





The reclassified Separate Income Statements, Statements of Comprehensive Income, Statements of Financial Position and the Statements of Cash Flows as well as the Net Financial Debt of the Telecom Italia Group and the Parent, herewith presented, are the same as those included in the Report of Operations of 2012 Telecom Italia Annual Financial Report. Such statements as well as the Net Financial Debt are however consistent with those included in the Telecom Italia Consolidated and Separate Financial Statements for the year ended December 31, 2012.

To such extent, please note that the audit work by our independent auditors on the Telecom Italia Consolidated and Separate Financial Statements for the year ended December 31, 2012 as well as the check of consistency of the 2012 Report on Operations with the related Telecom Italia Consolidated and Separate Financial Statements have not yet been completed.

Telecom Italia Group and Telecom Italia S.p.A. 2012 actual results reported in the following tables show some changes that are not material compared to the 2012 preliminary results already disclosed to the market.

## TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	2012	2011	Change	
	(a)	(Restated) (b)	amount	%
<b>Revenues</b>	<b>29,503</b>	<b>29,957</b>	<b>(454)</b>	<b>(1.5)</b>
Other income	298	299	(1)	°
<b>Total operating revenues and other income</b>	<b>29,801</b>	<b>30,256</b>	<b>(455)</b>	<b>(1.5)</b>
Acquisition of goods and services	(12,948)	(12,859)	(89)	(0.7)
Employee benefits expenses	(3,919)	(3,992)	73	1.8
Other operating expenses	(1,882)	(1,859)	(23)	(1.2)
Changes in inventories	12	56	(44)	(78.6)
Internally generated assets	581	569	12	2.1
<b>Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)</b>	<b>11,645</b>	<b>12,171</b>	<b>(526)</b>	<b>(4.3)</b>
Depreciation and amortization	(5,340)	(5,496)	156	2.8
Gains (losses) on disposals of non-current assets	53	3	50	°
Impairment reversals (losses) on non-current assets	(4,432)	(7,358)	2,926	°
<b>Operating profit (loss) (EBIT)</b>	<b>1,926</b>	<b>(680)</b>	<b>2,606</b>	<b>n.s.</b>
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(6)	(39)	33	84.6
Other income (expenses) from investments	2	16	(14)	°
Finance income	2,082	2,464	(382)	(15.5)
Finance expenses	(4,048)	(4,504)	456	10.1
<b>Profit (loss) before tax from continuing operations</b>	<b>(44)</b>	<b>(2,743)</b>	<b>2,699</b>	<b>n.s.</b>
Income tax expense	(1,235)	(1,610)	375	23.3
<b>Profit (loss) from continuing operations</b>	<b>(1,279)</b>	<b>(4,353)</b>	<b>3,074</b>	<b>n.s.</b>
Profit (loss) from Discontinued operations/Non-current assets held for sale	2	(13)	15	°
<b>Profit (loss) for the year</b>	<b>(1,277)</b>	<b>(4,366)</b>	<b>3,089</b>	<b>n.s.</b>
Attributable to:				
<b>Owners of the Parent</b>	<b>(1,627)</b>	<b>(4,811)</b>	<b>3,184</b>	<b>n.s.</b>
Non-controlling interests	350	445	(95)	(21.3)

## TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In accordance with IAS 1 (*Presentation of Financial Statements*) here below are presented the Consolidated Statements of Comprehensive Income, including the Profit (loss) for the year, as shown in the Separate Consolidated Income Statements, and all non-owner changes in equity.

(millions of euros)		<b>2012</b>	<b>2011</b> <b>(Restated)</b>
<b>Profit (loss) for the year</b>	<b>(a)</b>	<b>(1,277)</b>	<b>(4,366)</b>
<b>Other components of the Statements of Comprehensive Income:</b>			
<b>Available-for-sale financial assets:</b>			
Profit (loss) from fair value adjustments		57	5
Loss (profit) transferred to the Separate Consolidated Income Statement		1	2
Net fiscal impact		(11)	(4)
	<b>(b)</b>	<b>47</b>	<b>3</b>
<b>Hedging instruments:</b>			
Profit (loss) from fair value adjustments		(702)	523
Loss (profit) transferred to the Separate Consolidated Income Statement		272	(230)
Net fiscal impact		121	(83)
	<b>(c)</b>	<b>(309)</b>	<b>210</b>
<b>Exchange differences on translating foreign operations:</b>			
Profit (loss) on translating foreign operations		(1,068)	(612)
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		-	75
Net fiscal impact		-	-
	<b>(d)</b>	<b>(1,068)</b>	<b>(537)</b>
<b>Remeasurements of employee defined benefit plans (IAS19):</b>			
Actuarial gains (losses)		(56)	117
Net fiscal impact		14	(33)
	<b>(e)</b>	<b>(42)</b>	<b>84</b>
<b>Share of other comprehensive income (loss) of associates:</b>			
Profit (loss)		-	-
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Net fiscal impact		-	-
	<b>(f)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(g=b+c+d+e+f)</b>	<b>(1,372)</b>	<b>(240)</b>
<b>Total comprehensive income (loss) for the year</b>	<b>(a+g)</b>	<b>(2,649)</b>	<b>(4,606)</b>
Attributable to:			
<b>Owners of the Parent</b>		<b>(2,516)</b>	<b>(4,826)</b>
Non-controlling interests		(133)	220

## TELECOM ITALIA GROUP – CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	12/31/2012 (a)	12/31/2011 (b)	Change (a-b)
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	32,410	36,902	(4,492)
Other intangible assets	7,927	8,637	(710)
	<b>40,337</b>	<b>45,539</b>	<b>(5,202)</b>
<b>Tangible assets</b>			
Property, plant and equipment owned	14,465	14,899	(434)
Assets held under finance leases	1,014	1,094	(80)
	<b>15,479</b>	<b>15,993</b>	<b>(514)</b>
<b>Other non-current assets</b>			
Investments in associates and joint ventures accounted for using the equity method	65	47	18
Other investments	39	38	1
Non-current financial assets	2,496	2,949	(453)
Miscellaneous receivables and other non-current assets	1,496	1,128	368
Deferred tax assets	1,432	1,637	(205)
	<b>5,528</b>	<b>5,799</b>	<b>(271)</b>
<b>Total Non-current assets</b>	<b>(a) 61,344</b>	<b>67,331</b>	<b>(5,987)</b>
<b>Current assets</b>			
Inventories	436	447	(11)
Trade and miscellaneous receivables and other current assets	7,006	7,770	(764)
Current income tax receivables	77	155	(78)
Current financial assets			
<i>Securities other than investments, financial receivables and other current financial assets</i>	1,256	1,469	(213)
<i>Cash and cash equivalents</i>	7,436	6,714	722
	8,692	8,183	509
<b>Current assets sub-total</b>	<b>16,211</b>	<b>16,555</b>	<b>(344)</b>
<b>Discontinued operations/Non-current assets held for sale</b>			
of a financial nature	-	-	-
of a non-financial nature	-	-	-
	-	-	-
<b>Total Current assets</b>	<b>(b) 16,211</b>	<b>16,555</b>	<b>(344)</b>
<b>Total assets</b>	<b>(a+b) 77,555</b>	<b>83,886</b>	<b>(6,331)</b>

(millions of euros)

	<b>12/31/2012</b>	<b>12/31/2011</b>	<b>Change</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a-b)</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Equity attributable to owners of the Parent	19,378	22,790	(3,412)
Non-controlling interests	3,634	3,904	(270)
<b>Total Equity (c)</b>	<b>23,012</b>	<b>26,694</b>	<b>(3,682)</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	34,091	35,860	(1,769)
Employee benefits	872	850	22
Deferred tax liabilities	848	1,084	(236)
Provisions	863	831	32
Miscellaneous payables and other non-current liabilities	1,053	1,156	(103)
<b>Total Non-current liabilities (d)</b>	<b>37,727</b>	<b>39,781</b>	<b>(2,054)</b>
<b>Current liabilities</b>			
Current financial liabilities	6,150	6,091	59
Trade and miscellaneous payables and other current liabilities	10,542	10,984	(442)
Current income tax payables	124	336	(212)
<b>Current liabilities sub-total</b>	<b>16,816</b>	<b>17,411</b>	<b>(595)</b>
<b>Liabilities directly associated with Discontinued operations/Non-current assets held for sale</b>			
of a financial nature	-	-	-
of a non-financial nature	-	-	-
	-	-	-
<b>Total Current Liabilities (e)</b>	<b>16,816</b>	<b>17,411</b>	<b>(595)</b>
<b>Total Liabilities (f=d+e)</b>	<b>54,543</b>	<b>57,192</b>	<b>(2,649)</b>
<b>Total equity and liabilities (c+f)</b>	<b>77,555</b>	<b>83,886</b>	<b>(6,331)</b>

## TELECOM ITALIA GROUP–CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)	2012	2011 (Restated)
<b>Cash flows from operating activities:</b>		
Profit (loss) from continuing operations	(1,279)	(4,353)
Adjustments for:		
Depreciation and amortization	5,340	5,496
Impairment losses (reversals) on non-current assets (including investments)	4,434	7,365
Net change in deferred tax assets and liabilities	79	156
Losses (gains) realized on disposals of non-current assets (including investments)	(54)	(18)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	6	39
Change in provisions for employees benefits	(221)	(175)
Change in inventories	12	(36)
Change in trade receivables and net amounts due from customers on construction contracts	851	3
Change in trade payables	(139)	(164)
Net change in current income tax receivables/payables	(473)	90
Net change in miscellaneous receivables/payables and other assets/liabilities	(35)	109
<b>Cash flows from (used in) operating activities</b>	<b>(a) 8,521</b>	<b>8,512</b>
<b>Cash flows from investing activities:</b>		
Purchase of intangible assets on an accrual basis	(1,995)	(3,066)
Purchase of tangible assets on an accrual basis	(3,201)	(3,029)
Total purchase of intangible and tangible assets on an accrual basis	(5,196)	(6,095)
Change in amounts due to fixed asset suppliers	(113)	557
Total purchase of intangible and tangible assets on a cash basis	(5,309)	(5,538)
Acquisition of control of subsidiaries or other businesses, net of cash acquired	(7)	(668)
Acquisitions/disposals of other investments	(3)	(1)
Change in financial receivables and other financial assets	519	(580)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	40	51
Proceeds from sale/repayments of intangible, tangible and other non-current assets	77	435
<b>Cash flows from (used in) investing activities</b>	<b>(b) (4,683)</b>	<b>(6,301)</b>
<b>Cash flows from financing activities:</b>		
Change in current financial liabilities and other	(796)	1,351
Proceeds from non-current financial liabilities (including current portion)	4,624	4,523
Repayments of non-current financial liabilities (including current portion)	(5,659)	(5,290)
Share capital proceeds/reimbursements (including subsidiaries)	(2)	240
Dividends paid	(1,031)	(1,326)
Changes in ownership interests in consolidated subsidiaries	-	(211)
<b>Cash flows from (used in) financing activities</b>	<b>(c) (2,864)</b>	<b>(713)</b>
<b>Cash flows from (used in) discontinued operations/non-current assets held for sale</b>	<b>(d) -</b>	<b>-</b>
<b>Aggregate cash flows</b>	<b>(e=a+b+c+d) 974</b>	<b>1,498</b>
<b>Net cash and cash equivalents at beginning of the year</b>	<b>(f) 6,670</b>	<b>5,282</b>
Net foreign exchange differences on net cash and cash equivalents	(g) (247)	(110)
<b>Net cash and cash equivalents at end of the year</b>	<b>(h=e+f+g) 7,397</b>	<b>6,670</b>

### Additional Cash Flow information:

(millions of euros)	2012	2011 (Restated)
Income taxes (paid) received	(1,522)	(1,381)
Interest expense paid	(3,518)	(3,044)
Interest income received	1,687	1,332
Dividends received	2	2

### Analysis of Net Cash and Cash Equivalents:

(millions of euros)	2012	2011 (Restated)
<b>Net cash and cash equivalents at beginning of the year:</b>		
Cash and cash equivalents - from continuing operations	6,714	5,526
Bank overdrafts repayable on demand - from continuing operations	(44)	(244)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	-
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-
	<b>6,670</b>	<b>5,282</b>
<b>Net cash and cash equivalents at end of the year:</b>		
Cash and cash equivalents - from continuing operations	7,436	6,714
Bank overdrafts repayable on demand - from continuing operations	(39)	(44)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	-
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-
	<b>7,397</b>	<b>6,670</b>



## TELECOM ITALIA GROUP–NET FINANCIAL DEBT

(millions of euros)	12/31/2012 (a)	12/31/2011 (b)	Change (a - b)
<b>Non-current financial liabilities</b>			
Bonds	23,956	24,478	(522)
Amounts due to banks, other financial payables and liabilities	8,976	10,078	(1,102)
Finance lease liabilities	1,159	1,304	(145)
	<b>34,091</b>	<b>35,860</b>	<b>(1,769)</b>
<b>Current financial liabilities (*)</b>			
Bonds	3,593	3,895	(302)
Amounts due to banks, other financial payables and liabilities	2,338	1,951	387
Finance lease liabilities	219	245	(26)
	<b>6,150</b>	<b>6,091</b>	<b>59</b>
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	-	-
<b>Total Gross financial debt</b>	<b>40,241</b>	<b>41,951</b>	<b>(1,710)</b>
<b>Non-current financial assets</b>			
Securities other than investments	(22)	(12)	(10)
Financial receivables and other non-current financial assets	(2,474)	(2,937)	463
	<b>(2,496)</b>	<b>(2,949)</b>	<b>453</b>
<b>Current financial assets</b>			
Securities other than investments	(754)	(1,007)	253
Financial receivables and other non-current financial assets	(502)	(462)	(40)
Cash and cash equivalents	(7,436)	(6,714)	(722)
	<b>(8,692)</b>	<b>(8,183)</b>	<b>(509)</b>
Financial assets relating to Discontinued operations/Non-current assets held for sale	-	-	-
<b>Total financial assets</b>	<b>(11,188)</b>	<b>(11,132)</b>	<b>(56)</b>
<b>Net financial debt carrying amount</b>	<b>29,053</b>	<b>30,819</b>	<b>(1,766)</b>
<i>Reversal of fair value measurement of derivatives and related financial assets/liabilities</i>	(779)	(405)	(374)
<b>Adjusted Net Financial Debt</b>	<b>28,274</b>	<b>30,414</b>	<b>(2,140)</b>
<i>Breakdown as follows:</i>			
<b>Total adjusted gross financial debt</b>	<b>37,681</b>	<b>39,382</b>	<b>(1,701)</b>
<b>Total adjusted financial assets</b>	<b>(9,407)</b>	<b>(8,968)</b>	<b>(439)</b>
<i>(*) of which current portion of medium/long-term debt:</i>			
Bonds	3,593	3,895	(302)
Amounts due to banks, other financial payables and liabilities	1,681	1,064	617
Finance lease liabilities	219	245	(26)

## TELECOM ITALIA GROUP - NET OPERATING FREE CASH FLOW

(millions of euros)	2012	2011	Change
EBITDA	11,645	12,171	(526)
Capital expenditures on an accrual basis	(5,196)	(6,095)	899
Change in net operating working capital	207	(100)	307
Change in provisions for employees benefits	(221)	(175)	(46)
Change in operating provisions and Other changes	35	(34)	69
<b>Net operating free cash flow</b>	<b>6,470</b>	<b>5,767</b>	<b>703</b>

## TELECOM ITALIA GROUP–INFORMATION BY OPERATING SEGMENTS

The company Matrix, sold on October 31, 2012, during 2012 was included in Other Operations and was consequently no longer part of the Consumer segment of Core Domestic. The periods under comparison have been reclassified accordingly.

### DOMESTIC

(millions of euros)	2012	2011	Change		
			amount	%	% organic
Revenues	17,884	18,991	(1,107)	(5.8)	(5.8)
EBITDA	8,676	9,173	(497)	(5.4)	(4.9)
EBITDA margin	48.5	48.3		0.2 pp	0.4 pp
EBIT	1,078	(1,996)	3,074	n.s.	(2.6)
EBIT margin	6.0	n.s.		n.s.	1.0pp
Headcount at year-end (number) <sup>(*)</sup>	53,224	55,047	(1,823)	(3.3)	

(\*) The headcount change includes the effects resulting from the acquisition, as of January 1, 2012, of the Contact Center business and the relative 249 resources from the company Advalso in the Olivetti Business Unit.

### Core Domestic

(millions of euros)	2012	2011	Change		
			amount	%	% organic
Revenues	16,933	18,082	(1,149)	(6.4)	(6.2)
Consumer <sup>(1)</sup>	8,835	9,168	(333)	(3.6)	(3.6)
Business <sup>(2)</sup>	2,777	3,064	(287)	(9.4)	(9.4)
Top <sup>(2)</sup>	3,102	3,529	(427)	(12.1)	(12.1)
National Wholesale	2,052	2,104	(52)	(2.5)	(1.5)
Other	167	217	(50)	(23.0)	(19.6)
EBITDA	8,460	8,941	(481)	(5.4)	(4.8)
EBITDA margin	50.0	49.4		0.6pp	0.7pp
EBIT	958	(2,136)	3,094	n.s.	(2.3)
EBIT margin	5.7	(11.8)		17.5pp	1.2pp
Headcount at year-end (number)	52,289	54,038	(1,749)	(3.2)	

<sup>(1)</sup> The company Matrix, sold on October 31, 2012, during 2012 was included in Other Operations and was consequently no longer part of the Consumer segment of Core Domestic. The periods under comparison have been reclassified accordingly.

<sup>(2)</sup> The data of the Business and Top segments in 2011 have been reclassified for purposes of comparison with the data of the 2012, which take into account the new customer classification criteria introduced at the beginning of 2012.

### International Wholesale

(millions of euros)	2012	2011	Change		
			amount	%	% organic
Revenues	1,393	1,393	-	-	(1.4)
of which third parties	985	960	25	2.6	0.5
EBITDA	229	243	(14)	(5.8)	(9.2)
EBITDA margin	16.4	17.4		(1.0)pp	(1.4)pp
EBIT	121	141	(20)	(14.2)	(13.1)
EBIT margin	8.7	10.1		(1.4)pp	(1.2)pp
Headcount at year-end (number)	935	1,009	(74)	(7.3)	

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### BRAZIL

	(millions of euros)		(millions of reais)		Change		
	2012 (a)	2011 (b)	2012 (c)	2011 (d)	amount (c-d)	% (c-d)/d	% organic
Revenues	7,477	7,343	18,764	17,086	1,678	9.8	9.8
EBITDA	1,996	1,990	5,008	4,631	377	8.1	8.9
EBITDA margin	26.7	27.1	26.7	27.1		(0.4)pp	(0.2)pp
EBIT	966	984	2,424	2,289	135	5.9	7.4
EBIT margin	12.9	13.4	12.9	13.4		(0.5)pp	
Headcount at year-end (number) (*)			11,622	10,539	1,083	10.3	

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### ARGENTINA

	(millions of euros)		(millions of pesos)		Change		
	2012 (a)	2011 (b)	2012 (c)	2011 (d)	amount (c-d)	% (c-d)/d	% organic
Revenues	3,784	3,220	22,116	18,496	3,620	19.6	19.6
EBITDA	1,121	1,035	6,553	5,947	606	10.2	11.7
EBITDA margin	29.6	32.2	29.6	32.2		(2.6)pp	(2.2)pp
EBIT	214	509	1,253	2,925	1,672	57.2	(3.5)
EBIT margin	5.7	15.8	5.7	15.8		(10.1)pp	
Headcount at year-end (number) (*)			16,803	16,350	453	2.8	

(\*) Includes employees with temp work contracts: 3 at December 31, 2012 and 1 at December 31, 2011.

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**OLIVETTI**

(millions of euros)	2012	2011	amount (a-b)	Change	
	(a)	(b)		% (a/b)	% organic
Revenues	280	343	(63)	(18.4)	(13.3)
EBITDA	(57)	(36)	(21)	(58.3)	27.8
EBITDA margin	(20.4)	(10.5)			
EBIT	(65)	(43)	(22)	(51.2)	27.9
EBIT margin	(23.2)	(12.5)			
Headcount at year-end (number)	778	1.075	(297)	(27.6)	

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**TELECOM ITALIA GROUP – RECONCILIATION TO COMPARABLE EBITDA AND EBIT**
**EBITDA – reconciliation organics data**

(millions of euros)	TELECOM ITALIA GROUP		Domestic		Telecom Italia S.p.A.	
	2012	2011	2012	2011	2012	2011
<b>HISTORICAL EBITDA</b>	<b>11,645</b>	<b>12,171</b>	<b>8,676</b>	<b>9,173</b>	<b>8,433</b>	<b>8,936</b>
Change in the scope of consolidation		3		(1)		-
Foreign currency financial statements translation effect		(156)		7		-
Non-organic (income) expenses	220	93	153	108	159	105
<i>Disputes and settlements</i>	118	42	114	63	118	63
<i>Restructuring expenses (*)</i>	39	12	(7)	12	(6)	9
<i>Other income (expenses), net</i>	63	39	46	33	47	33
<b>COMPARABLE EBITDA</b>	<b>11,865</b>	<b>12,111</b>	<b>8,829</b>	<b>9,287</b>	<b>8,592</b>	<b>9,041</b>

(\*) The item includes reversals and provisions to the mobility fund

	Brazil (millions of reais)		Argentina (millions of pesos)		Olivetti (millions of euros)	
	2012	2011	2012	2011	2012	2011
<b>HISTORICAL EBITDA</b>	<b>5,008</b>	<b>4,631</b>	<b>6,553</b>	<b>5,947</b>	<b>(57)</b>	<b>(36)</b>
Change in the scope of consolidation		-		-		(1)
Foreign currency financial statements translation effect		-		-		-
Non-organic (income) expenses	53	18	90	-	31	1
<i>Disputes and settlements</i>	11	-	-	-	-	-
<i>Restructuring expenses (*)</i>	-	-	90	-	31	1
<i>Other income (expenses), net</i>	42	18	-	-	-	-
<b>COMPARABLE EBITDA</b>	<b>5,061</b>	<b>4,649</b>	<b>6,643</b>	<b>5,947</b>	<b>(26)</b>	<b>(36)</b>

**EBIT - reconciliation organic data**

(millions of euros)	TELECOM ITALIA GROUP		Domestic		Telecom Italia S.p.A.	
	2012	2011	2012	2011	2012	2011
<b>HISTORICAL EBIT</b>	<b>1,926</b>	<b>(680)</b>	<b>1,078</b>	<b>(1,996)</b>	<b>944</b>	<b>(246)</b>
Change in the scope of consolidation		6		-		-
Foreign currency financial statements translation effect		(76)		6		-
Non-organic costs and expenses (revenues and income) already described under EBITDA	220	93	153	108	159	105
Impairment losses on goodwill and other non-current assets	4,426	7,364	4,016	7,307	4,016	5,376
Gains (losses) on disposals, impairment reversals (losses) of non-current assets and investments	(71)	(46)	(21)	(60)	(36)	(15)
Restructuring expenses	3	-	-	-	-	-
<b>COMPARABLE EBIT</b>	<b>6,504</b>	<b>6,661</b>	<b>5,226</b>	<b>5,365</b>	<b>5,083</b>	<b>5,220</b>

	Brazil (millions of reais)		Argentina (millions of pesos)		Olivetti (millions of euros)	
	2012	2011	2012	2011	2012	2011
<b>HISTORICAL EBIT</b>	<b>2,424</b>	<b>2,289</b>	<b>1,253</b>	<b>2,925</b>	<b>(65)</b>	<b>(43)</b>
Change in the scope of consolidation		-		-		(1)
Foreign currency financial statements translation effect		-		-		-
Non-organic costs and expenses (revenues and income) already described under EBITDA	53	18	90	-	31	1
Impairment losses on goodwill and other non-current assets	-	-	1,480	-	-	-
Gains (losses) on disposals, impairment reversals (losses) of non-current assets and investments	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	3	-
<b>COMPARABLE EBIT</b>	<b>2,477</b>	<b>2,307</b>	<b>2,823</b>	<b>2,925</b>	<b>(31)</b>	<b>(43)</b>

## TELECOM ITALIA GROUP – DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

### Revolving Credit Facility and term loan

In the table below are shown the composition and the drawdown of the committed credit lines available as of December 31, 2012:

(billions of euro)	12/31/2012		12/31/2011	
	Committed	Utilized	Committed	Utilized
Revolving Credit Facility – due February 2013	1.25	-	1.25	0.25
Revolving Credit Facility – due August 2014	8.0	1.5	8.0	2.0
Revolving Credit Facility - due December 2013	0.2	-	0.2	0.2
<b>Total</b>	<b>9.45</b>	<b>1.5</b>	<b>9.45</b>	<b>2.45</b>

On May 24, 2012 Telecom Italia signed a new contract in order to extend half of the Revolving Credit Facility (RCF) for the amount of 8 billion euros maturing on August 2014. The extension has been obtained through a Forward Start Facility for the amount of 4 billion euros which will come into effect on August 2014 (or previously in case Telecom Italia should cancel in advance the commitments under the current RCF 2014) and will mature on May 2017.

On September 21 and September 28, 2012 the drawdowns for the amounts of 200 million euros and 250 million euros related to the Revolving Credit Facility due, respectively, on December 2013 and February 2013 have been repaid.

On October 8, 2012 the drawdown for the amount of 500 million euros related to the Revolving Credit Facility due August 2014 has been repaid. Therefore, the RCF for the total amount of 8 billion euros is currently utilized for the amount of 1.5 billion euros.

Furthermore, Telecom Italia has a bilateral standby credit facility expiring August 3, 2016 for the amount of 100 million euros with Banca Regionale Europea, totally utilized.

### Bonds

With reference to the evolution of the bonds during the year 2012, we point out as follows:

(millions of original currency)	Currency	Amount	Issue date
<b>New issues</b>			
Telecom Italia S.p.A. 750 million euros 4.625% due 6/15/2015	Euro	750	6/15/2012
Telecom Italia S.p.A. 750 million euros 6.125% due 12/14/2018	Euro	750	6/15/2012
Telecom Italia S.p.A. 1,000 million euros 4.500% due 9/20/2017	Euro	1,000	9/20/2012
Telecom Italia S.p.A. 1,000 million euros 4.000% due 1/21/2020	Euro	1,000	12/21/2012

(millions of original currency)	Currency	Amount	Repayment date
<b>Repayments</b>			
Telecom Italia S.p.A. 1,222.5 million euros 6.250% <sup>(1)</sup>	Euro	1,222.5	2/1/2012
Telecom Italia Finance S.A. 107.7 million euros Euribor 3M+1.30%	Euro	107.7	3/14/2012
Telecom Italia Finance S.A. 790 million euros 7.250% <sup>(2)</sup>	Euro	790	4/24/2012
Telecom Italia S.p.A. 1,000 million euros Euribor 3M+0.53%	Euro	1,000	12/6/2012

(1) Net of 27.5 million euros repurchased from the company during the year 2011.

(2) Net of 210 million euros repurchased from the company during the years 2011 and 2012.

As already occurred in the last years, during the year 2012 the Telecom Italia Group repurchased bonds in order to:

- give investors a further possibility of monetizing their position;

- partially anticipate the repayment of some debt maturities thus increasing the overall return of the Group's liquidity, without taking any additional risk.

In particular we point out the following buybacks:

(millions of original currency)	Currency	Amount	Buyback period
<b>Buybacks</b>			
Telecom Italia Finance S.A. 790 million euros 7.250% due April 2012 <sup>(1)</sup>	Euro	11.6	January 2012
Telecom Italia Finance S.A. 678 million euros 6.875% due January 2013 <sup>(1)</sup>	Euro	80.8	January-May 2012
Telecom Italia S.p.A. 432 million euros 6.750% due March 2013 <sup>(2)</sup>	Euro	212.9	July 2012
Telecom Italia S.p.A. 268 million euros Euribor 3M + 0.63% due July 2013	Euro	232.3	July 2012
Telecom Italia S.p.A. 284 million euros 7.875% due January 2014	Euro	215.9	July 2012
Telecom Italia S.p.A. 557 million euros 4.750% due May 2014	Euro	116.2	July 2012

<sup>(1)</sup> During the year 2011 the company repurchased the above mentioned bonds for the total amount of 290 million euros (199 million euros related to the bond due April 2012 and 91 million euros related to the bond due January 2013). Therefore, the total amount of the buyback is equal to 382 million euros.

<sup>(2)</sup> At December 2011 the company repurchased the above mentioned bonds for the amount of 5 million euros. Therefore, the total amount of the buyback is equal to 218 million euros.

The **Telecom Italia S.p.A. 2002-2022 bonds**, reserved for subscription by employees of the Group, amounted 230 million euros (nominal value) as of December 31, 2012 and decreased by 36 million euros in comparison with December 31, 2011 (266 million euros).

The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds expiring in the following 18 months as of December 31, 2012 issued by Telecom Italia S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by Telecom Italia S.p.A.) totals 4,493 million euros with the following detail:

- 678 million euros, due January 24, 2013;
- 432 million euros, due March 21, 2013;
- 268 million euros, due July 19, 2013;
- 1,516 million euros, due November 15, 2013;
- 284 million euros, due January 22, 2014;
- 557 million euros, due May 19, 2014;
- 758 million euros, due June 18, 2014.

The bonds issued by the Telecom Italia Group do not contain any financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that would force the early redemption of the bonds in relation to events other than the insolvency of the Telecom Italia Group. Furthermore, the repayment of the bonds and the payment of interests are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by Telecom Italia S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A.. None of the bonds issued by the Telecom Italia Group carry any other interest rate structures or structural complexities.

Since these bonds have been placed principally with institutional investors in major world capital markets (Euromarket and USA), the terms which regulate the bonds are in line with the market practice for similar transactions effected on these same markets; consequently, for example, there are commitments not to use the company's assets as collateral for loans (negative pledges).

With reference to the loans received by Telecom Italia S.p.A. from the European Investment Bank (EIB), an amount of 1,152 million euros (out of a total of 2,957 million euros at December 31, 2012) is not secured by bank guarantees and there are covenants which cover the following:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract;
- "Clause for inclusion" contemplated in the loan contracted on August 5, 2011 for the amount of 100 million euros: against more restrictive clauses (i.e. cross default clauses, financial covenants, commitments restricting the sale of goods) granted by the company in new loan contracts, the EIB will



have the right to demand the constitution of guarantees or the amendment of the loan contract in order to have an equivalent regulation in favour of the EIB. That expectation is not applied to the subsidized loans until the total amount of the outstanding capital financed does not exceed the amount of 500 million euros;

- for all loans not secured by collateral, if the Company's credit rating of unsubordinated and unsecured medium-long term debt is lower than BBB for Standard & Poor's, Baa2 for Moody's and BBB for Fitch Ratings, the company shall immediately inform the EIB, which shall have the right to ask for suitable guarantees to be provided, indicating a date for setting up these guarantees; after that date and if Telecom Italia S.p.A. fails to provide the guarantees, the EIB shall have the right to demand the immediate repayment of the disbursed amount. The current ratings (BBB and Baa2) didn't require new guarantees or repayment of loans.

The syndicated bank credit lines of Telecom Italia S.p.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed. Mechanisms are provided for adjusting the cost of funding in relation to Telecom Italia's credit rating, with a spread added to Euribor of between a minimum of 0.0875% and a maximum of 0.2625% for the line expiring in 2014, and between a minimum of 0.90% and a maximum of 2.50% for the line expiring in 2013.

The two syndicated bank credit lines contain the usual other types of covenants, including the commitment not to use the company's assets as collateral for loans (negative pledges), the commitment not to change the business purpose or sell assets of the company unless specific conditions exist (e.g. the sale at the fair market value). Covenants with basically the same content can be found in the export credit loan agreement.

In a series of agreements in which Telecom Italia is a party, communication must be provided in case of a change in control:

- *Multi-currency revolving credit facility* (8,000,000,000 euros). The agreement was signed between Telecom Italia and a syndicate of banks on August 1, 2005 and subsequently modified. In the event of a change in control, Telecom Italia shall inform the agent within 5 business days and the agent, on behalf of the lending banks, shall negotiate in good faith how to continue the relationship. None of the parties shall be obliged to continue such negotiations beyond the term of 30 days, at the end of which, in the absence of an agreement, the credit facility shall cease to be effective and Telecom Italia shall be held to repay any sum eventually disbursed (currently equal to 1,500,000,000 euros) to the same. Conventionally, no change in control is held to exist in the event control, pursuant to art. 2359 of the Italian Civil Code, is acquired (i) by shareholders who, at the date of signing the agreement held, directly or indirectly, more than 13% of the voting rights in shareholders' meetings or (ii) by the investors (Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A. and Mediobanca S.p.A.) which had signed a shareholder's agreement on April 28, 2007 regarding the Telecom Italia shares, or (iii) by a combination of parties belonging to the above two categories;
- *Revolving credit facility* (1,250,000,000 euros). The agreement was signed between Telecom Italia and a syndicate of banks on February 12, 2010 and envisages a structure similar to that contained in the August 1, 2005 credit facility agreement, even though it was updated to take into account of the October 28, 2009 amendment to the April 28, 2007 shareholder's agreement. Therefore, no change in control is held to exist in the event control, pursuant to art. 2359 of the Italian Civil Code, is directly or indirectly (through subsidiaries) acquired by the investors Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A. and Mediobanca S.p.A., with the provisions described above remaining unchanged. Currently the facility is unused;
- *Revolving credit facility* (200,000,000 euros). The agreement was entered into by Telecom Italia and Unicredit S.p.A. on December 20, 2010 and envisages a discipline basically similar to that of the February 12, 2010 credit facility agreement. Currently the facility is unused;
- *Bonds*. The regulations covering the bonds issued under the EMTN Programmes, by both Olivetti and Telecom Italia, and the loans denominated in US dollars, typically provide that, in the event of mergers or transfer of all or substantially all of the assets of the issuing company or the guarantor, the incorporating or transferee company shall assume all of the obligations of the merged or transferor company. Non-fulfillment of the obligation, for which a solution is not found, is an event of default;
- *Contracts with the European Investment Bank (EIB.)* The total nominal amount is 2.95 billion euros:
  - the contracts signed by Telecom Italia with the EIB, for the amount of 2.65 billion euros, carry the obligation of promptly informing the Bank about changes regarding the Bylaws or the allocation of capital among the shareholders which can bring about a change in control. Failure to communicate this

information to the Bank shall result in the termination of the contract. Furthermore, when a shareholder, who at the date of signing the contract does not hold at least 2% of the share capital, comes to hold more than 50% of the voting rights in ordinary shareholders' meetings or, in any case, a number of shares such that it represents more than 50% of the share capital and, in the bank's reasonable opinion, this fact could cause a detriment to the Bank or could compromise the execution of the loan project, the Bank has the right to ask Telecom Italia to provide guarantees or modify the contract or find an alternative solution. Should Telecom Italia not comply with the requests of EIB, the Bank has the right to terminate the contract;

- the contracts signed by Telecom Italia with the EIB in 2011, for a total amount of 300 million euros, carry the obligation of promptly informing the Bank about any significant changes regarding the Bylaws or the shareholders. Failure to communicate this information to the Bank shall result in the termination of the contract. According to these contracts, there is change in control if a subject or a group of subjects acting in concert acquire the control of Telecom Italia, or of the entity controlling it directly or indirectly. There isn't change in control in case the control is acquired directly or indirectly by (i) any shareholder of Telecom Italia that at the date of the contract holds directly or indirectly at least 13% of the voting rights in the ordinary board or (ii) by the investors Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A. and Mediobanca S.p.A. or by their subsidiaries. In case of change in control, the EIB has the right to demand the repayment in advance of the loan;
- the three contracts guaranteed and dated September 26, 2011, for a total amount of 200 million euros, provide the "clause for inclusion" according to which in case Telecom Italia commits herself to maintain in other loans financial covenants not present or more restrictive than those granted to the EIB, the Bank will have the right to demand the constitution of guarantees or the amendment of the loan contract in order to have an equivalent clause in favour of the EIB. That expectation is not applied to the subsidized loans until the total amount of the outstanding capital financed does not exceed the amount of 500 million euros;
- *Export Credit Agreement* (nominal outstanding amount of about 12.5 million euros). The contract was signed in 2004 by Telecom Italia and Société Générale and provides the repayment of the loan in 2013. It is established that, in the event of a change in control and subsequent failure to reach an agreement with the lender bank, Telecom Italia shall repay the outstanding loan at the first date in which the interest payment shall be due;
- *Senior Secured Syndicated Facility* (nominal outstanding amount 312,464,000 Argentinean pesos, equal to approximately 48 million euros). The contract was signed in October 2011 between BBVA Banco Francés and Tierra Argentea S.A. (company fully-controlled by the Telecom Italia Group) and provides the repayment of the loan in 2016. The loan (a) is granted by two pledges set up on (i) 15,533,834 Telecom Argentina's shares and (ii) 2,351,752 American depositary Shares (ADS) representing of 117,588 preferred B shares of Nortel Inversora S.A. as well (b) it is assisted by a bank guarantee at first call for a total amount of about USD 22.8 million (equal to about 17.3 million euros). The covenants contractually provided, as negative covenants or financial covenants, are coherent with those of the syndicated credit facilities and with the local market practice; furthermore, there is a clause of change of control that comply the total repayment in advance of the loan in case the Telecom Group holds less than the 100% of Tierra Argentea S.A. or loses the control of the other Argentinean subsidiaries.

Furthermore, in the documentation of the loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt and debt ratios), as well as customary negative pledges clauses, worth the request for the repayment in advance of the loan.

Finally, as of December 31, 2012, no covenants, negative pledge clauses or other clauses regarding the above described debt position have been breached or violated in any way.

## TELECOM ITALIA GROUP–EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS

The effect of non-recurring events and transactions on the separate consolidated income statements is set out below in accordance with Consob communication DME/RM/9081707 dated September 16, 2009:

(millions of euros)	2012	2011
<b>Acquisition of goods and services, other operating expenses, change in inventories:</b>		
Restructuring expenses	(14)	-
Sundry expenses	(32)	(4)
Expenses for corporate operations	-	(8)
<b>Employee benefits expenses:</b>		
Restructuring expenses	(25)	(12)
<b>Impact on Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)</b>	<b>(71)</b>	<b>(24)</b>
<b>Gain (losses) on disposals of non-current assets:</b>		
Gains on disposals of non-current assets	22	-
Net gain on disposal of Matrix	49	-
Net gain on disposal of Loquendo	-	35
<b>Impairment reversals (losses) on non-current assets:</b>		
Core Domestic goodwill impairment charge	(4,016)	(7,307)
Media goodwill impairment charge	(105)	(57)
Argentina goodwill impairment charge	(168)	-
Writedown of other intangible and tangible assets (Argentina and Media)	(137)	-
Writedowns of tangible assets for restructuring	(3)	-
<b>Impact on EBIT - Operating profit</b>	<b>(4,429)</b>	<b>(7,353)</b>
<b>Other income (expenses) from investments:</b>		
Net gain on the disposal of EtecSA (Cuba)	-	17
Net losses on disposal of other investments	(2)	(1)
<b>Finance expenses:</b>		
Interest expense and other financial expenses on disputes	(47)	-
<b>Impact on profit (loss) before tax from continuing operations</b>	<b>(4,478)</b>	<b>(7,337)</b>
Income taxes on non-recurring items	46	5
Discontinued operations	2	(13)
<b>Impact on profit (loss) for the year</b>	<b>(4,430)</b>	<b>(7,345)</b>

## TELECOM ITALIA S.p.A. - SEPARATE INCOME STATEMENTS

(millions of euros)	2012	2011 (Restated)	Change	
			amount	%
<b>Revenues</b>	<b>16,940</b>	<b>18,045</b>	<b>(1,105)</b>	<b>(6.1)</b>
Other income	241	247	(6)	(2.4)
<b>Total operating revenues and other income</b>	<b>17,181</b>	<b>18,292</b>	<b>(1,111)</b>	<b>(6.1)</b>
Acquisition of goods and services	(5,940)	(6,324)	384	(6.1)
Employee benefits expenses	(2,490)	(2,702)	212	(7.8)
Other operating expenses	(656)	(705)	49	(7.0)
Changes in inventories	(13)	13	(26)	°
Internally generated assets	351	362	(11)	(3.0)
<b>Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)</b>	<b>8,433</b>	<b>8,936</b>	<b>(503)</b>	<b>(5.6)</b>
Depreciation and amortization	(3,492)	(3,793)	301	(7.9)
Gains (losses) on disposals of non-current assets	20	(9)	29	°
Impairment reversals (losses) on non-current assets	(4,017)	(5,380)	1,363	°
<b>Operating profit (loss) (EBIT)</b>	<b>944</b>	<b>(246)</b>	<b>1,190</b>	<b>°</b>
Income (expenses) from investments	36	(147)	183	°
Finance income	2,233	2,538	(305)	(12.0)
Finance expenses	(4,238)	(4,625)	387	(8.4)
<b>Profit (loss) before tax</b>	<b>(1,025)</b>	<b>(2,480)</b>	<b>1,455</b>	<b>°</b>
Income tax expense	(796)	(1,165)	369	31.7
<b>Profit (loss) for the year</b>	<b>(1,821)</b>	<b>(3,645)</b>	<b>1,824</b>	<b>°</b>

## TELECOM ITALIA S.p.A. - STATEMENTS OF COMPREHENSIVE INCOME

In accordance with IAS 1 (*Presentation of Financial Statements*) here below are presented the Statements of Comprehensive Income, including the Profit (loss) for the year, as shown in the Separate Income Statements, and all non-owner changes in equity.

(millions of euros)		<b>2012</b>	<b>2011</b> <b>(Restated)</b>
<b>Profit (loss) for the year</b>	<b>(a)</b>	<b>(1,821)</b>	<b>(3,645)</b>
<b>Other components of the Statements of Comprehensive Income:</b>			
<b>Available-for-sale financial assets</b>			
Profit (loss) from fair value adjustments		44	9
Net fiscal impact		(12)	(4)
	<b>(b)</b>	<b>32</b>	<b>5</b>
<b>Hedging instruments:</b>			
Profit (loss) from fair value adjustments		(458)	(506)
Loss (profit) transferred to the Separate Income Statement		324	122
Net fiscal impact		37	106
	<b>(c)</b>	<b>(97)</b>	<b>(278)</b>
<b>Remeasurements of employee defined benefit plans (IAS 19):</b>			
Actuarial gains and losses		(53)	102
Net fiscal impact		15	(28)
	<b>(d)</b>	<b>(38)</b>	<b>74</b>
<b>Total</b>	<b>(e=b+c+d)</b>	<b>(103)</b>	<b>(199)</b>
<b>Total comprehensive income (loss) for the year</b>	<b>(a+e)</b>	<b>(1,924)</b>	<b>(3,844)</b>

## TELECOM ITALIA S.p.A. – STATEMENTS OF FINANCIAL POSITION

(millions of euros)

	12/31/2012 (a)	12/31/2011 (b)	Change (a-b)
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	30,611	34,627	(4,016)
Intangible assets with a finite useful life	4,726	4,865	(139)
	<b>35,337</b>	<b>39,492</b>	<b>(4,155)</b>
<b>Tangible assets</b>			
Property, plant and equipment owned	9,488	9,726	(238)
Assets held under finance leases	1,005	1,091	(86)
	<b>10,493</b>	<b>10,817</b>	<b>(324)</b>
<b>Other non-current assets</b>			
Investments	9,330	9,416	(86)
Non-current financial assets	2,449	2,891	(442)
Miscellaneous receivables and other non-current assets	996	545	451
Deferred tax assets	824	882	(58)
	<b>13,599</b>	<b>13,734</b>	<b>(135)</b>
<b>Total Non-current assets</b> (a)	<b>59,429</b>	<b>64,043</b>	<b>(4,614)</b>
<b>Current assets</b>			
Inventories	112	125	(13)
Trade and miscellaneous receivables and other current assets	4,189	5,047	(858)
Current income tax receivables	55	–	55
Current financial assets			
Securities other than investments, financial receivables and other current financial assets	839	1,343	(504)
Cash and cash equivalents	2,146	1,595	551
	2,985	2,938	47
<b>Total Current assets</b> (b)	<b>7,341</b>	<b>8,110</b>	<b>(769)</b>
<b>Total assets</b> (a+b)	<b>66,770</b>	<b>72,153</b>	<b>(5,383)</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital issued	10,694	10,694	–
Less: treasury shares	(21)	(21)	–
<b>Share capital</b>	<b>10,673</b>	<b>10,673</b>	<b>–</b>
<b>Paid-in capital</b>	<b>1,704</b>	<b>1,704</b>	<b>–</b>
<b>Other reserves and retained earnings (accumulated losses), including profit (loss) for the year</b>	<b>5,352</b>	<b>8,160</b>	<b>(2,808)</b>
<b>Total Equity</b> (c)	<b>17,729</b>	<b>20,537</b>	<b>(2,808)</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	34,887	34,941	(54)
Employee benefits	728	741	(13)
Deferred tax liabilities	2	1	1
Provisions for risks and charges	478	468	10
Miscellaneous payables and other non-current liabilities	518	585	(67)
<b>Total Non-current liabilities</b> (d)	<b>36,613</b>	<b>36,736</b>	<b>(123)</b>
<b>Current liabilities</b>			
Current financial liabilities	5,425	7,290	(1,865)
Trade and miscellaneous payables and other current liabilities	7,003	7,527	(524)
Current income tax payables	–	63	(63)
<b>Total Current Liabilities</b> (e)	<b>12,428</b>	<b>14,880</b>	<b>(2,452)</b>
<b>Total Liabilities</b> (f=d+e)	<b>49,041</b>	<b>51,616</b>	<b>(2,575)</b>
<b>Total equity and liabilities</b> (c+f)	<b>66,770</b>	<b>72,153</b>	<b>(5,383)</b>

## TELECOM ITALIA S.p.A. – STATEMENTS OF CASH FLOWS

(millions of euros)	<b>2012</b>	<b>2011 (Restated)</b>
<b>Cash flows from operating activities:</b>		
Profit (loss) for the year	(1,821)	(3,645)
Adjustments for:		
Depreciation and amortization	3,492	3,793
Impairment losses (reversals) on non-current assets (including investments)	4,122	5,829
Net change in deferred tax assets and liabilities	99	110
Losses (gains) realized on disposals of non-current assets (including investments)	(29)	(31)
Change in provisions for employees benefits	(232)	(158)
Changes in inventories	13	(13)
Change in trade receivables and net amounts due from customers on construction contracts	818	132
Change in trade payables	(571)	(196)
Net change in current income tax receivables/payables	(451)	29
Net change in miscellaneous receivables/payables and other assets/liabilities	(261)	(86)
<b>Cash flows from (used in) operating activities:</b>	<b>(a) 5,179</b>	<b>5,764</b>
<b>Cash flows from investing activities:</b>		
Purchase of intangible assets on an accrual basis	(1,197)	(2,351)
Purchase of tangible assets on an accrual basis	(1,808)	(1,771)
Total purchase of intangible and tangible assets on an accrual basis	(3,005)	(4,122)
Change in amounts due to fixed asset suppliers	217	510
Total purchase of intangible and tangible assets on a cash basis	(2,788)	(3,612)
Acquisitions of control of subsidiaries or other businesses, net of cash acquired	57	-
Acquisitions/disposals of other investments	(60)	(42)
Change in financial receivables and other financial assets	943	(313)
Proceeds from sale/reimbursements of intangible, tangible and other non-current assets	29	60
<b>Cash flows from (used in) investing activities</b>	<b>(b) (1,819)</b>	<b>(3,907)</b>
<b>Cash flows from financing activities:</b>		
Change in current financial liabilities and other	(102)	788
Proceeds from non-current financial liabilities (including current portion)	3,940	4,083
Repayments of non-current financial liabilities (including current portion)	(6,670)	(6,391)
Share capital proceeds/reimbursements	-	-
Dividends paid	(900)	(1,190)
<b>Cash flows from (used in) financing activities</b>	<b>(c) (3,732)</b>	<b>(2,710)</b>
<b>Aggregate cash flows</b>	<b>(d=a+b+c) (372)</b>	<b>(853)</b>
<b>Net cash and cash equivalents at beginning of the year</b>	<b>(e) 1,283</b>	<b>2,136</b>
<b>Net cash and cash equivalents at end of the year</b>	<b>(f=d+e) 911</b>	<b>1,283</b>

### Additional Cash Flow Information

(millions of euros)	<b>2012</b>	<b>2011 (Restated)</b>
Income taxes (paid) received	(1,097)	(1,010)
Interest expense paid	(3,576)	(3,311)
Interest income received	1,717	1,440
Dividends received	132	254

### Analysis of Net Cash and Cash Equivalents

(millions of euros)	<b>2012</b>	<b>2011 (Restated)</b>
<b>Net cash and cash equivalents at beginning of the year:</b>		
Cash and cash equivalents	1,595	2,763
Bank overdrafts repayable on demand	(312)	(627)
	<b>1,283</b>	<b>2,136</b>
<b>Net cash and cash equivalents at end of the year:</b>		
Cash and cash equivalents	2,146	1,594
Bank overdrafts repayable on demand	(1,235)	(311)
	<b>911</b>	<b>1,283</b>



## TELECOM ITALIA S.p.A. – NET FINANCIAL DEBT

(millions of euros)	12/31/2012	12/31/2011	Change
<b>Non-current financial liabilities</b>			
Bonds	15,138	13,131	2,007
Amounts due to banks, other financial payables and liabilities	18,591	20,510	(1,919)
Finance lease liabilities	1,158	1,300	(142)
	<b>34,887</b>	<b>34,941</b>	<b>(54)</b>
<b>Current financial liabilities (1)</b>			
Bonds	1,192	5,327	(4,135)
Amounts due to banks, other financial payables and liabilities	4,016	1,723	2,293
Finance lease liabilities	217	240	(23)
	<b>5,425</b>	<b>7,290</b>	<b>(1,865)</b>
<b>Total Gross financial debt</b>	<b>40,312</b>	<b>42,231</b>	<b>(1,919)</b>
<b>Non-current financial assets</b>			
Financial receivables and other non-current financial assets	(2,449)	(2,891)	442
	<b>(2,449)</b>	<b>(2,891)</b>	<b>442</b>
<b>Current financial assets</b>			
Securities other than investments:	(363)	(864)	501
Financial receivables and other non-current financial assets	(476)	(479)	3
Cash and cash equivalents	(2,146)	(1,595)	(551)
	<b>(2,985)</b>	<b>(2,938)</b>	<b>(47)</b>
<b>Total financial assets</b>	<b>(5,434)</b>	<b>(5,829)</b>	<b>395</b>
<b>Net financial debt carrying amount</b>	<b>34,878</b>	<b>36,402</b>	<b>(1,524)</b>
Reversal of fair value measurement of derivatives and related financial assets/liabilities	(1,651)	(1,519)	(132)
<b>Adjusted Net Financial Debt</b>	<b>33,227</b>	<b>34,883</b>	<b>(1,656)</b>
<i>Breakdown as follows:</i>			
<b>Total adjusted gross financial debt</b>	<b>37,010</b>	<b>38,713</b>	<b>(1,703)</b>
<b>Total adjusted financial assets</b>	<b>(3,783)</b>	<b>(3,830)</b>	<b>47</b>
<i>(1) of which current portion of medium/long-term debt:</i>			
Bonds	1,192	5,327	(4,135)
Amounts due to banks, other financial payables and liabilities	2,301	681	1,620
Finance lease liabilities	217	240	(23)

## TELECOM ITALIA S.p.A. – EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE INCOME STATEMENTS

The effect of **non-recurring events and transactions** on equity, profit, net financial debt and cash flows of Telecom Italia is set out below in accordance with Consob communication DME/RM/9081707 dated September 16, 2009:

(millions of euros)	<b>2012</b>	<b>2011</b>
<b>Acquisition of goods and services</b>		
Higher costs for Telecom Italia Sparkle	-	(1)
<b>Other operating expenses</b>		
Fines	-	(2)
Sundry expenses	(20)	(1)
<b>Employee benefits expenses</b>		
Expenses for mobility	-	(9)
Use of mobility fund	6	-
<b>Impact on EBITDA</b>	<b>(14)</b>	<b>(13)</b>
<b>Gains (losses) on disposals of non-current assets</b>		
Gains (losses) on non-current assets	36	15
<b>Impairment reversals (losses) on non-current assets</b>		
Goodwill impairment changes	(4,016)	(5,376)
<b>Impact on EBIT</b>	<b>(3,994)</b>	<b>(5,374)</b>
<b>Other income (expenses) from investments</b>		
Net gain on disposal of Loquendo		41
Loss on disposal of consorzio CRIAI	(2)	-
Net gain on disposal of Matrix	10	
<b>Finance expenses</b>	(43)	
<b>Impact on profit (loss) before tax</b>	<b>(4,029)</b>	<b>(5,333)</b>
Income taxes on non-recurring items	(2)	(3)
<b>Impact on profit (loss) for the year</b>	<b>(4,031)</b>	<b>(5,336)</b>

## EFFECTS ON KEY FINANCIAL AND OPERATING DATA ARISING FROM THE EARLY ADOPTION OF THE REVISED IAS 19 (EMPLOYEE BENEFITS)

In June 2012, the EU issued Commission Regulation (EU) 475-2012 that endorsed the revised version of IAS 19 (Employee Benefits) (“IAS 19 (2011)”) which is applicable retrospectively, starting from January 1, 2013 as provided by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). As permitted, Telecom Italia decided to early adopt the amendments to IAS 19 starting from the Half-year Financial Report at June 30, 2012 in order to reduce the volatility of the values recognized in the separate income statement.

In particular, under IAS 19 (2011), with reference to the employee defined benefit plans (e.g. employee severance indemnity), remeasurements of actuarial gains and losses are recognized in other components of other comprehensive income. Therefore, other options previously provided were deleted (including the one adopted by the Telecom Italia Group whereby these components had been recorded in Employee benefits expenses in the separate income statement). Service costs as well as interest expenses related to the “time value” component of the actuarial calculations (the latter reclassified to Finance expenses), are still recognized in the separate income statement.

The early adoption of such amendments resulted in the restatement of the separate income statement and the statement of comprehensive income of the Telecom Italia Group and Telecom Italia S.p.A. for 2011.

The effects are as follows:

### SEPARATE INCOME STATEMENT

(millions of euros)	2011 Telecom Italia Group	2011 Telecom Italia S.p.A.
Employee benefit expenses–reversal of actuarial gains and losses	(117)	(102)
Employee benefit expenses–interest component reclassification	42	38
Finance expenses–interest component reclassification	(42)	(38)
Income tax expenses	33	28
Impact on Profit (loss) for the year	(84)	(74)

The adoption of such amendments had a negative effect of 0.01 euro on basic and diluted earnings per share of the consolidated financial statements.

### STATEMENT OF COMPREHENSIVE INCOME

(millions of euros)	2011 Telecom Italia Group	2011 Telecom Italia S.p.A.
Impact on Profit (loss) for the year	(84)	(74)
Remeasurements of employee defined benefit plans (IAS19):	84	74
Actuarial gains	117	102
Net fiscal impact	(33)	(28)
Impact on Total profit (loss) for the year	-	-

### STATEMENT OF CASH FLOWS

The early adoption of the amendments to IAS 19 did not have an impact on the “Aggregate cash flows” of the 2011 statement of cash flows of the Telecom Italia Group and Telecom Italia S.p.A. and, in particular, on the “Cash flows from (used in) operating activities”.