



FINANCE

**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, 2014, which have been
authorized by the Board of Directors held
on February 27, 2015

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Directors' report

Dear Shareholder,

The year 2014 of Telecom Italia Finance (the "Company" or "TI Finance") ends with a profit of EUR 103.449.727,45 versus a positive result of EUR 18.278.712,19 in the year 2013.

Certain values referred to year 2013 reported herein below have been reclassified in order to give better understanding to the Directors' report.

The increased contribution worth EUR 85,1 million is a combination of higher medium-long term borrowing costs more than balanced by revenues on short-term lending activity and capital gains on investments in third parties bonds. In more details the medium-long term funding and lending volumes generated net costs equals to EUR 35,4 million (profit of EUR 11,9 million as of December 31, 2013) mainly due to the issuance on November 15, 2013 of the EUR 1,3 billion mandatory convertible bond 6,125% due November 15, 2016. The short term activity contributes EUR 111,2 million (EUR 31,3 million as of December 31, 2013) due to higher intercompany lending and increased investment in the fixed income securities. This latter generated net capital gains worth EUR 38,7 million (EUR 18,8 million as per December 31, 2013).

The value of the participations has been increased by EUR 30,0 million (EUR -23,7 million for the corresponding period 2013). No dividend has been cashed on Telecom Italia S.p.A. shares (EUR 2,5 million in 2013).

The net financial position as of December 31, 2014 is positive for EUR 1.633 million (EUR 1.559 million as of December 31, 2013).

Notes

As of December 31, 2014, the total outstanding nominal amount of notes issued by TI Finance amounts to EUR 2.452.712.593,82 (EUR 2.453.197.899,39 as of December 31, 2013). The notes are unconditionally and irrevocably guaranteed by the Parent Company Telecom Italia S.p.A.

Share Capital

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

Risks

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

- 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 .
- *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 internal control and 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, 2014 - Evolution of the year 2015

During the year 2015 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.

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, 2014 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 103.449.727,45 as follows:

- a) EUR 5.172.486,37 to the legal reserve;
- b) EUR 98.277.241,08 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, 2014			
ASSETS - [EUR]		31.DECEMBER.2014	31.DECEMBER.2013
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]	19.674.097,23	28.085.910,39
C. Fixed assets		3.763.500.639,26	2.733.519.218,00
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	0
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]	24.145,81	13.344,15
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]	1.471.758.457,84	1.441.999.580,06
2. Amounts owed by affiliated undertakings	[n.5]	2.286.938.623,51	1.286.675.548,61
3. Shares in undertakings with which the undertaking is linked by virtue of participating interests	[n.6]	43.950,75	48.618,83
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]	4.735.461,35	4.782.126,35
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		6.312.173.007,94	6.215.896.829,56
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		3.077.899.130,06	2.290.094.190,70
b) becoming due and payable after more than one year		79.872.368,48	100.499.678,78
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		19.677.392,21	17.968.642,98
b) becoming due and payable after more than one year		210.254.160,23	79.509.804,06
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]	1.036.572.161,05	1.077.032.365,79
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand	[n.11]	1.887.897.795,91	2.650.792.147,25
E. Prepayments		540.960,88	3.029.576,05
TOTAL ASSETS		10.095.888.705,31	8.980.531.534,00

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, 2014			
LIABILITIES - [EUR]		31.DECEMBER.2014	31.DECEMBER.2013
A. Capital and reserves		1.813.734.662,02	1.710.284.934,57
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		16.626.743,45	15.712.807,84
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		285.798.137,99	268.433.361,41
VI. Profit or loss for the financial year		103.449.727,45	18.278.712,19
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		1.310.253.082,19	1.310.253.082,19
1. Convertible loans	[n.14]		
a) becoming due and payable within one year		10.253.082,19	10.253.082,19
b) becoming due and payable after more than one year		1.300.000.000,00	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		3.010.346,48	3.972.417,78
1. Provisions for pensions and similar obligations		0,00	0,00
2. Provisions for taxation	[n.15]	1.475.617,75	2.413.709,47
3. Other provisions	[n.16]	1.534.728,73	1.558.708,31
D. Non Subordinated debts		6.909.590.466,41	5.862.790.768,60
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		74.351.486,84	74.353.736,09
ii) becoming due and payable after more than one year		1.152.871.983,98	1.153.364.831,84
2. Amounts owed to credit institutions	[n.18]		
a) becoming due and payable within one year		198.541.246,71	110.498.373,29
b) becoming due and payable after more than one year		137.712.593,82	138.197.899,39
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		318.621,41	619.282,49
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		3.755.284.381,85	2.905.243.045,19
b) becoming due and payable after more than one year		1.497.604.440,76	1.366.176.373,42
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		32.654,23	30.408,81
9. Other creditors	[n.20]		
a) becoming due and payable within one year		13.000.688,33	13.807.139,30
b) becoming due and payable after more than one year		79.872.368,48	100.499.678,78
E. Deferred income	[n.30]	59.300.148,21	93.230.330,86
TOTAL LIABILITIES		10.095.888.705,31	8.980.531.534,00

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, 2014					
A. CHARGES - [EUR]	31.DECEMBER.2014	31.DECEMBER.2013	B. INCOME - [EUR]	31.DECEMBER.2014	31.DECEMBER.2013
1. Use of merchandise, raw materials and consumable materials	13.332,40	12.004,70	1. Net turnover	103.209,04	221.751,12
2. Other external charges	983.443,25	901.622,63	2. Change in inventories of finished goods and of work and contracts i	0,00	0,00
3. Staff costs	996.128,80	956.313,31	3. Fixed assets under development	0,00	0,00
a) Salaries and wages	848.932,21	825.157,82			
b) Social security on salaries and wages	94.064,01	89.892,81	4. Reversal of value adjustments	0,00	0,00
c) Supplementary pension costs	48.742,87	38.069,36	a) on formation expenses and on tangible and intangible fixed assets	0,00	0,00
d) Other social costs	4.389,71	3.193,32	b) on current assets	0,00	0,00
4. Value adjustments	8.422.701,24	1.396.004,98	5. Other operating income	0,00	0,00
a) on formation expenses and on tangible and intangible fixed assets	8.422.701,24	1.396.004,98			
5. Other operating charges	242.265,09	485.592,03	6. Income from financial fixed assets [n.26]	137.369.207,94	121.989.912,92
6. Value adjustments and fair value adjustments on financial fixed assets [n.21]	946.347,44	29.070.616,47	a) derived from affiliated undertakings	137.090.807,71	121.961.228,08
			b) other income from participating interests	278.400,23	28.684,84
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal [n.22]	3.746.733,43	4.168.692,34	7. Income from financial current assets [n.27]	26.991.476,62	8.305.297,81
			a) derived from affiliated undertakings	0,00	0,00
8. Interest and other financial charges [n.23]	756.947.997,33	993.698.370,59	b) other income from financial current assets	26.991.476,62	8.305.297,81
a) concerning affiliated undertakings	124.431.512,24	320.125.399,53	8. Other interest and other financial income [n.28]	713.128.297,18	920.059.412,94
b) other interest and similar financial charges	632.516.485,09	673.572.971,06	a) derived from affiliated undertakings	242.075.379,43	370.087.827,31
9. Share of losses of undertakings accounted for under the equity method	0,00	0,00	b) other interest and similar financial income	471.052.917,75	549.971.585,63
10. Extraordinary charges	0,00	0,00	9. Share of profits of undertakings accounted for under the equity method	0,00	0,00
11. Income tax [n.24]	322.909,34	149.878,66	10. Extraordinary income	10.389,99	488,11
12. Other taxes not included in the previous caption [n.25]	1.530.995,00	1.459.055,00			
13. Profit for the financial year	103.449.727,45	18.278.712,19	13. Loss for the financial year	0,00	0,00
TOTAL CHARGES	877.602.580,77	1.050.576.862,90	TOTAL INCOME	877.602.580,77	1.050.576.862,90

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

Cash Flow Statement

TELECOM ITALIA FINANCE S.A.
CASH FLOW STATEMENT AS AT DECEMBER 31, 2014

	Note	31.DECEMBER.2014	31.DECEMBER.2013
Operating Activities			
Profit before tax		103.454.512,45	18.281.922,19
Adjustments for			
Amortization of formation expenses and on tangible and intangible fixed assets		8.422.701,24	1.396.004,98
Amortization and impairment of intangible assets		0,00	0,00
Value adjustments on financial fixed assets	[n.21]	946.347,44	29.070.616,47
Value adjustments on financial current assets and loss on disposal of securities	[n.22]	3.746.733,43	4.168.692,34
Finance Income		-875.626.334,85	-1.048.201.867,02
Finance Expenses		756.495.869,77	993.278.844,72
Changes in trade and other receivables		1.697.090,23	529.107,34
Changes in trade and other payables		-1.228.103,54	1.463.522,19
Income Taxes Paid		-5.557,50	-3.210,00
Net cash flows from operating activities		-2.096.741,33	-16.366,79
Cash flows from Investing activities			
Changes in Property, plant and equipment		-21.689,74	-5.440,98
Changes in Intangible assets		0,00	0,00
Changes in Participations, funds and other securities		65.910.919,04	-541.722.644,53
Investments and re-payments in Financial Receivables		-1.748.337.084,86	-262.458.313,20
Interest, commissions and other financial income received		532.291.625,17	823.167.305,16
Dividends received		0,00	2.456.792,03
Income received from participations and funds		279.102,41	16.862,64
Net cash flows from investing activities		-1.149.877.127,98	21.454.561,12
Cash flows from Financing activities			
Net change in short-term Financial Payables		906.374.940,63	21.601.176,39
Proceeds from borrowings		0,00	1.275.471.906,07
Repayments of borrowings		0,00	-927.938.000,00
Interest, commissions and other financial expenses paid		-529.851.425,65	-819.302.974,76
Dividends paid		0,00	0,00
Net cash flows from financing activities		376.523.514,98	-450.167.892,30
Net Increase / Decrease in Cash and Cash Equivalents		-775.450.354,33	-428.729.697,97
Net foreign exchange differences in C&CE		12.512.455,82	21.523.643,21
Cash and cash equivalents at 01 January		2.650.282.184,58	3.057.488.239,34
Cash and cash equivalents at the end of the year	[n.11]	1.887.344.286,07	2.650.282.184,58

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

Notes to the annual accounts

as at December 31, 2014, which have been authorized by the Board of Directors held on February 27, 2015

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.

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.

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 31.12.2013	23.476.250,49	4.609.659,90	28.085.910,39
Movements of the year			
Depreciation during the year	(8.168.571,43)	(243.241,73)	(8.411.813,16)
Balance as at 31.12.2014	15.307.679,06	4.366.418,17	19.674.097,23

Note 4 – Other fixtures and fittings, tools and equipment

	<i>December 31, 2014 EUR</i>	<i>December 31, 2013 EUR</i>
Acquisitions at the beginning of the year	302.729,91	376.159,10
Acquisitions during the year	21.689,74	5.440,98
Disposal or reductions during the year	(100.099,68)	(78.870,17)
Acquisition cost at the end of the year	224.319,97	302.729,91
Value adjustments at the beginning of the year	289.385,76	349.205,97
Value adjustments during the year	10.888,08	19.049,96
Disposal or reduction during the year	(100.099,68)	(78.870,17)
Value adjustments at the end of the year	200.174,16	289.385,76
	24.145,81	13.344,15

Note 5 – Amounts owed by affiliated undertakings

This item is composed by EUR 2.286.938.623,51 being the total amount of medium-long term loans granted to the Parent Company and other group companies (2013 – EUR 1.286.675.548,61). The detail by final payment date is as follows:

	December 31, 2014	December 31, 2013
	EUR	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 May 14, 2032 ^[*]		
Floater rate: JPYLibor 6m + 1,6600%	137.712.593,82	138.197.899,39
Nominal value: JPY 20.000.000.000		
Expiring October 29, 2029 ^[*]		
Floater rate: JPYLibor 6m + 0,9463%	137.712.593,82	138.197.899,39
Nominal value: EUR 1.000.000.000,00		
Expiring November 08, 2016		
Floater rate: Euribor 6m + 2,9440%	1.000.000.000,00	0,00
Total to Parent Company	2.275.425.187,64	1.276.395.798,78

Telecom Italia Latam Participações e Gestão Administrativa Ltda

Nominal value: BRL 7.000.000,00		
Expiring October 31, 2016		
Fixed rate: 18,2000%	2.170.616,67	0,00
Nominal value: BRL 7.000.000,00		
Expiring October 31, 2016		
Fixed rate: 18,2000%	2.170.616,67	0,00
Nominal value: BRL 4.000.000,00		
Expiring October 31, 2016		
Fixed rate: 17,8500%	1.240.352,38	0,00
Nominal value: BRL 1.241.381,92		
Expiring October 31, 2016		
Fixed rate: 18,2000%	384.937,76	0,00
Nominal value: BRL 1.156.298,55		
Expiring October 31, 2016		
Fixed rate: 18,2000%	358.554,42	0,00
Nominal value: BRL 706.996,70		
Expiring October 31, 2016		
Fixed rate: 17,8500%	219.231,26	0,00
Accrued interest	217.962,86	0,00

<i>Mediterranean Nautilus</i>		
<i>Telekomünikasyon Hizmetleri TAS</i>		
Nominal value: USD 5.000.000,00		
Expiring June 25, 2015		
Fixed rate: 3,8775%	<i>Classified in short term portion</i>	3.625.552,89
Nominal value: USD 1.000.000,00		
Expiring January 15, 2015		
Fixed rate: 3,7506%	<i>Classified in short term portion</i>	725.110,58
<i>Italtel S.p.A.</i>		
Nominal value: EUR 5.929.086,36		
Expiring June 30, 2017 ^[**]		
Floating rate: Euribor 3m + 3,0000%	4.751.163,85	5.929.086,36
Total to group companies		
	11.513.435,87	10.279.749,83
	<u>2.286.938.623,51</u>	<u>1.286.675.548,61</u>

[*] Differences between December 31, 2014 and December 31, 2013 are due to exchange rate impact.

[**] On June 30, 2014 Italtel S.p.A. reimbursed in advance EUR 1.177.922,51.

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)	0,64	124.544.373	77.527.626,76	473.126.647,40	.	473.126.647,40	395.599.020,64	-30.597.643,54	365.001.377,10	108.125.270,30	110.321.405,60
Telecom Italia Media S.p.A.	Via della Pineta Sacchetti, 229 Rome (Italy)	2,14	2.330.306 [*]	4.427.443,07	50.177.899,30	-4.427.582,81	45.750.316,49	45.750.456,23	-3.588.817,05	42.161.639,18	3.588.677,31	2.228.238,60
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				1.441.999.580,06	2.029.342.987,16	-4.427.582,81	2.024.915.404,35	587.343.407,10	-34.186.460,59	553.156.946,51	1.471.758.457,84	

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	48.618,81	413.304,84	.	413.304,84	364.686,03	4.668,08	369.354,11	43.950,73	
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				48.618,83	413.304,86	.	413.304,86	364.686,03	4.668,08	369.354,11	43.950,75	

[*] - On May 2014 in execution of a Telecom Italia Media' shareholders resolution the number of shares held by TI Finance has been reduced from 32.624.295 to 2.330.306 due to a capital reduction by cancellation of ordinary shares.

[**] - 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.

[***] - The Net Book value of Telecom Italia S.p.A. and Telecom Italia Media 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.

The Board of Directors has assessed that the variance in the market value of TI Media and consequently the difference between 'Fair Value at the end of the year' and 'Net Book Value at the end of the year' is not permanent, therefore no additional value adjustments are recorded on this financial asset in the accounts of the Company.

[****] - 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.

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 31.12.2013	4.551.601,95	230.524,40	4.782.126,35
Movements of the year			
Investments	156.250,00	0,00	156.250,00
Adjustments for the year	(102.915,00)	0,00	(102.915,00)
Distributions	0,00	(100.000,00)	(100.000,00)
Total movements	53.335,00	(100.000,00)	(46.665,00)
Balance as at 31.12.2014	4.604.936,95	130.524,40	4.735.461,35

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, 2014	December 31, 2013
	EUR	EUR
Italtel S.p.A	8.920,99	10.095,53
Mediterranean Nautilus Greece S.A.	17.470.833,03	24.983.523,96
Mediterranean Nautilus	16.637.161,05	10.283.207,80
Telekomünikasyon Hizmetleri TAS		
Olivetti S.p.A.	88.471.581,83	88.446.070,58
Telecom Italia Capital	24.535,31	31.944,45
Telecom Italia Latam Participações e Gestão Administrativa Ltda	0,00	6.027.136,63
Telecom Italia Media S.p.A.	141.893.926,22	141.915.486,22
Telecom Italia S.p.A.	2.791.519.775,38	1.995.229.268,63
Telecom Italia Spain SL	0,00	752.256,25
TI Sparkle France S.A.	548,60	1.001.304,62
TI Sparkle Singapore P.T.E.	5.013.324,12	4.363.010,21
Ti Sparkle Slovakia S.r.o.	400.081,85	451.115,55
TMI Telemedia Int.	1.910.820,37	1.910.896,63
Others	0,07	279.532,75
Accruals on derivatives with Parent Company	7.145.347,93	10.813.353,66
Accruals on derivatives with group companies	7.399.630,92	3.590.562,90
Currency swaps with group companies	2.642,39	5.424,33
	3.077.899.130,06	2.290.094.190,70

b) becoming due and payable after more than one year

	December 31, 2014	December 31, 2013
	EUR	EUR
Currency swaps with Parent Company	79.872.368,48	100.499.678,78
	79.872.368,48	100.499.678,78

Note 9 – Other receivables

a) becoming due and payable within one year

	December 31, 2014 EUR	December 31, 2013 EUR
Accruals on derivatives	19.663.876,66	13.880.629,32
Currency swaps	13.515,55	4.088.013,66
	19.677.392,21	17.968.642,98

b) becoming due and payable after more than one year

	December 31, 2014 EUR	December 31, 2013 EUR
Receivables from Lehman Brothers Special Financing Inc. ^[*]	4.312.185,68	5.298.050,01
Currency swaps	205.914.456,71	74.176.373,42
Other receivables	27.517,84	35.380,63
	210.254.160,23	79.509.804,06

[*] 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, 2014 the following amounts have been distributed to TI Finance and the receivable has been reduced consequently:

-	On October 01, 2012	USD	9.902.109,48
-	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	2.442.185,92
-	On October 02, 2014	USD	1.642.017,15
		USD	18.280.103,69

In accordance with market evaluations, the receivable is registered at its recoverable value of 14,67% (USD 5.235.424,63) 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, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Notes from other issuers	1.036.572.161,05	1.077.032.365,79
	1.036.572.161,05	1.077.032.365,79

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

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Cash in hand	461,66	488,55
Bank current accounts	454.684.343,13	224.219.069,08
Bank term deposit accounts	1.432.595.156,90	2.426.036.965,27
Other Liquid Assets	64.324,38	25.661,68
Cash and cash equivalent as shown in Cash Flow Statement	1.887.344.286,07	2.650.282.184,58
Accruals on bank term deposits	553.509,84	509.962,67
	1.887.897.795,91	2.650.792.147,25

Note 12 – Subscribed capital

As of December 31, 2014 and December 31, 2013, 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, 2014 and December 31, 2013 the Company is 100% held by Telecom Italia S.p.A.

Note 13 – Reserves

Reserves are split as follows:

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Legal reserve	16.626.743,45	15.712.807,84
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 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
shareholders meeting of April 3, 2013	EUR	1.053.103,05
shareholders meeting of April 2, 2014	EUR	913.935,61
	EUR	16.626.743,45

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 or loss brought forward</i>	<i>Profit or loss for the year</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Balance as at 31.12.2013	15.712.807,84	865.769.812,13	268.433.361,41	18.278.712,19
Movements of the year				
Allocation of prior year's profit	913.935,61	0,00	17.364.776,58	-18.278.712,19
Profit for the year	0,00	0,00	0,00	103.449.727,45
Total movements	913.935,61	0,00	17.364.776,58	85.171.015,26
Balance as at 31.12.2014	16.626.743,45	865.769.812,13	285.798.137,99	103.449.727,45

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.

i) becoming due and payable within one year

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Accrued interest	10.253.082,19	10.253.082,19
	10.253.082,19	10.253.082,19

ii) becoming due and payable after more than one year

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: EUR: 1.300.000.000,00		
Expiring November 15, 2016		
Fixed rate: 6,1250%	1.300.000.000,00	1.300.000.000,00
	1.300.000.000,00	1.300.000.000,00

Note 15 – Provisions for taxation

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Provisions for Net Wealth Tax	1.130.995,00	2.175.050,00
Provisions for Income Tax	802,50	1.575,00
Provisions for Value Added Tax	22.982,52	49.544,11
Provisions for Chamber of Commerce subscription	295.774,56	176.520,25
Other provisions for taxes	25.063,17	11.020,11
	1.475.617,75	2.413.709,47

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.

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Provisions for future expenses	1.534.728,73	1.558.708,31
	1.534.728,73	1.558.708,31

Note 17 – Non subordinated debts - Non convertible loans

i) *becoming due and payable within one year*

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Issue premiums on notes		
<i>Current portion</i>	285.581,80	285.581,80
Issue discounts on notes		
<i>Current portion</i>	(278.039,51)	(278.039,51)
Accrued interest on notes	74.343.944,55	74.346.193,80
	74.351.486,84	74.353.736,09

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

	December 31, 2014	December 31, 2013
	EUR	EUR
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		
Expiring May 14, 2032 ^[*]		
Fixed rate: 3,5500%	137.712.593,82	138.197.899,39
Issue premiums on notes		
<i>Long term portion</i>	4.876.798,30	5.162.380,11
Issue discounts on notes		
<i>Long term portion</i>	(4.717.408,14)	(4.995.447,66)
	1.152.871.983,98	1.153.364.831,84

^[*] Differences between December 31, 2014 and December 31, 2013 are due to exchange rate impact. The Note has embedded an option allowing the issuer to repay the total notional amount of the debt each year starting from 2012 to maturity.

Note 18 – Amounts owed to credit institutions

a) *becoming due and payable within one year*

	December 31, 2014	December 31, 2013
	EUR	EUR
Payables to banks	194.977.384,78	108.015.933,44
Accrued interest	3.563.861,93	2.482.439,85
	198.541.246,71	110.498.373,29

b) becoming due and payable after more than one year

	December 31, 2014	December 31, 2013
	EUR	EUR
Nominal value: Jpy 20.000.000.000		
Expiring October 29, 2029 ^[*]		
Fixed rate: 6,7500%	137.712.593,82	138.197.899,39
	137.712.593,82	138.197.899,39

^[*] Differences between December 31, 2014 and December 31, 2013 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

	December 31, 2014	December 31, 2013
	EUR	EUR
Latin American Nautilus Ltd	18.942.892,98	18.611.404,71
Latin America Nautilus USA Inc.	4.832.398,83	0,00
Mediterranean Nautilus Israel Ltd	8.629.349,88	7.590.313,30
Telecom Italia S.p.A.	452.127,59	404.525,87
Telecom Italia Finance Ireland Ltd ^[*]	66.000.000,00	66.000.000,00
TI Belgium SPRL	28,00	500.294,31
TI Deutschland Holding GmbH	16.522.094,89	16.755.724,58
TI International NV	3.619.520.294,27	2.778.060.266,39
TI Telecom Italia Austria		
Telekommunikationsdienste GmbH	400.321,22	500.118,09
Others	1.122,12	998,98
Accruals on derivatives with Parent Company	6.523.310,37	2.602.581,84
Accruals on derivatives with group companies	13.453.775,72	10.937.849,19
Currency swaps with group companies	6.665,98	3.278.967,93
	3.755.284.381,85	2.905.243.045,19

b) becoming due and payable after more than one year

	<i>December 31, 2014</i>	<i>December 31, 2013</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	39.279.752,28	0,00
Currency swaps with group companies	166.324.688,48	74.176.373,42
	1.497.604.440,76	1.366.176.373,42

^[*] 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, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Accruals on derivatives	12.768.099,36	13.518.053,66
Currency swaps	232.090,97	289.085,64
Others	498,00	0,00
	13.000.688,33	13.807.139,30

b) becoming due and payable after more than one year

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps	79.872.368,48	100.499.678,78
	79.872.368,48	100.499.678,78

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

	December 31, 2014	December 31, 2013
	EUR	EUR
Adjustments on shares in undertakings		
Telecom Italia S.p.A.	0,00	17.821.726,88
Telecom Italia Media S.p.A.	838.764,36	1.438.447,58
Infomaster S.p.A.	4.668,08	0,00
Total value adjustments on shares	843.432,44	19.260.174,46
Adjustments on funds and FPI		
Clessidra Capital Partners	102.915,00	5.310.442,01
Italtel S.p.A.	0,00	4.500.000,00
Total value adjustments on funds and FPI	102.915,00	9.810.442,01
	946.347,44	29.070.616,47

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

	December 31, 2014	December 31, 2013
	EUR	EUR
Value adjustments on securities	2.045.908,92	2.021.539,04
Losses on securities disposal	1.700.824,51	2.147.153,30
	3.746.733,43	4.168.692,34

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

	December 31, 2014	December 31, 2013
	EUR	EUR
Guarantee fee due to Parent Company	452.127,56	419.525,87
Charges on derivatives with Parent Company	36.119.442,76	74.030.326,08
Charges on derivatives with group companies	77.973.075,84	240.922.002,44
Interest due to group companies	9.886.866,08	4.753.545,14
	124.431.512,24	320.125.399,53

b) other interest and similar financial charges

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Interest and charges to banks	15.269.358,38	24.754.436,85
Interest and charges on debentures	163.269.958,53	97.029.438,29
Charges on derivatives	242.160.379,24	328.321.027,41
Losses on exchange rates	211.662.961,94	223.327.876,84
Other financial charges and commissions	153.827,00	140.191,67
	632.516.485,09	673.572.971,06

Note 24 – Income tax

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Withholding tax on dividends and income received from equity investments	168,05	35.649,67
Withholding tax on interest received	317.956,29	111.018,99
Income tax	4.785,00	3.210,00
	322.909,34	149.878,66

Note 25 – Other taxes not included in the previous caption

The amount of EUR 1.530.995,00 (EUR 1.459.055,00 - 2013) includes payments and provisions for the Net Wealth Tax.

Note 26 – Income from financial fixed assets*a) derived from affiliated undertakings*

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Dividend received from Parent Company	0,00	2.490.887,46
Reversal of adjustments on shares in Telecom Italia S.p.A.	30.597.643,54	0,00
Income from shares in affiliated undertakings	0,00	1.000,00
Interest on long term loans to Parent Company	104.863.545,01	118.504.287,55
Interest on long term loans to group companies	1.629.619,16	965.053,07
	137.090.807,71	121.961.228,08

b) other income from participating interests

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Income from equity investments	1.901,10	17.416,88
Income from investment funds	276.499,13	0,00
Reversal of value adjustments on equity investments	0,00	11.267,96
	278.400,23	28.684,84

Note 27 – Income from financial current assets

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Reversal of value adjustments on securities	720.619,73	1.657.138,69
Gain on securities disposal	24.726.334,34	4.642.071,13
Value adjustment on receivables from Lehman Brothers	1.544.522,55	2.006.087,99
	26.991.476,62	8.305.297,81

Note 28 – Other interest and other financial income

a) derived from affiliated undertakings

	December 31, 2014 EUR	December 31, 2013 EUR
Interest and commissions on receivables from Parent Company	74.532.711,69	14.331.085,65
Interest and commissions on receivables from group companies	7.651.125,52	5.117.371,49
Income on derivatives with Parent Company	61.017.116,79	208.493.144,89
Income on derivatives with group companies	67.287.904,51	141.107.764,32
MEB Option premium amortization ^[*]	31.586.520,92	1.038.460,96
	242.075.379,43	370.087.827,31

b) other interest receivable and similar income

	December 31, 2014 EUR	December 31, 2013 EUR
Interest on other securities	16.981.750,71	17.026.479,29
Interest on banks	6.154.751,24	9.105.242,09
Other interest, income and commissions	327.959,46	173.133,45
Income on derivatives with banks	235.710.887,64	300.229.337,92
Gain on exchange rates	211.877.568,70	223.437.392,88
	471.052.917,75	549.971.585,63

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

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, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Call option on Bond	137.712.593,82	138.197.899,39
Foreign exchange agreements	22.207.369,65	31.375.565,41
Forward rate agreements ("FRA")	0,00	200.000.000,00
Interest Rate Swap ("IRS")	137.712.593,82	138.197.899,39
Cross Currency Interest Rate Swaps ("CCIRS") ^[*]	414.576.771,31	138.197.899,39
	712.209.328,60	645.969.263,58

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

	<i>December 31, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Call option on Bond	5.498.713,11	1.838.032,06
Foreign exchange agreements	82.622,41	496.151,05
Forward rate agreements ("FRA")	0,00	41.626,89
Interest Rate Swaps ("IRS")	25.180.601,65	11.572.580,85
Cross Currency Interest Rate Swaps ("CCIRS") ^[*]	59.772.221,90	32.597.377,49
	90.534.159,07	46.545.768,34

[*] 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, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Cross Currency Interest Rate Swaps ("CCIRS")	4.075.026.111,52	2.629.192.540,80
Foreign exchange agreements	1.414.111,42	1.137.435,94
Interest Rate Swaps ("IRS")	2.670.834.959,46	3.539.772.686,42
Options	0,00	555.521.957,80
	6.747.275.182,40	6.725.624.620,96

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, 2014 payments of EUR 24.608.628,04 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, 2014 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 year ended December 31, 2014.

Note 33 – Directors remuneration

The Directors have not been remunerated in their capacity as Director during 2014.

Note 34 – Staff

As of December 31, 2014 the company had on its payroll 9 employees (December 31, 2013 – 10). The average of employees during the fiscal year has been of 9,58 persons (December 31, 2013 – 9,17).

Note 35 – Litigation

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

Note 36 – Auditor's fees

During the first semester of 2014 a total of EUR 48.612,02 (Net without taxes) has been paid to PricewaterhouseCoopers, Société cooperative for the audit activity (in 2013 – EUR 70.625,66). 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, 2014</u>	<u>December 31, 2013</u>
<i>Local currency against 1 EUR</i>		
BRL (Brazilian real)	3,22489	3,23068
CHF (Swiss franc)	1,20240	1,22760
GBP (Pound sterling)	0,77890	0,83370
JPY (Japan Yen)	145,23000	144,72000
RON (Romanian Leu)	4,48280	4,47100
USD (U.S. dollar)	1,21410	1,37910

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, 2014, together with a description of the principal risks and uncertainties that the issuer faces.

Adriano Trapletti
Managing Director



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 2014, 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 2014, 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, 30 March 2015

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

Fabrice Goffin