



FINANCE

**Telecom Italia Finance  
Société Anonyme**

12, rue Eugène Ruppert  
L-2453 Luxembourg

R.C.S. Luxembourg B 76.448

Unaudited Semi-Annual Accounts  
as at June 30, 2014, which have been  
authorized by the Board of Directors held  
on August 1, 2014

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## **Directors' report**

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The first half of the year 2014 of Telecom Italia Finance (the "Company" or "TI Finance") ends with a profit of EUR 53.424.025,63 versus a positive result of EUR 2.189.225,61 in the same period 2013.

The on-going borrowing and lending activity generated a positive margin equal to EUR 41,5 million (EUR 16,6 million for the corresponding period 2013).

The increased contribution worth EUR 24,9 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 generate net costs equals to EUR -17,7 million (+EUR 6,6 million as of June 30, 2013) mainly due to the issuance on November 15, 2013 of the EUR 1,3 billion convertible bond 6,125%. The short term activity contributes EUR 43,2 million (EUR 13,6 million as per June 30, 2013) due to higher intercompany lending and increased investment in the fixed income securities. This latter portfolio realized capital gains worth EUR 15,5 million (EUR 0,8 million as per June 30, 2013).

The value of the participations has been increased by EUR 12,8 million (EUR -13,0 million for the corresponding period 2013). No dividend has been cashed on the Telecom Italia S.p.A. shares (EUR 2,5 million as per June 30, 2013).

The net financial position as of June 30, 2014 is positive for EUR 1.600,7 million (EUR 1.559,2 million as of December 31, 2013).

### **Notes**

As of June 30, 2014, the total outstanding nominal amount of notes amounts to EUR 2.459.466.917,08 (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 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 June 30, 2014 - Evolution of the second half of the year**

During the second half of the year 2014 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 the return on liquid assets and may adversely impact the earnings of the second half of the year.

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 June 30, 2014 herein reported have not been audited. They comprise the balance sheet, the profit and loss account, the cash flow statements and the explanatory notes.

For the Board of Directors  
The Managing Director  
Adriano Trapletti

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## Balance Sheet

TELECOM ITALIA FINANCE S.A. BALANCE SHEET AS AT JUNE 30, 2014					
ASSETS - [EUR]		30.JUNE.2014	31.DECEMBER.2013	LIABILITIES - [EUR]	
<b>B. Formation expenses</b>	[n.3]	<b>23.914.395,13</b>	<b>28.085.910,39</b>	<b>A. Capital and reserves</b>	<b>1.763.708.960,20</b>
<b>C. Fixed assets</b>		<b>2.753.348.596,73</b>	<b>2.733.519.218,00</b>	I. Subscribed capital	[n.12] 542.090.241,00
II. Tangible fixed assets				IV. Reserves	[n.13]
3. Other fixtures and fittings, tools and equipment	[n.4]	10.776,31	13.344,15	1. Legal reserve	16.626.743,45
III. Financial fixed assets				4. Other reserves	865.769.812,13
1. Shares in affiliated undertakings	[n.6]	1.454.778.399,31	1.441.999.580,06	V. Profit or loss brought forward	285.798.137,99
2. Amounts owed by affiliated undertakings	[n.5]	1.293.684.998,01	1.286.675.548,61	VI. Profit or loss for the financial period	53.424.025,63
3. Shares in undertakings with which the undertaking is linked by virtue of participating interests	[n.6]	43.950,75	48.618,83	<b>B. Subordinated debts</b>	<b>1.349.738.356,16</b>
5. Securities and other financial instruments held as fixed assets	[n.7]	4.830.472,35	4.782.126,35	1. Convertible loans	[n.14]
<b>D. Current assets</b>		<b>6.399.612.212,76</b>	<b>6.215.896.829,56</b>	a) becoming due and payable within one year	49.738.356,16
II. Debtors				b) becoming due and payable after more than one year	1.300.000.000,00
2. Amounts owed by affiliated undertakings	[n.8]			<b>C. Provisions</b>	<b>3.901.008,65</b>
a) becoming due and payable within one year		2.698.457.582,85	2.290.094.190,70	2. Provisions for taxation	[n.15] 2.363.732,83
b) becoming due and payable after more than one year		95.319.890,45	100.499.678,78	3. Other provisions	[n.16] 1.537.275,82
4. Other receivables	[n.9]			<b>D. Not Subordinated debts</b>	<b>5.984.783.098,64</b>
a) becoming due and payable within one year		20.926.933,26	17.968.642,98	1. Debenture loans	
b) becoming due and payable after more than one year		93.972.865,16	79.509.804,06	b) Non convertible loans	[n.17]
III. Transferable securities and other financial instruments				i) becoming due and payable within one year	34.728.270,70
3. Other transferable securities and other financial instruments	[n.10]	1.096.652.064,94	1.077.032.365,79	ii) becoming due and payable after more than one year	1.159.630.287,14
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand	[n.11]	2.394.282.876,10	2.650.792.147,25	2. Amounts owed to credit institutions	[n.18]
<b>E. Prepayments</b>		<b>754.133,49</b>	<b>3.029.576,05</b>	a) becoming due and payable within one year	139.149.292,82
				b) becoming due and payable after more than one year	144.466.917,08
				4. Trade creditors	
				a) becoming due and payable within one year	281.476,72
				6. Amounts owed to affiliated undertakings	[n.19]
				a) becoming due and payable within one year	3.006.678.170,68
				b) becoming due and payable after more than one year	1.381.799.143,73
				8. Tax and social security debts	
				b) Social security debts	19.773,40
				9. Other creditors	[n.20]
				a) becoming due and payable within one year	22.709.875,92
				b) becoming due and payable after more than one year	95.319.890,45
				<b>E. Deferred income</b>	[n.30] <b>75.497.914,46</b>
<b>TOTAL ASSETS</b>		<b>9.177.629.338,11</b>	<b>8.980.531.534,00</b>	<b>TOTAL LIABILITIES</b>	<b>9.177.629.338,11</b>
					<b>8.980.531.534,00</b>

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

## Profit and Loss

TELECOM ITALIA FINANCE S.A.					
PROFIT AND LOSS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014					
A. CHARGES - [EUR]	30.JUNE.2014	30.JUNE.2013	B. INCOME - [EUR]	30.JUNE.2014	30.JUNE.2013
1. Use of merchandise, raw materials and consumable materials	7.611,45	6.083,44	1. Net turnover	29.779,04	72.740,04
2. Other external charges	418.150,21	383.417,55			
3. Staff costs	465.102,46	451.484,58	6. Income from financial fixed assets [n.26]	65.983.743,68	61.625.685,62
a) Salaries and wages	398.045,49	389.911,22	a) derived from affiliated undertakings	65.981.912,13	61.604.218,84
b) Social security on salaries and wages	43.192,78	40.888,58	b) other income from participating interests	1.831,55	21.466,78
c) Supplementary pension costs	20.269,99	17.491,46			
d) Other social costs	3.594,20	3.193,32	7. Income from financial current assets [n.27]	17.949.460,88	3.671.605,70
4. Value adjustments	4.178.293,66	202.953,55	b) other income from financial current assets	17.949.460,88	3.671.605,70
a) on formation expenses and on tangible and intangible fixed assets	4.178.293,66	202.953,55			
5. Other operating charges	43.928,44	55.359,03	8. Other interest and other financial income [n.28]	366.800.780,63	454.281.212,13
6. Value adjustments and fair value adjustments on financial fixed assets [n.21]	263.983,82	18.242.107,02	a) derived from affiliated undertakings	125.137.806,48	186.555.823,34
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities [n.22]	1.305.487,43	6.463.669,26	b) other interest and similar financial income	241.662.974,15	267.725.388,79
8. Interest and other financial charges [n.23]	390.399.197,10	491.368.593,20	10. Extraordinary income	104,36	488,11
a) concerning affiliated undertakings	63.807.799,59	130.331.135,38			
b) other interest and similar financial charges	326.591.397,51	361.037.457,82			
11. Income tax [n.24]	58.088,39	88.838,36			
12. Other taxes not included in the previous caption [n.25]	200.000,00	200.000,00			
13. Profit for the financial period	53.424.025,63	2.189.225,61			
<b>TOTAL CHARGES</b>	<b>450.763.868,59</b>	<b>519.651.731,60</b>	<b>TOTAL INCOME</b>	<b>450.763.868,59</b>	<b>519.651.731,60</b>

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

## Cash Flow Statements

**TELECOM ITALIA FINANCE S.A.**  
**CASH FLOW STATEMENT AS AT JUNE 30, 2014**

	30. JUNE. 2014	30. JUNE. 2013
<b>Operating Activities</b>		
Profit before tax	53.425.630,63	2.189.225,61
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	4.178.293,66	202.953,55
Value adjustments on financial fixed assets [n.21]	263.983,82	18.242.107,02
Value adjustments on financial current assets and loss on disposal of securities [n.22]	1.305.487,43	6.463.669,26
Finance Income	-450.103.084,40	-518.699.826,08
Finance Expenses	390.172.981,74	491.150.291,66
Changes in trade and other receivables	1.408.574,95	604.347,12
Changes in trade and other payables	-598.242,89	-496.773,33
Income Taxes Paid [n.24]	-1.605,00	0,00
<b>Net cash flows from operating activities</b>	<b>52.019,94</b>	<b>-344.005,19</b>
<b>Cash flows from Investing activities</b>		
Changes in Property, plant and equipment	-4.210,56	-5.440,98
Changes in Participations, funds and other securities	1.410.075,98	-505.653.744,63
Investments and re-payments in Financial Receivables	-407.435.669,99	883.814.129,71
Interest, commissions and other financial income received	357.820.286,34	329.283.085,34
Dividends received	0,00	2.456.792,03
Income received from participations and funds	1.682,79	11.198,82
<b>Net cash flows from investing activities</b>	<b>-48.207.835,44</b>	<b>709.906.020,29</b>
<b>Cash flows from Financing activities</b>		
Net change in short-term Financial Payables	119.468.214,42	36.532.285,73
Proceeds from borrowings	0,00	-677.938.000,00
Interest, commissions and other financial expenses paid	-324.258.637,92	-428.925.130,93
<b>Net cash flows from financing activities</b>	<b>-204.790.423,50</b>	<b>-1.070.330.845,20</b>
Net Increase / Decrease in Cash and Cash Equivalents	-252.946.239,00	-360.768.830,10
Net foreign exchange differences in C&CE	-3.625.460,38	9.347.099,86
Cash and cash equivalents at 01 January	2.650.282.184,58	3.057.488.239,34
<b>Cash and cash equivalents at the end of the period</b> [n.11]	<b>2.393.710.485,20</b>	<b>2.706.066.509,10</b>

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



**TELECOM ITALIA FINANCE S.A.**  
**CASH FLOW STATEMENT AS AT JUNE 30, 2014**

	30.JUNE.2014	31.DECEMBER.2013
<b>Operating Activities</b>		
Profit before tax	53.425.630,63	18.281.922,19
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	4.178.293,66	1.396.004,98
Value adjustments on financial fixed assets [n.21]	263.983,82	29.070.616,47
Value adjustments on financial current assets and loss on disposal of securities [n.22]	1.305.487,43	4.168.692,34
Finance Income	-450.103.084,40	-1.048.201.867,02
Finance Expenses	390.172.981,74	993.278.844,72
Changes in trade and other receivables	1.408.574,95	529.107,34
Changes in trade and other payables	-598.242,89	1.463.522,19
Income Taxes Paid [n.24]	-1.605,00	-3.210,00
<b>Net cash flows from operating activities</b>	<b>52.019,94</b>	<b>-16.366,79</b>
<b>Cash flows from Investing activities</b>		
Changes in Property, plant and equipment	-4.210,56	-5.440,98
Changes in Participations, funds and other securities	1.410.075,98	-541.722.644,53
Investments and re-payments in Financial Receivables	-407.435.669,99	-262.458.313,20
Interest, commissions and other financial income received	357.820.286,34	823.167.305,16
Dividends received	0,00	2.456.792,03
Income received from participations and funds	1.682,79	16.862,64
<b>Net cash flows from investing activities</b>	<b>-48.207.835,44</b>	<b>21.454.561,12</b>
<b>Cash flows from Financing activities</b>		
Net change in short-term Financial Payables	119.468.214,42	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	-324.258.637,92	-819.302.974,76
<b>Net cash flows from financing activities</b>	<b>-204.790.423,50</b>	<b>-450.167.892,30</b>
Net Increase / Decrease in Cash and Cash Equivalents	-252.946.239,00	-428.729.697,97
Net foreign exchange differences in C&CE	-3.625.460,38	21.523.643,21
Cash and cash equivalents at 01 January	2.650.282.184,58	3.057.488.239,34
<b>Cash and cash equivalents at the end of the period</b> [n.11]	<b>2.393.710.485,20</b>	<b>2.650.282.184,58</b>

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

## **Notes to the accounts**

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as at June 30, 2014, which have been authorized by the Board of Directors held on August 1, 2014

### **Note 1 – General**

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

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

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

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

#### Basis of preparation

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

As allowed by the amended law of August 10, 1915, the Board of Directors of the Company has decided to include the cash flow statement based on the indirect method.

Euro (EUR) is the book accounting currency.

#### Use of estimates

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

### Foreign currency translation

The Company follows the multi-currency accounting policy that consists in recording the assets and the liabilities in their original currencies, the same being converted into EUR at the 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.

### 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 adjustments 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 shall be recorded.

### Debts

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

### Provisions

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

### Note 3 – Formation expenses

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

	<i>Subordinated debts EUR</i>	<i>Not 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 period			
Depreciation during the period	(4.050.716,24)	(120.799,02)	(4.171.515,26)
Total movements	(4.050.716,24)	(120.799,02)	(4.171.515,26)
<b>Balance as at 30.06.2014</b>	<b>19.425.534,25</b>	<b>4.488.860,88</b>	<b>23.914.395,13</b>

### Note 4 – Other fixtures and fittings, tools and equipment

	<i>June 30, 2014 EUR</i>	<i>December 31, 2013 EUR</i>
Acquisitions at the beginning of the period	302.729,91	376.159,10
Acquisitions during the period	4.210,56	5.440,98
Disposal or reductions during the period	(4.454,50)	(78.870,17)
Acquisition cost at the end of the period	302.485,97	302.729,91
Value adjustments at the beginning of the period	289.385,76	349.205,97
Value adjustments during the period	6.778,40	19.049,96
Disposal or reduction during the period	(4.454,50)	(78.870,17)
Value adjustments at the end of the period	291.709,66	289.385,76
	<b>10.776,31</b>	<b>13.344,15</b>

## Note 5 – Amounts owed by affiliated undertakings

This item is composed by EUR 1.293.684.998,01 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). It could be detailed by final payment date as follows:

	June 30, 2014	December 31, 2013
	EUR	EUR
Nominal value: JPY 20.000.000.000 Expiring October 29, 2029 <sup>[*]</sup> Floater rate: JPYLibor 6m + 0,9463%	144.466.917,08	138.197.899,39
Nominal value: JPY 20.000.000.000 Expiring May 5, 2032 <sup>[*]</sup> Floater rate: JPYLibor 6m + 1,6600%	144.466.917,08	138.197.899,39
Nominal value: EUR 1.000.000.000,00 Expiring July 28, 2033 Fixed rate: 8,0000%	1.000.000.000,00	1.000.000.000,00
Total to Parent Company	1.288.933.834,16	1.276.395.798,78
<i>Mediterranean Nautilus</i>		
<i>Telekomünikasyon Hizmetleri TAS</i>		
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
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
<i>Italtel S.p.A.</i>		
Nominal value: EUR 5.929.086,36 Expiring June 30, 2017 <sup>[**]</sup> Floating rate: Euribor 3M + 3,0000%	4.751.163,85	5.929.086,36
Total to group companies	4.751.163,85	10.279.749,83
	<b>1.293.684.998,01</b>	<b>1.286.675.548,61</b>

[\*] Differences between June 30, 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 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 year	at the end of the year	Net Book value at the end of the period	Fair Value at the end of the year [***]
<b>1. Shares in affiliated undertakings</b>												
Telecom Italia S.p.A.	Piazza degli Affari, 2 Milan (Italy)	0,64	124.544.373	77.527.626,76	473.126.647,40	.	473.126.647,40	395.599.020,64	-12.986.482,39	382.612.538,25	90.514.109,15	115.340.543,84
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	-4.219.919,67	41.530.536,56	4.219.779,93	3.160.127,97
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	.
<b>Total</b>				<b>1.441.999.580,06</b>	<b>2.029.342.987,16</b>	<b>-4.427.582,81</b>	<b>2.024.915.404,35</b>	<b>587.343.407,10</b>	<b>-17.206.402,06</b>	<b>570.137.005,04</b>	<b>1.454.778.399,31</b>	
<b>3. Shares in undertakings with which the company is linked by virtue of participating interests</b>												
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	.
<b>Total</b>				<b>48.618,83</b>	<b>413.304,86</b>	<b>.</b>	<b>413.304,86</b>	<b>364.686,03</b>	<b>4.668,08</b>	<b>369.354,11</b>	<b>43.950,75</b>	

[\*] - 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.

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

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

**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 period			
Investments	100.000,00	0,00	100.000,00
Adjustments for the period	(51.654,00)	0,00	(51.654,00)
Total movements	48.346,00	0,00	48.346,00
<b>Balance as at 30.06.2014</b>	<b>4.599.947,95</b>	<b>230.524,40</b>	<b>4.830.472,35</b>



## Note 8 – Amounts owed by affiliated undertakings

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

### a) becoming due and payable within one year

	June 30, 2014	December 31, 2013
	<u>EUR</u>	<u>EUR</u>
Italtel S.p.A	9.421,03	10.095,53
Mediterranean Nautilus Greece S.A.	24.972.983,04	24.983.523,96
Mediterranean Nautilus Telekomünikasyon Hizmetleri TAS	14.780.474,70	10.283.207,80
Olivetti S.p.A.	88.455.182,65	88.446.070,58
Telecom Italia Latam Participações e Gestão Administrativa Ltda	6.912.670,47	6.027.136,63
Telecom Italia Media S.p.A.	141.913.404,89	141.915.486,22
Telecom Italia S.p.A.	2.377.647.283,10	1.995.229.268,63
Telecom Italia Spain SL	251.699,89	752.256,25
TI Sparkle France S.A.	994,45	1.001.304,62
TI Sparkle Singapore P.T.E.	4.403.281,67	4.363.010,21
Ti Sparkle Slovakia S.r.o.	453.656,41	451.115,55
TMI Telemedia Int.	1.911.277,40	1.910.896,63
Telecom Italia Capital	13.490.734,23	31.944,45
Others	174.358,75	279.532,75
Accruals on derivatives with Parent Company	15.339.708,50	10.813.353,66
Accruals on derivatives with group companies	3.678.184,67	3.590.562,90
Currency swaps with group companies	4.062.267,00	5.424,33
	<b><u>2.698.457.582,85</u></b>	<b><u>2.290.094.190,70</u></b>

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

	June 30, 2014	December 31, 2013
	<u>EUR</u>	<u>EUR</u>
Currency swaps with Parent Company	90.269.892,77	100.499.678,78
Currency swaps with group companies	5.049.997,68	0,00
	<b><u>95.319.890,45</u></b>	<b><u>100.499.678,78</u></b>

## Note 9 – Other receivables

### a) becoming due and payable within one year

	June 30, 2014	December 31, 2013
	<u>EUR</u>	<u>EUR</u>
Accruals on derivatives	20.785.009,29	13.880.629,32
Currency swaps	141.923,97	4.088.013,66
	<b><u>20.926.933,26</u></b>	<b><u>17.968.642,98</u></b>

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

	June 30, 2014	December 31, 2013
	<u>EUR</u>	<u>EUR</u>
Receivables from Lehman Brothers Special Financing Inc. <sup>[*]</sup>	4.141.427,41	5.298.050,01
Currency swaps	89.799.143,73	74.176.373,42
Other receivables	32.294,02	35.380,63
	<b><u>93.972.865,16</u></b>	<b><u>79.509.804,06</u></b>

[\*] 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 June 30, 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
		<b>USD</b>	<b><u>16.638.086,54</u></b>

In accordance with market evaluations, the receivable is registered at its recoverable value of 15,85% (USD 5.656.361,55) 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>June 30, 2014</i>	<i>December 31, 2013</i>
	<u>EUR</u>	<u>EUR</u>
Notes from other issuers	1.096.652.064,93	1.077.032.365,79
	<b><u>1.096.652.064,93</u></b>	<b><u>1.077.032.365,79</u></b>

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

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<u>EUR</u>	<u>EUR</u>
Cash in hand	443,92	488,55
Bank current accounts	459.096.109,81	224.219.069,08
Bank term deposit accounts	1.934.543.403,13	2.426.036.965,27
Other Liquid Assets	70.528,34	25.661,68
Cash and cash equivalent as shown in Cash Flow Statement	2.393.710.485,20	2.650.282.184,58
Accruals on bank term deposits	572.390,90	509.962,67
	<b><u>2.394.282.876,10</u></b>	<b><u>2.650.792.147,25</u></b>

**Note 12 – Subscribed capital**

As of June 30, 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 June 30, 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>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Legal reserve	<b>16.626.743,45</b>	<b>15.712.807,84</b>
Other reserves		
Reserves unavailable for distribution	394.805.662,41	394.805.662,41
Other distributable reserves	470.964.149,72	470.964.149,72
Total other reserves	<b>865.769.812,13</b>	<b>865.769.812,13</b>

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

shareholders meeting of April 4, 2008	EUR	1.584.401,26
shareholders meeting of April 28, 2010	EUR	3.228.314,61
shareholders meeting of April 11, 2011	EUR	6.351.000,00
shareholders meeting of April 4, 2012	EUR	3.495.988,92
shareholders meeting of April 3, 2013	EUR	1.053.103,05
shareholders meeting of April 2, 2014	EUR	913.935,61
	<b>EUR</b>	<b>16.626.743,45</b>

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 31.12.2013	15.712.807,84	865.769.812,13	268.433.361,41	18.278.712,19
Movements of the period				
Allocation of prior year's profit	913.935,61	0,00	17.364.776,58	-18.278.712,19
Profit for the period	0,00	0,00	0,00	53.424.025,63
Total movements	913.935,61	0,00	17.364.776,58	35.145.313,44
<b>Balance as at 30.06.2014</b>	<b>16.626.743,45</b>	<b>865.769.812,13</b>	<b>285.798.137,99</b>	<b>53.424.025,63</b>

#### 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>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Accrued interest	49.738.356,16	10.253.082,19
	<b>49.738.356,16</b>	<b>10.253.082,19</b>

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

	<i>June 30, 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: 6,125%	1.300.000.000,00	1.300.000.000,00
	<b>1.300.000.000,00</b>	<b>1.300.000.000,00</b>

#### Note 15 – Provisions for taxation

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Provisions for Net Wealth Tax	2.175.050,00	2.175.050,00
Provisions for Income Tax	1.575,00	1.575,00
Provisions for Value Added Tax	9.405,18	49.544,11
Provisions for Chamber of Commerce subscription	176.520,25	176.520,25
Other provisions for taxes	1.182,40	11.020,11
	<b>2.363.732,83</b>	<b>2.413.709,47</b>

### **Note 16 – Other provisions**

In the framework of the liquidation of the 100% owned subsidiary, Olivetti Holding N.V., TI Finance 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>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Provisions for future expenses	1.537.275,82	1.558.708,31
	<b>1.537.275,82</b>	<b>1.558.708,31</b>

### **Note 17 – Not subordinated debts - Non convertible loans**

i) *becoming due and payable within one year*

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Prepaid income on notes (issue premiums) <i>Current portion</i>	285.581,80	285.581,80
Prepaid charges on notes (issue discounts) <i>Current portion</i>	-278.039,51	-278.039,51
Accrued interest on notes	34.720.728,41	74.346.193,80
	<b>34.728.270,70</b>	<b>74.353.736,09</b>

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

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: JPY 20.000.000.000 Expiring May 14, 2032 <sup>[*]</sup> Fixed rate: 3,550%	144.466.917,08	138.197.899,39
Nominal value: EUR 800.000.000,00 Expiring January 24, 2033 Fixed rate: 7,750%	765.000.000,00	765.000.000,00
Nominal value: EUR 250.000.000,00 Expiring January 24, 2033 Fixed rate: 7,750%	250.000.000,00	250.000.000,00
Prepaid income on notes (issue premiums) <i>Long term portion</i>	5.020.762,83	5.162.380,11
Prepaid charges on notes (issue discounts) <i>Long term portion</i>	-4.857.392,77	-4.995.447,66
	<b><u>1.159.630.287,14</u></b>	<b><u>1.153.364.831,84</u></b>

[\*] Differences between June 30, 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*

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Payables to banks	136.522.512,51	108.015.933,44
Accrued interest	2.626.780,31	2.482.439,85
	<b><u>139.149.292,82</u></b>	<b><u>110.498.373,29</u></b>

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

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: Jpy 20.000.000.000		
Expiring October 29, 2029 <sup>[*]</sup>		
Fixed rate: 5,450%	144.466.917,08	138.197.899,39
	<b>144.466.917,08</b>	<b>138.197.899,39</b>

<sup>[\*]</sup> Differences between June 30, 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*

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Latin American Nautilus Ltd	22.242.116,01	18.611.404,71
Mediterranean Nautilus Israel Ltd	7.666.127,70	7.590.313,30
Telecom Italia S.p.A.	226.215,39	404.525,87
Telecom Italia Finance Ireland Ltd <sup>[*]</sup>	66.000.000,00	66.000.000,00
TI Belgium SPRL	500.016,63	500.294,31
TI Deutschland Holding GmbH	16.664.290,29	16.755.724,58
TI International NV	2.872.552.857,56	2.778.060.266,39
TI Telecom Italia Austria		
Telekommunikationdienste GmbH	400.270,10	500.118,09
Others	1.008,08	998,98
Accruals on derivatives with Parent Company	9.540.021,39	2.602.581,84
Accruals on derivatives with group companies	10.885.247,53	10.937.849,19
Currency swaps with group companies	0,00	3.278.967,93
	<b>3.006.678.170,68</b>	<b>2.905.243.045,19</b>



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

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Telecom Italia Finance Ireland Ltd <sup>[**]</sup>	1.292.000.000,00	1.292.000.000,00
Currency swaps with group companies	80.531.310,92	74.176.373,42
Currency swaps with Parent Company	9.267.832,81	0,00
	<b><u>1.381.799.143,73</u></b>	<b><u>1.366.176.373,42</u></b>

[\*] 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 for 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>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Accruals on derivatives	18.138.350,73	13.518.053,66
Currency swaps	4.571.475,19	289.085,64
Others	50,00	0,00
	<b><u>22.709.875,92</u></b>	<b><u>13.807.139,30</u></b>

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

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps	95.319.890,45	100.499.678,78
	<b><u>95.319.890,45</u></b>	<b><u>100.499.678,78</u></b>

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

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Adjustments on shares in undertakings		
Telecom Italia S.p.A.	0,00	12.408.679,70
Telecom Italia Media S.p.A.	207.661,74	573.096,31
Infomaster S.p.A.	4.668,08	0,00
Total value adjustments on shares	212.329,82	12.981.776,01
Adjustments on funds and FPI		
Clessidra Capital Partners	51.654,00	5.260.331,01
Total value adjustments on funds and FPI	51.654,00	5.260.331,01
	<b>263.983,82</b>	<b>18.242.107,02</b>

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

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Value adjustments on securities	789.974,00	5.745.749,26
Losses on securities disposal	515.513,43	717.920,00
	<b>1.305.487,43</b>	<b>6.463.669,26</b>

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

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Guarantee fee due to Parent Company	226.215,36	218.301,54
Charges on derivatives with Parent Company	16.935.334,24	5.997.946,32
Charges on derivatives with group companies	41.919.933,53	123.629.842,31
Interest due to group companies	4.726.316,46	485.045,21
	<b>63.807.799,59</b>	<b>130.331.135,38</b>

*b) other interest and similar financial charges*

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Interest and charges to banks	7.105.845,40	16.669.354,41
Interest and charges on debentures	81.061.591,90	44.498.524,59
Charges on derivatives	190.832.443,21	175.296.874,15
Losses on exchange rates	47.525.561,46	124.516.244,57
Other financial charges and commissions	65.955,54	56.460,10
	<b>326.591.397,51</b>	<b>361.037.457,82</b>

**Note 24 – Income tax**

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Withholding tax on dividends and income received from equity investments	148,76	34.095,43
Withholding tax on interest received	56.334,63	54.742,93
Income tax	1.605,00	0,00
	<b>58.088,39</b>	<b>88.838,36</b>

**Note 25 – Other taxes not included in the previous caption**

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

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

	<i>June 30, 2014</i>	<i>June 30, 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.	12.986.482,39	0,00
Income from shares in affiliated undertakings	0,00	1.000,00
Interest on long term loans to Parent Company	52.143.314,09	58.828.890,53
Interest on long term loans to group companies	852.115,65	283.440,85
	<b>65.981.912,13</b>	<b>61.604.218,84</b>

*b) other income from participating interests*

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Income from equity investments	1.831,55	10.198,82
Reversal of value adjustments on equity investments	0,00	11.267,96
	<b>1.831,55</b>	<b>21.466,78</b>

**Note 27 – Income from financial current assets**

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Reversal of value adjustments on securities	1.387.101,46	1.354.330,69
Gain on securities disposal	15.987.942,02	1.527.436,00
Value adjustment on receivables from Lehman Brothers	574.417,40	789.839,01
	<b>17.949.460,88</b>	<b>3.671.605,70</b>

## Note 28 – Other interest and other financial income

### a) derived from affiliated undertakings

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Interest and commissions on receivables from Parent Company	33.358.749,46	6.881.004,01
Interest and commissions on receivables from group companies	3.830.420,06	1.750.531,46
Income on derivatives with Parent Company	49.482.542,45	148.788.789,75
Income on derivatives with group companies	38.466.094,51	29.135.498,12
	<b>125.137.806,48</b>	<b>186.555.823,34</b>

### b) other interest receivable and similar income

	<i>June 30, 2014</i>	<i>June 30, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Interest on other securities	8.997.307,50	7.167.029,96
Interest on banks	3.910.632,26	4.990.274,92
Other interest and commissions	113.326,37	54.136,69
Income on derivatives with banks	181.124.665,94	130.999.166,48
Gain on exchange rates	47.517.042,08	124.514.780,74
	<b>241.662.974,15</b>	<b>267.725.388,79</b>

## 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>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Call option on Bond	144.466.917,08	138.197.899,39
Foreign exchange agreements	21.411.261,81	31.375.565,41
Forward rate agreements (“FRA”)	0,00	200.000.000,00
Interest Rate Swaps (“IRS”)	288.933.834,15	276.395.798,78
	<b>454.812.013,04</b>	<b>645.969.263,58</b>

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

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Call option on Bond	3.017.836,00	1.838.032,06
Foreign exchange agreements	-313.091,32	496.151,05
Forward rate agreements (“FRA”)	0,00	41.626,89
Interest Rate Swaps (“IRS”)	56.562.127,77	44.169.958,34
	<b>59.266.872,45</b>	<b>46.545.768,34</b>

In addition, the Company entered into the following 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.

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>EUR</i>	<i>EUR</i>
Cross Currency Interest Rate Swaps (“CCIRS”)	3.096.675.250,86	2.629.192.540,80
Foreign exchange agreements	177.892.883,87	1.137.435,94
Interest Rate Swaps (“IRS”)	3.550.011.196,49	3.539.772.686,42
Options	560.931.565,38	555.521.957,80
	<b>7.385.510.896,60</b>	<b>6.725.624.620,96</b>

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 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.

The Company has the commitment to subscribe up to EUR 25.000.000,00 in the investment fund Clessidra Capital Partner. As of June 30, 2014 payments of EUR 24.552.378,04 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 June 30, 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, Piazza degli Affari 2 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 its subsidiaries have a material interest for the purposes of art 319 (paragraph 3) of the Law of August 10, 1915 on commercial companies. Hence the Company is exempted under article 317 of the aforesaid law from establishing consolidated accounts and a consolidated management report for the period ended June 30, 2014.

**Note 33 – Directors remuneration**

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

**Note 34 – Staff**

As of June 30, 2014 the company had on its payroll 10 employees (June 30, 2013 – 9). The average of employees during the fiscal period has been of 10 persons (June 30, 2013 - 9).

**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 14.039,02 (Net without taxes) has been paid to PricewaterhouseCoopers, Société cooperative for the audit activity (in the first six months 2013 – EUR 5.825,16). No other amount has been paid to the Auditor.



### **Note 37 – Other information**

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

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
<i>Local currency against 1 EUR</i>		
BRL (Brazilian real)	3,00817	3,23068
CHF (Swiss franc)	1,21560	1,22760
GBP (Pound sterling)	0,80150	0,83370
HUF ( Hungarian forint)	309,30000	297,04000
JPY (Japan Yen)	138,44000	144,72000
RON (Romanian Leu)	4,38300	4,47100
USD (U.S. dollar)	1,36580	1,37910

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

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Pursuant to paragraph 4 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 interim financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Adriano Trapletti  
Managing Director