nominal value: EUR 1.000.000.000,00 Expiring July 29, 2033 Fixed rate: 8,0000%	1.000.000.000,00	1.000.000.000,00
Nominal value: JPY 20.000.000.000 Expiring October 29, 2029 ^[*] Floater rate: JPYLibor 6m + 0,9463%	152.590.218,97	137.712.593,82
Nominal value: EUR 1.700.000.000,00 Expiring August 01, 2017 Floater rate: Euribor 6m + 1,7000%	1.700.000.000,00	0,00
Nominal value: EUR 1.000.000.000,00 Expiring November 08, 2016 Floater rate: Euribor 6m + 2,9440%	Classified in short term portion	1.000.000.000,00
Nominal value: JPY 20.000.000.000 Expired May 14, 2015 ^[**] Floater rate: JPYLibor 6m + 1,6600%	0,00	137.712.593,82
Total to Parent Company	2.852.590.218,97	2.275.425.187,64
<i>Telecom Italia Latam Participações e Gestão Administrativa Ltda</i>		
Nominal value: BRL 7.000.000,00 Expiring October 31, 2016 Fixed rate: 18,2000%	Classified in short term portion	2.170.616,67
Nominal value: BRL 7.000.000,00 Expiring October 31, 2016 Fixed rate: 18,2000%	Classified in short term portion	2.170.616,67
Nominal value: BRL 4.000.000,00 Expired June 29, 2015 ^[**] Fixed rate: 17,8500%	0,00	1.240.352,38
Nominal value: BRL 1.241.381,92 Expired June 29, 2015 ^[**] Fixed rate: 18,2000%	0,00	384.937,76
Nominal value: BRL 1.156.298,55 Expired June 29, 2015 ^[**] Fixed rate: 18,2000%	0,00	358.554,42
Nominal value: BRL 706.996,70 Expired June 29, 2015 ^[**] Fixed rate: 17,8500%	0,00	219.231,26
Accrued interest	Classified in short term portion	217.962,86

Mediterranean Nautilus

Telekomünikasyon Hizmetleri TAS

Nominal value: USD 7.500.000,00

Expiring July 30, 2018

Fixed rate: 4,31222%

6.888.950,11

0,00

Italtel S.p.A.

Nominal value: EUR 4.751.163,85

Expiring June 30, 2017 ^[**]

Floating rate: Euribor 3m + 3,0000%

0,00

4.751.163,85

Total to group companies

6.888.950,11

11.513.435,87

2.859.479.169,08

2.286.938.623,51

[*] Differences between December 31, 2015 and December 31, 2014 are due to exchange rate impact.

[**] The loan was reimbursed in advance.

Note 6 – Shares in affiliated undertakings and in undertakings with which the undertaking 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 the year	at the end of the year	Net Book value at the end of the year	Fair Value at the end of the year
1. Shares in affiliated undertakings												
Telecom Italia S.p.A. [*]	Via Negri, 1 Milan (Italy)	0,65	126.082.374	108.125.270,30	473.126.647,40	45.750.315,43	518.876.962,83	365.001.377,10	13.817.981,67	378.819.358,77	140.057.604,06	148.852.850,74
Telecom Italia Media S.p.A. [**]	Via della Pineta Sacchetti, 229 Rome (Italy)	2,14	2.330.306	3.588.677,31	45.750.316,49	-45.750.316,49	.	42.161.639,18	-42.161.639,18	.	.	.
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	
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				1.471.758.457,84	2.024.915.404,35	-1,06	2.024.915.403,29	553.156.946,51	-28.343.657,51	524.813.289,00	1.500.102.114,29	
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	99.164	0,01	0,01	.	0,01	.	.	.	0,01	
Infomaster S.p.A.	Via V maggio 81 Genova (Italy)	2,93	19.412	43.950,73	413.304,84	.	413.304,84	369.354,11	1.465,52	370.819,63	42.485,21	
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				43.950,75	413.304,86	.	413.304,86	369.354,11	1.465,52	370.819,63	42.485,23	

[*] The Net Book value of Telecom Italia S.p.A. corresponds to the VWAP (Volume Weighted Average Price). This method takes in consideration prices and volumes exchanged during the last twelve months.

[**] On September 30, 2015 Telecom Italia Media S.p.A. ("TIME") merged into Telecom Italia S.p.A. ("TI"). The 2.330.306 ordinary shares of TIME held by the company have been converted into 1.538.001 new ordinary shares of TI.

[***] The amount of capital and reserves, as well as the result for the latest financial year available of the entities held for more than 20% are not disclosed as considered as having negligible importance for the purposes of art. 26 paragraph 3 of the law December 19, 2002.

[****] 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.

Note 7 – Securities and other financial instruments held as fixed assets

This item is composed by the investment in funds (table below) and by financial participation instruments (“FPI”). These latter have been converted on March 2013 from a loan granted to Italtel S.p.A. on the basis of a financial restructuring agreement under the Italian bankruptcy law. The FPI have been originally booked for EUR 4.500.000,00 and entirely adjusted to zero at the end of the year 2013.

	<i>Clessidra Capital Partners (Fund)</i>	<i>The Golden Mouse Partnership (Fund)</i>	<i>Total securities held as fixed assets</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Balance as at 31.12.2014	4.604.936,95	130.524,40	4.735.461,35
Movements of the period			
Investments	12.500,00	0,00	12.500,00
Adjustments for the period	(806.848,29)	0,00	(806.848,29)
Distributions	(1.234.556,72)	(130.524,40)	(1.365.081,12)
Total movements	(2.028.905,01)	(130.524,40)	(2.159.429,41)
Balance as at 31.12.2015	2.576.031,94	0,00	2.576.031,94

Note 8 – Amounts owed by affiliated undertakings

This item refers to the loans 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 within one year

	December 31, 2015	December 31, 2014
	EUR	EUR
Italtel S.p.A	0,00	8.920,99
Mediterranean Nautilus Greece S.A.	14.969.493,31	17.470.833,03
Latin American Nautilus Ltd	5.860.862,89	0,00
Mediterranean Nautilus Telekomünikasyon Hizmetleri TAS	4.496,67	16.637.161,05
Olivetti S.p.A.	88.570.188,56	88.471.581,83
Telecom Italia Capital	0,00	24.535,31
Telecom Italia Latam Participações e Gestão Administrativa Ltda	3.994.517,93	0,00
Telecom Italia Media S.p.A. ^[*]	0,00	141.893.926,22
Telecom Italia S.p.A.	1.145.131.574,07	2.791.519.775,38
TI Sparkle France S.A.	0,00	548,60
TI Sparkle Singapore P.T.E.	5.593.546,13	5.013.324,12
Ti Sparkle Slovakia S.r.o.	403.121,68	400.081,85
TMI Telemedia Int.	0,00	1.910.820,37
Others	0,00	0,07
Accruals on derivatives with Parent Company	6.237.077,66	7.145.347,93
Accruals on derivatives with group companies	6.877.071,04	7.399.630,92
Currency swaps with group companies	20.864,08	2.642,39
	1.277.662.814,02	3.077.899.130,06

b) becoming due and payable after more than one year

	December 31, 2015	December 31, 2014
	EUR	EUR
Currency swaps with Parent Company	23.350.685,59	79.872.368,48
	23.350.685,59	79.872.368,48

^[*] On September 30, 2015 Telecom Italia Media S.p.A. merged into Telecom Italia S.p.A.

Note 9 – Other receivables

a) becoming due and payable within one year

	December 31, 2015 EUR	December 31, 2014 EUR
Accruals on derivatives	17.367.247,83	19.663.876,66
Currency swaps	1.670.438,60	13.515,55
Tax receivables ^[*]	4.348.474,95	0,00
	23.386.161,38	19.677.392,21

^[*] On November 2015, the Italian tax administration recognized the recovery of withholding tax unduly paid in 2007 and 2008 on dividends distributed by Telecom Italia S.p.A. and consequently TI Finance booked a credit for the corresponding amount (EUR 3.685.268,00) plus legal overdue interest (EUR 663.206,95).

b) becoming due and payable after more than one year

	December 31, 2015 EUR	December 31, 2014 EUR
Receivables from Lehman Brothers Special Financing Inc. ^[*]	2.664.008,74	4.312.185,68
Currency swaps	317.649.177,08	205.914.456,71
Other receivables	19.913,75	27.517,84
	320.333.099,57	210.254.160,23

^[*] 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.

As of December 31, 2015 the following amounts have been distributed to TI Finance and the receivable has been reduced consequently:

-	On October 01, 2012	USD	9.902.109,46
-	On April 04, 2013	USD	904.595,34
-	On April 05, 2013	USD	1.029.741,89
-	On October 03, 2013	USD	2.359.453,91
-	On April 03, 2014	USD	2.442.185,91
-	On October 02, 2014	USD	1.642.017,14
-	On April 02, 2015	USD	1.114.712,60
-	On October 01, 2015	USD	838.577,06
			<hr/>
			USD 20.233.393,31

In accordance with market evaluations, the receivable is registered at its recoverable value of 8,13% (USD 2.900.306,26) of the principal value before distributions. The credit in hands is supported by the guarantee from Lehman Brothers Holding Inc. in Liquidation.

Note 10 – Other transferable securities and other financial instruments

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

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Notes from other issuers	759.163.823,98	1.036.572.161,05
Commercial papers	68.822.559,35	0,00
SICAV ^[*]	349.778.315,54	0,00
	<hr/> 1.177.764.698,87	<hr/> 1.036.572.161,05

[*] Between November and December 2015 TI Finance invested in two Belgian SICAV a total of EUR 350.000.099,30 (of which EUR 249.999.999,43 in Paricor S.A. and EUR 100.000.099,87 KBC Multi-Interest S.A.).

Note 11 – Cash at bank, cash in postal cheque accounts, cheques and cash in hand

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Cash in hand	110,62	461,66
Bank current accounts	609.373.451,17	454.684.343,13
Bank term deposit accounts	473.960.025,72	1.432.595.156,90
Other Liquid Assets	28.580,86	64.324,38
Cash and cash equivalent as shown in Cash Flow Statement	1.083.362.168,37	1.887.344.286,07
Accruals	535.108,21	553.509,84
	1.083.897.276,58	1.887.897.795,91

Note 12 – Subscribed capital

As of December 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014 the Company is 100% held by Telecom Italia S.p.A.

Note 13 – Reserves

Reserves are split as follows:

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Legal reserve	21.799.229,82	16.626.743,45
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 reverse equals 10% of the subscribed share capital. This reserve cannot 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
shareholders meeting of April 3, 2013	EUR	1.053.103,05
shareholders meeting of April 2, 2014	EUR	913.935,61
shareholders meeting of April 1, 2015	EUR	5.172.486,37
	EUR	21.799.229,82

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

	<i>Legal reserve</i>	<i>Other reserves</i>	<i>Profit or loss brought forward</i>	<i>Profit or loss for the period</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Balance as at 31.12.2014	16.626.743,45	865.769.812,13	285.798.137,99	103.449.727,45
Movements of the period				
Allocation of prior year's profit	5.172.486,37	0,00	98.277.241,08	-103.449.727,45
Profit for the period	0,00	0,00	0,00	68.048.586,21
Total movements	5.172.486,37	0,00	98.277.241,08	-35.401.141,24
Balance as at 31.12.2015	21.799.229,82	865.769.812,13	384.075.379,07	68.048.586,21

Note 14 – Subordinated debts - Convertible loans

On November 15, 2013 TI Finance issued a bond mandatorily exchangeable in Telecom Italia S.p.A. ordinary shares ("TI Shares") for a nominal amount of EUR 1,3 billion. The minimum conversion price has been fixed at EUR 0,6801 (equal to VWAP of the TI Shares between the open and close of Borsa Italiana on Friday 8 November 2013), the maximum conversion price at EUR 0,8331 (equal to 122,5% of the minimum conversion price). The conversion of the notes may be accelerated upon the occurrence of certain events or at request either of the Issuer or the bondholders. In the event of the winding-up, insolvency, dissolution or liquidation of TI Finance, the debt is subordinated to other obligations.

a) becoming due and payable within one year

	December 31, 2015	December 31, 2014
	EUR	EUR
Nominal value: EUR: 1.300.000.000,00		
Expiring November 15, 2016		Classified in
Fixed rate: 6,1250%	1.300.000.000,00	long term portion
Accrued interest	10.225.068,31	10.253.082,19
	1.310.225.068,31	10.253.082,19

b) becoming due and payable after more than one year

	December 31, 2015	December 31, 2014
	EUR	EUR
Nominal value: EUR: 1.300.000.000,00		
Expiring November 15, 2016		Classified in
Fixed rate: 6,1250%	0,00	short term portion
	0,00	1.300.000.000,00

Note 15 – Provisions for taxation

	December 31, 2015	December 31, 2014
	EUR	EUR
Provisions for Net Wealth Tax	1.613.450,00	1.130.995,00
Provisions for Income Tax	0,00	802,50
Provisions for Value Added Tax	30.652,26	22.982,52
Provisions for Chamber of Commerce subscription	128.041,85	295.774,56
Other provisions for taxes	26.133,47	25.063,17
	1.798.277,58	1.475.617,75

Note 16 – Other provisions

In the framework of the liquidation of the 100% owned subsidiary, Olivetti Holding N.V., TI Finance on 2012 acquired the obligation to take part to the decontamination of a site in Burlington, New Jersey (USA), formerly owned by an Olivetti' subsidiary. Olivetti Holding transferred as well a provision for the completion of the concerned activity.

	December 31, 2015	December 31, 2014
	EUR	EUR
Provisions for future expenses	1.522.117,81	1.534.728,73
	1.522.117,81	1.534.728,73

Note 17 – Non subordinated debts - Non convertible loans*i) becoming due and payable within one year*

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Issue premiums on notes		
<i>Current portion</i>	286.364,22	285.581,80
Issue discounts on notes		
<i>Current portion</i>	(235.428,29)	(278.039,51)
Accrued interest on notes	73.705.684,93	74.343.944,55
	73.756.620,86	74.351.486,84

ii) becoming due and payable after more than one year

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: EUR 800.000.000,00		
Expiring January 24, 2033		
Fixed rate: 7,7500%	765.000.000,00	765.000.000,00
Nominal value: EUR 250.000.000,00		
Expiring January 24, 2033		
Fixed rate: 7,7500%	250.000.000,00	250.000.000,00
Nominal value: JPY 20.000.000.000		
Expired May 14, 2015 ^[*]		
Fixed rate: 3,5500%	0,00	137.712.593,82
Issue premiums on notes		
<i>Long term portion</i>	4.590.434,08	4.876.798,30
Issue discounts on notes		
<i>Long term portion</i>	(3.773.928,30)	(4.717.408,14)
	1.015.816.505,78	1.152.871.983,98

[*] The Note had embedded an option allowing the issuer to repay the total notional amount of the debt each year starting from 2012 to maturity (May 14, 2032). The Company exercised this early repayment option on May 14, 2015.

Note 18 – Amounts owed to credit institutions*a) becoming due and payable within one year*

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Payables to banks	342.735.569,21	194.977.384,78
Accrued interest	4.675.935,63	3.563.861,93
	347.411.504,84	198.541.246,71

b) becoming due and payable after more than one year

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: Jpy 20.000.000.000		
Expiring October 29, 2029 ^[*]		
Fixed rate: 6,7500%	152.590.218,97	137.712.593,82
	152.590.218,97	137.712.593,82

[*] Differences between December 31, 2015 and December 31, 2014 are due to exchange rate impact.

Note 19 – Amounts owed to affiliated undertakings

This item refers to the sums owed to group companies under the deposit agreements (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 within one year

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Latin American Nautilus Ltd	0,00	18.942.892,98
Latin America Nautilus USA Inc.	3.587.903,19	4.832.398,83
Mediterranean Nautilus Israel Ltd	6.439.332,60	8.629.349,88
Telecom Italia S.p.A.	431.459,43	452.127,59
Telecom Italia Finance Ireland Ltd ^[*]	66.000.000,00	66.000.000,00
TI Deutschland Holding GmbH	16.482.925,47	16.522.094,89
TI International NV	1.710.478.814,68	3.619.520.294,27
TI Telecom Italia Austria		
Telekommunikationdienste GmbH	400.455,43	400.321,22
Others	989,19	1.150,12
Accruals on derivatives with Parent Company	3.288.742,60	6.523.310,37
Accruals on derivatives with group companies	14.758.627,46	13.453.775,72
Currency swaps with group companies	2.148,39	6.665,98
	1.821.871.398,44	3.755.284.381,85

b) becoming due and payable after more than one year

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Telecom Italia Finance Ireland Ltd ^[**]	1.292.000.000,00	1.292.000.000,00
Currency swaps with Parent Company	91.425.879,30	39.279.752,28
Currency swaps with group companies	226.223.297,78	166.324.688,48
	1.609.649.177,08	1.497.604.440,76

[*] The amount represents a Promissory Note for EUR 66.000.000,00.

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

Note 20 – Other creditors

a) becoming due and payable within one year

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Accruals on derivatives	11.132.602,48	12.768.099,36
Currency swaps	458.137,36	232.090,97
Others	459,51	498,00
	11.591.199,35	13.000.688,33

b) becoming due and payable after more than one year

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps	23.350.685,59	79.872.368,48
	23.350.685,59	79.872.368,48

Note 21 – Value adjustments and fair value adjustments on financial fixed assets

	December 31, 2015	December 31, 2014
	EUR	EUR
Adjustments on shares in undertakings		
Telecom Italia Media S.p.A.	1.169.091,35	838.764,36
Infomaster S.p.A.	1.465,52	4.668,08
Adjustments on funds and FPI		
Clessidra Capital Partners	806.848,29	102.915,00
	1.977.405,16	946.347,44

Note 22 – Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities

	December 31, 2015	December 31, 2014
	EUR	EUR
Value adjustments on notes from other issuers	5.036.486,89	2.045.908,92
Value adjustments on SICAV	221.783,76	0,00
Value adjustments on receivables from Lehman Brothers	351.268,35	0,00
Losses on securities disposal	14.959.526,21	1.700.824,51
	20.569.065,21	3.746.733,43

Note 23 – Interest and other financial charges*a) concerning affiliated undertakings*

	December 31, 2015	December 31, 2014
	EUR	EUR
Guarantee fee due to Parent Company	431.459,40	452.127,56
Charges on derivatives with Parent Company	59.350.351,03	36.119.442,76
Charges on derivatives with group companies	90.136.084,78	77.973.075,84
Interest due to group companies	7.036.097,87	9.886.866,08
	156.953.993,08	124.431.512,24

b) other interest and similar financial charges

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Interest and charges to banks	22.301.664,11	15.269.358,38
Interest and charges on debentures	160.930.547,71	163.269.958,53
Charges on derivatives	223.349.489,60	242.160.379,24
Losses on exchange rates	300.503.716,04	211.662.961,94
Other financial charges and commissions	314.958,22	153.827,00
	707.400.375,68	632.516.485,09

Note 24 – Income tax

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Withholding tax on dividends and income received from equity investments	0,00	168,05
Withholding tax on interest received	177.587,36	317.956,29
Income tax	3.210,00	4.785,00
	180.797,36	322.909,34

Note 25 – Other taxes not included in the previous caption

The amount of EUR -1.743.758,00 (EUR 1.530.995,00 – 2014) includes payments and provisions for the Net Wealth Tax (EUR 1.941.510,00) and the recovery of withholding tax unduly paid in the years 2007 and 2008 on dividends distributed by Telecom Italia S.p.A. (EUR -3.685.268,00 – please refer to Note 9).

Note 26 – Income from financial fixed assets

a) derived from affiliated undertakings

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Reversal of adjustments on shares in Telecom Italia S.p.A.	29.512.748,86	30.597.643,54
Interest on long term loans to Parent Company	152.690.941,12	104.863.545,01
Interest on long term loans to group companies	1.281.479,64	1.629.619,16
	183.485.169,62	137.090.807,71

b) other income from participating interests

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Income from equity investments	0,00	1.901,10
Income from investment funds	1.219.475,60	276.499,13
	1.219.475,60	278.400,23

Note 27 – Income from financial current assets

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Reversal of value adjustments on securities	10.430,00	720.619,73
Gain on securities disposal	12.704.554,63	24.726.334,34
Value adjustment on receivables from Lehman Brothers	0,00	1.544.522,55
	12.714.984,63	26.991.476,62

Note 28 – Other interest and other financial income

a) derived from affiliated undertakings

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Interest and commissions on receivables from Parent Company	6.097.522,38	74.532.711,69
Interest and commissions on receivables from group companies	5.835.082,26	7.651.125,52
Income on derivatives with Parent Company	149.925.878,00	61.017.116,79
Income on derivatives with group companies	77.137.719,70	67.287.904,51
MEB Option premium amortization ^[*]	31.586.520,92	31.586.520,92
	270.582.723,26	242.075.379,43

b) other interest and similar financial income

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Interest on other securities	17.582.386,62	16.981.750,71
Interest on banks	4.630.156,25	6.154.751,24
Other interest, income and commissions	225.667,55	327.959,46
Accrued interest on tax receivables ^[**]	663.206,95	0,00
Income on derivatives with banks	172.418.723,53	235.710.887,64
Gain on exchange rates	301.198.062,65	211.877.568,70
	496.718.203,55	471.052.917,75

[*] Please refer to Note 30 - Off balance sheet commitments.

[**] Please refer to Note 9 – Other receivables.

Note 29 – Warranties

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

Note 30 – 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, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Call option on Bond	0,00	137.712.593,82
Foreign exchange agreements	22.972.137,53	22.207.369,65
Interest Rate Swap (“IRS”)	0,00	137.712.593,82
Cross Currency Interest Rate Swaps (“CCIRS”) ^[*]	429.454.396,46	414.576.771,31
	452.426.533,99	712.209.328,60

The table here below reports the net sum of the mark to market value (“MTM”) of the above reported derivative agreements.

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Call option on Bond	0,00	5.498.713,11
Foreign exchange agreements	1.191.852,72	82.622,41
Interest Rate Swaps ("IRS")	0,00	25.180.601,65
Cross Currency Interest Rate Swaps ("CCIRS") ^[*]	69.661.141,25	59.772.221,90
	70.852.993,97	90.534.159,07

[*] In these instruments contracts no exchange of notional amounts has been agreed with the counterparties.

In addition, the Company entered into some derivatives on other group companies request. Since TI Finance has a contract with an external counterparty and the opposite contract with an intercompany, the MTM exposure on these positions is neutral and there is no risk connected.

The table here below reports the sum of the notional amount for such derivatives.

	<i>December 31, 2015</i>	<i>December 31, 2014</i>
	<i>EUR</i>	<i>EUR</i>
Cross Currency Interest Rate Swaps ("CCIRS")	3.574.031.740,86	4.075.026.111,52
Foreign exchange agreements	1.918.160,44	1.414.111,42
Interest Rate Swaps ("IRS")	1.360.962.695,04	2.670.834.959,46
Options	315.600.041,80	0,00
	5.252.512.638,14	6.747.275.182,40

On December 20, 2013 the Telecom Italia S.p.A. shareholders' meeting approved to increase the share capital at the service of the mandatory exchangeable bond ("MEB") issued by TI Finance. Following Telecom Italia S.p.A. resolution, the intercompany option embedded in the terms and conditions of the exchangeable has been valued EUR 91.903.795,13. Such premium represents for TI Finance deferred income to be amortized till the maturity of the bond on November 15, 2016. This amortization is reflected in the Profit and Loss in Note 28 a) line "MEB Option premium amortization".

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, 2015 payments of EUR 24.621.128,04 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, 2015 payments of EUR 2.399.814,83 have been made.

Furthermore, the Company pledged its Italtel Group S.p.A. shares and its Italtel S.p.A. financial participation instruments in favor of a pool of banks financing both companies.

Note 31 – Tax situation

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

Note 32 – 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, Via Negri 1 and on the website <http://www.telecomitalia.com>.

Telecom Italia S.p.A. accounts are not consolidated in the accounts of any other company.

According to the Board evaluation, none of the Company's 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, 2015.

Note 33 – Directors remuneration

The Directors have not been remunerated in their capacity as Director during 2015.

Note 34 – Staff

As of December 31, 2015 the company had on its payroll 10 employees (December 31, 2014 – 9). The average of employees during the fiscal period has been of 9,83 persons (December 31, 2014 – 9,58).

Note 35 – Litigation

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

Note 36 – Auditor's fees

During the year 2015 a total of EUR 36.097,68 (Net without taxes) has been paid to PricewaterhouseCoopers, Société cooperative for the audit activity (in 2014 – EUR 48.612,02). No other amount has been paid to the Auditor.

Note 37 – Other information

The exchange rates used to translate foreign assets and liabilities are summarized in the table here below.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<i>Local currency against 1 EUR</i>		
BRL (Brazilian real)	4,25116	3,22489
CHF (Swiss franc)	1,08350	1,20240
GBP (Pound sterling)	0,73395	0,77890
JPY (Japan Yen)	131,07000	145,23000
RON (Romanian Leu)	4,52400	4,48280
USD (U.S. dollar)	1,08870	1,21410

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 Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts 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, 2015, together with a description of the principal risks and uncertainties that the issuer faces.

Adriano Trapletti
Managing Director

Audit report and opinion



Audit report

To the Shareholder 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 2015, 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 2015, 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, 10 March 2016

A handwritten signature in black ink, appearing to read 'F. Goffin', written over a horizontal line.

Fabrice Goffin