

ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES

In this press release in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the trend of operations and the financial condition related to the Telecom Italia Group and the Parent company Telecom Italia S.p.A.. Such measures, which are also presented in interim financial reports, should, however, not be considered as a substitute for those required by IFRS.

The alternative performance measures used are described below:

- **EBITDA:** this financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) and the Parent Telecom Italia S.p.A. in addition to **EBIT**. These measures are calculated as follows:

| Profit (loss) before tax from continuing operations | |
|---|--|
| + | Finance expenses |
| - | Finance income |
| +/- | Other expenses (income) from investments (1) |
| +/- | Share of losses (profits) of associates and joint ventures accounted for using the equity method (2) |
| EBIT - Operating profit (loss) | |
| +/- | Impairment losses (reversals) on non-current assets |
| +/- | Losses (gains) on disposals of non-current assets |
| + | Depreciation and amortization |
| EBITDA - Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets | |

(1) "Expenses (income) from investments" for Telecom Italia S.p.A.

(2) Line item in Group consolidated financial statements only.

- **Organic change in Revenues, EBITDA and EBIT:** these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses.

Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level) and the Parent. The organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors. Details of the figures used to arrive at the organic change are provided in this press release as well as an analysis of the major non-organic components for the years 2013 and 2012.

- **Net Financial Debt:** Telecom Italia believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. In the press release are included two tables showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group and the Parent, respectively.

In order to better represent the actual change in net financial debt, starting with the Half-year Financial Report at June 30, 2009, in addition to the usual measure (renamed "Net financial debt carrying amount") a further measure denominated "Adjusted net financial debt" has been introduced, which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Net financial debt is calculated as follows:

| |
|---|
| + Non-current financial liabilities |
| + Current financial liabilities |
| + Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale |
| A) Gross Financial Debt |
| + Non-current financial assets |
| + Current financial assets |
| + Financial assets included in Discontinued operations/Non-current assets held for sale |
| B) Financial Assets |
| C = (A - B) Net Financial Debt carrying amount |
| D) Reversal of fair value measurement of derivatives and related financial liabilities/assets |
| E = (C+D) Adjusted Net Financial Debt |

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 2013 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, 2013.

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, 2013 as well as the check of consistency of the 2013 Report on Operations with the related Telecom Italia Consolidated and Separate Financial Statements have not yet been completed.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

| (millions of euros) | 2013 | 2012 | Change | |
|---|---------------|----------------|----------------|--------------|
| | (a) | (b) | amount | % |
| Revenues | 23,407 | 25,759 | (2,352) | (9.1) |
| Other income | 324 | 285 | 39 | 13.7 |
| Total operating revenues and other income | 23,731 | 26,044 | (2,313) | (8.9) |
| Acquisition of goods and services | (10,377) | (11,289) | 912 | 8.1 |
| Employee benefits expenses | (3,087) | (3,333) | 246 | 7.4 |
| Other operating expenses | (1,318) | (1,474) | 156 | 10.6 |
| Change in inventories | 48 | (4) | 52 | |
| Internally generated assets | 543 | 581 | (38) | (6.5) |
| Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA) | 9,540 | 10,525 | (985) | (9.4) |
| Depreciation and amortization | (4,553) | (4,689) | 136 | 2.9 |
| Gains (losses) on disposals of non-current assets | (82) | 52 | (134) | |
| Impairment reversals (losses) on non-current assets | (2,187) | (4,179) | 1,992 | 47.7 |
| Operating profit (loss) (EBIT) | 2,718 | 1,709 | 1,009 | 59.0 |
| Share of profits (losses) of associates and joint ventures accounted for using the equity method | - | (6) | 6 | |
| Other income (expenses) from investments | (3) | 2 | (5) | |
| Finance income | 2,003 | 1,983 | 20 | 1.0 |
| Finance expenses | (4,186) | (3,981) | (205) | (5.1) |
| Profit (loss) before tax from continuing operations | 532 | (293) | 825 | |
| Income tax expense | (1,111) | (1,086) | (25) | (2.3) |
| Profit (loss) from continuing operations | (579) | (1,379) | 800 | - |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | 341 | 102 | 239 | - |
| Profit (loss) for the year | (238) | (1,277) | 1,039 | |
| Attributable to: | | | | |
| Owners of the Parent | (674) | (1,627) | 953 | 58.6 |
| Non-controlling interests | 436 | 350 | 86 | 24.6 |

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) | 2013 | 2012 |
|---|----------------|----------------|
| Profit (loss) for the year | (238) | (1,277) |
| Other components of the Consolidated Statement of Comprehensive Income: | | |
| Other components that will not be reclassified subsequently to Separate Consolidated Income Statement | | |
| Remeasurements of employee defined benefit plans (IAS19): | | |
| Actuarial gains (losses) | (29) | (56) |
| Income tax effect | 7 | 14 |
| | (22) | (42) |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method: | | |
| Profit (loss) | - | - |
| Income tax effect | - | - |
| | - | - |
| Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement | (22) | (42) |
| Other components that will be reclassified subsequently to Separate Consolidated Income Statement | | |
| Available-for-sale financial assets: | | |
| Profit (loss) from fair value adjustments | 3 | 57 |
| Loss (profit) transferred to Separate Consolidated Income Statement | (11) | 1 |
| Income tax effect | 4 | (11) |
| | (4) | 47 |
| Hedging instruments: | | |
| Profit (loss) from fair value adjustments | (563) | (702) |
| Loss (profit) transferred to Separate Consolidated Income Statement | 314 | 272 |
| Income tax effect | 71 | 121 |
| | (178) | (309) |
| Exchange differences on translating foreign operations: | | |
| Profit (loss) on translating foreign operations | (1,747) | (1,068) |
| Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement | - | - |
| Income tax effect | - | - |
| | (1,747) | (1,068) |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method: | | |
| Profit (loss) | 1 | - |
| Loss (profit) transferred to Separate Consolidated Income Statement | - | - |
| Income tax effect | - | - |
| | 1 | - |
| Total other components that will be reclassified subsequently to Separate Consolidated Income Statement | (1,928) | (1,330) |
| Total other components of the Consolidated Statement of Comprehensive Income | (1,950) | (1,372) |
| Total comprehensive income (loss) for the year | (2,188) | (2,649) |
| Attributable to: | | |
| Owners of the Parent | (1,758) | (2,516) |
| Non-controlling interests | (430) | (133) |

TELECOM ITALIA GROUP – CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (millions of euros) | 12/31/2013 | 12/31/2012 | Change | 12/31/2012 |
|--|---------------------|---------------|----------------|---------------|
| | (a) | (*) (b) | (a-b) | |
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | | | | |
| Goodwill | 29,932 | 32,410 | (2,478) | 32,410 |
| Other intangible assets | 6,280 | 6,698 | (418) | 7,927 |
| | 36,212 | 39,108 | (2,896) | 40,337 |
| Tangible assets | | | | |
| Property, plant and equipment owned | 12,299 | 12,784 | (485) | 14,465 |
| Assets held under finance leases | 920 | 1,006 | (86) | 1,014 |
| | 13,219 | 13,790 | (571) | 15,479 |
| Other non-current assets | | | | |
| Investments in associates and joint ventures accounted for using the equity method | 65 | 65 | – | 65 |
| Other investments | 42 | 39 | 3 | 39 |
| Non-current financial assets | 1,256 | 2,485 | (1,229) | 2,496 |
| Miscellaneous receivables and other non-current assets | 1,607 | 1,478 | 129 | 1,496 |
| Deferred tax assets | 1,039 | 1,432 | (393) | 1,432 |
| | 4,009 | 5,499 | (1,490) | 5,528 |
| Total Non-current assets | (a) 53,440 | 58,397 | (4,957) | 61,344 |
| Current assets | | | | |
| Inventories | 365 | 338 | 27 | 436 |
| Trade and miscellaneous receivables and other current assets | 5,389 | 6,573 | (1,184) | 7,006 |
| Current income tax receivables | 123 | 77 | 46 | 77 |
| Current financial assets | | | | |
| <i>Securities other than investments, financial receivables and other current financial assets</i> | 1,631 | 1,170 | 461 | 1,256 |
| <i>Cash and cash equivalents</i> | 5,744 | 6,947 | (1,203) | 7,436 |
| | 7,375 | 8,117 | (742) | 8,692 |
| Current assets sub-total | 13,252 | 15,105 | (1,853) | 16,211 |
| Discontinued operations/Non-current assets held for sale | | | | |
| of a financial nature | 657 | 586 | 71 | – |
| of a non-financial nature | 2,871 | 3,508 | (637) | – |
| | 3,528 | 4,094 | (566) | – |
| Total Current assets | (b) 16,780 | 19,199 | (2,419) | 16,211 |
| Total assets | (a+b) 70,220 | 77,596 | (7,376) | 77,555 |

(*) Data at 12/31/2012 prepared, for comparative purposes, including the Sofora-Telecom Argentina group in Discontinued Operations/Non-current assets held for sale.

| (millions of euros) | 12/31/2013 | 12/31/2012 | Change | 12/31/2012 |
|--|---------------|---------------|----------------|---------------|
| | (a) | (*) (b) | (a-b) | |
| Equity and Liabilities | | | | |
| Equity | | | | |
| Equity attributable to owners of the Parent | 17,061 | 19,378 | (2,317) | 19,378 |
| Non-controlling interests | 3,125 | 3,634 | (509) | 3,634 |
| Total Equity (c) | 20,186 | 23,012 | (2,826) | 23,012 |
| Non-current liabilities | | | | |
| Non-current financial liabilities | 31,084 | 34,075 | (2,991) | 34,091 |
| Employee benefits | 889 | 872 | 17 | 872 |
| Deferred tax liabilities | 234 | 361 | (127) | 848 |
| Provisions | 699 | 724 | (25) | 863 |
| Miscellaneous payables and other non-current liabilities | 779 | 1,001 | (222) | 1,053 |
| Total Non-current liabilities (d) | 33,685 | 37,033 | (3,348) | 37,727 |
| Current liabilities | | | | |
| Current financial liabilities | 6,119 | 6,143 | (24) | 6,150 |
| Trade and miscellaneous payables and other current liabilities | 8,649 | 9,687 | (1,038) | 10,542 |
| Current income tax payables | 20 | 53 | (33) | 124 |
| Current liabilities sub-total | 14,788 | 15,883 | (1,095) | 16,816 |
| Liabilities directly associated with Discontinued operations/Non-current assets held for sale | | | | |
| of a financial nature | 27 | 23 | 4 | - |
| of a non-financial nature | 1,534 | 1,645 | (111) | - |
| | 1,561 | 1,668 | (107) | - |
| Total Current Liabilities (e) | 16,349 | 17,551 | (1,202) | 16,816 |
| Total Liabilities (f=d+e) | 50,034 | 54,584 | (4,550) | 54,543 |
| Total Equity and liabilities (c+f) | 70,220 | 77,596 | (7,376) | 77,555 |

(*) Data at 12/31/2012 prepared, for comparative purposes, including the Sofora-Telecom Argentina group in Discontinued Operations/Non-current assets held for sale.

TELECOM ITALIA GROUP–CONSOLIDATED STATEMENTS OF CASH FLOWS

| (millions of euros) | 2013 | 2012 |
|--|--------------------------|----------------|
| Cash flows from operating activities: | | |
| Profit (loss) from continuing operations | (579) | (1,379) |
| Adjustments for: | | |
| Depreciation and amortization | 4,553 | 4,689 |
| Impairment losses (reversals) on non-current assets (including investments) | 2,197 | 4,181 |
| Net change in deferred tax assets and liabilities | 347 | 279 |
| Losses (gains) realized on disposals of non-current assets (including investments) | 82 | (53) |
| Share of losses (profits) of associates and joint ventures accounted for using the equity method | – | 6 |
| Change in provisions for employee benefits | (49) | (229) |
| Change in inventories | (23) | 12 |
| Change in trade receivables and net amounts due from customers on construction contracts | 1,074 | 825 |
| Change in trade payables | (489) | (83) |
| Net change in current income tax receivables/payables | (104) | (434) |
| Net change in miscellaneous receivables/payables and other assets/liabilities | (268) | (113) |
| Cash flows from (used in) operating activities | (a) 6,741 | 7,701 |
| Cash flows from investing activities: | | |
| Purchase of intangible assets on an accrual basis | (1,895) | (1,851) |
| Purchase of tangible assets on an accrual basis | (2,505) | (2,788) |
| Total purchase of intangible and tangible assets on an accrual basis | (4,400) | (4,639) |
| Change in amounts due to fixed asset suppliers | 9 | (63) |
| Total purchase of intangible and tangible assets on a cash basis | (4,391) | (4,702) |
| Acquisition of control of subsidiaries or other businesses, net of cash acquired | (8) | (7) |
| Acquisitions/disposals of other investments | – | (3) |
| Change in financial receivables and other financial assets | 604 | 616 |
| Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of | (104) | 40 |
| Proceeds from sale/repayments of intangible, tangible and other non-current assets | 88 | 74 |
| Cash flows from (used in) investing activities | (b) (3,811) | (3,982) |
| Cash flows from financing activities: | | |
| Change in current financial liabilities and other | (1,785) | (787) |
| Proceeds from non-current financial liabilities (including current portion) | 4,153 | 4,616 |
| Repayments of non-current financial liabilities (including current portion) | (5,551) | (5,579) |
| Share capital proceeds/reimbursements (including subsidiaries) | 9 | (2) |
| Dividends paid | (537) | (964) |
| Changes in ownership interests in consolidated subsidiaries | 79 | – |
| Cash flows from (used in) financing activities | (c) (3,632) | (2,716) |
| Cash flows from (used in) discontinued operations/non-current assets held for sale | (d) 127 | (29) |
| Aggregate cash flows | (e=a+b+c+d) (575) | 974 |
| Net cash and cash equivalents at beginning of the year | (f) 7,397 | 6,670 |
| Net foreign exchange differences on net cash and cash equivalents | (g) (526) | (247) |
| Net cash and cash equivalents at end of the year | (h=e+f+g) 6,296 | 7,397 |

Additional Cash Flow information

| (millions of euros) | 2013 | 2012 |
|------------------------------|---------|---------|
| Income taxes (paid) received | (863) | (1,241) |
| Interest expense paid | (4,456) | (3,496) |
| Interest income received | 2,729 | 1,633 |
| Dividends received | 2 | 2 |

Analysis of Net Cash and Cash Equivalents

| (millions of euros) | 2013 | 2012 |
|---|--------------|--------------|
| Net cash and cash equivalents at beginning of the year | | |
| Cash and cash equivalents - from continuing operations | 6,947 | 6,196 |
| Bank overdrafts repayable on demand - from continuing operations | (39) | (44) |
| Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale | 489 | 518 |
| Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale | - | - |
| | 7,397 | 6,670 |
| Net cash and cash equivalents at end of the year | | |
| Cash and cash equivalents - from continuing operations | 5,744 | 6,947 |
| Bank overdrafts repayable on demand - from continuing operations | (64) | (39) |
| Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale | 616 | 489 |
| Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale | - | - |
| | 6,296 | 7,397 |

TELECOM ITALIA GROUP – NET FINANCIAL DEBT

| (millions of euros) | 12/31/2013 | 12/31/2012 | Change | 12/31/2012 |
|---|----------------|-----------------|----------------|-----------------|
| | (a) | (*) (b) | (a-b) | |
| Non-current financial liabilities | | | | |
| Bonds | 23,514 | 23,956 | (442) | 23,956 |
| Amounts due to banks, other financial payables and liabilities | 6,470 | 8,960 | (2,490) | 8,976 |
| Finance lease liabilities | 1,100 | 1,159 | (59) | 1,159 |
| | 31,084 | 34,075 | (2,991) | 34,091 |
| Current financial liabilities (**) | | | | |
| Bonds | 2,513 | 3,593 | (1,080) | 3,593 |
| Amounts due to banks, other financial payables and liabilities | 3,413 | 2,331 | 1,082 | 2,338 |
| Finance lease liabilities | 193 | 219 | (26) | 219 |
| | 6,119 | 6,143 | (24) | 6,150 |
| Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale | 27 | 23 | 4 | - |
| Total Gross financial debt | 37,230 | 40,241 | (3,011) | 40,241 |
| Non-current financial assets | | | | |
| Securities other than investments | (6) | (11) | 5 | (22) |
| Financial receivables and other non-current financial assets | (1,250) | (2,474) | 1,224 | (2,474) |
| | (1,256) | (2,485) | 1,229 | (2,496) |
| Current financial assets | | | | |
| Securities other than investments | (1,348) | (751) | (597) | (754) |
| Financial receivables and other non-current financial assets | (283) | (419) | 136 | (502) |
| Cash and cash equivalents | (5,744) | (6,947) | 1,203 | (7,436) |
| | (7,375) | (8,117) | 742 | (8,692) |
| Financial assets relating to Discontinued operations/Non-current assets held for sale | (657) | (586) | (71) | - |
| Total financial assets | (9,288) | (11,188) | 1,900 | (11,188) |
| Net financial debt carrying amount | 27,942 | 29,053 | (1,111) | 29,053 |
| Reversal of fair value measurement of derivatives and related financial assets/liabilities | (1,135) | (779) | (356) | (779) |
| Adjusted Net Financial Debt | 26,807 | 28,274 | (1,467) | 28,274 |
| Breakdown as follows: | | | | |
| Total adjusted gross financial debt | 35,280 | 37,681 | (2,401) | 37,681 |
| Total adjusted financial assets | (8,473) | (9,407) | 934 | (9,407) |
| (**) of which current portion of medium/long-term debt: | | | | |
| Bonds | 2,513 | 3,593 | (1,080) | 3,593 |
| Amounts due to banks, other financial payables and liabilities | 2,938 | 1,674 | 1,264 | 1,681 |
| Finance lease liabilities | 193 | 219 | (26) | 219 |

(*) Data at 12/31/2012 prepared, for comparative purposes, including the Sofora-Telecom Argentina group in Discontinued Operations/Non-current assets held for sale.

TELECOM ITALIA GROUP – INFORMATION BY OPERATING SEGMENTS

DOMESTIC

| (millions of euros) | 2013 | 2012 | Change | | |
|--------------------------------|--------|--------|---------|---------|-----------|
| | | | amount | % | % organic |
| Revenues | 16,175 | 17,884 | (1,709) | (9.6) | (9.4) |
| EBITDA | 7,746 | 8,676 | (930) | (10.7) | (9.8) |
| EBITDA margin | 47.9 | 48.5 | | (0.6)pp | (0.2)pp |
| EBIT | 1,993 | 1,078 | 915 | 84.9 | (15.9) |
| EBIT margin | 12.3 | 6.0 | | 6.3pp | (2.1)pp |
| Headcount at year-end (number) | 52,695 | 53,224 | (529) | (1.0) | |

Core Domestic

| (millions of euros) | 2013 | 2012 | Change | | |
|--------------------------------|--------|--------|---------|---------|-----------|
| | | | amount | % | % organic |
| Revenues | 15,269 | 16,933 | (1,664) | (9.8) | (9.8) |
| Consumer | 8,024 | 8,835 | (811) | (9.2) | (9.2) |
| Business ⁽¹⁾ | 5,211 | 5,879 | (668) | (11.4) | (11.4) |
| National Wholesale | 1,897 | 2,052 | (155) | (7.6) | (8.2) |
| Other | 137 | 167 | (30) | (18.0) | (3.0) |
| EBITDA | 7,552 | 8,460 | (908) | (10.7) | (9.9) |
| EBITDA margin | 49.5 | 50.0 | | (0.5)pp | (0.1)pp |
| EBIT | 1,888 | 958 | 930 | 97.1 | (16.1) |
| EBIT margin | 12.4 | 5.7 | | 6.7pp | (2.1)pp |
| Headcount at year-end (number) | 51,954 | 52,289 | (335) | (0.6) | |

⁽¹⁾ Starting from January 1, 2013 includes the revenues of the Top segment. Figures for the periods under comparisons have been restated.

International Wholesale

| (millions of euros) | 2013 | 2012 | Change | | |
|--------------------------------|-------|-------|--------|---------|-----------|
| | | | amount | % | % organic |
| Revenues | 1,263 | 1,393 | (130) | (9.3) | (8.7) |
| EBITDA | 203 | 229 | (26) | (11.4) | (8.5) |
| EBITDA margin | 16.1 | 16.4 | | (0.3)pp | 0.0pp |
| EBIT | 102 | 121 | (19) | (15.7) | (11.1) |
| EBIT margin | 8.1 | 8.7 | | (0.6)pp | (0.3)pp |
| Headcount at year-end (number) | 741 | 935 | (194) | (20.7) | |

BRAZIL

| | (millions of euros) | | (millions of reais) | | Change | | |
|--------------------------------|---------------------|-------------|---------------------|-------------|-----------------|--------------|-----------|
| | 2013 (a) | 2012 (b) | 2013 (c) | 2012 (d) | amount (c-d) | % (c-d/d) | % organic |
| Revenues | 6,945 | 7,477 | 19,921 | 18,764 | 1,157 | 6.2 | 6.2 |
| EBITDA | 1,812 | 1,996 | 5,198 | 5,008 | 190 | 3.8 | 2.7 |
| EBITDA margin | 26.1 | 26.7 | 26.1 | 26.7 | | (0.6)pp | (0.9)pp |
| EBIT | 858 | 966 | 2,460 | 2,424 | 36 | 1.5 | (0.7) |
| EBIT margin | 12.3 | 12.9 | 12.3 | 12.9 | | (0.6)pp | (0.9)pp |
| Headcount at year-end (number) | | | 12,140 | 11,622 | 518 | | 4.5 |

OLIVETTI

| (millions of euros) | 2013 | 2012 | Change | | |
|--------------------------------|-------|--------|--------|--------|-----------|
| | | | amount | % | % organic |
| Revenues | 265 | 280 | (15) | (5.4) | (5.0) |
| EBITDA | (4) | (57) | 53 | 93.0 | 61.5 |
| EBITDA margin | (1.5) | (20.4) | | | 5.5 pp |
| EBIT | (8) | (65) | 57 | 87.7 | 54.8 |
| EBIT margin | (3.0) | (23.2) | | | 5.8 pp |
| Headcount at year-end (number) | 682 | 778 | (96) | (12.3) | |

TELECOM ITALIA GROUP – RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

EBITDA – reconciliation of organic data

| (millions of euros) | TELECOM ITALIA GROUP | | Domestic | | Telecom Italia S.p.A. | |
|--|----------------------|---------------|--------------|--------------|-----------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Historical EBITDA | 9,540 | 10,525 | 7,746 | 8,676 | 7,537 | 8,433 |
| Changes in the scope of consolidation | | 75 | | – | | – |
| Foreign currency financial statements translation effect | | (255) | | (3) | | – |
| Non-organic (revenues and income) costs and expenses | 206 | 205 | 215 | 153 | 210 | 159 |
| <i>Disputes and settlements</i> | 144 | 118 | 144 | 114 | 144 | 118 |
| <i>Restructuring expenses (*)</i> | 13 | 24 | 19 | (7) | 15 | (6) |
| <i>Other (income) expenses</i> | 49 | 63 | 52 | 46 | 51 | 47 |
| Comparable EBITDA | 9,746 | 10,550 | 7,961 | 8,826 | 7,747 | 8,592 |

(*) The item includes reversals and provisions to the mobility found.

| | Brazil (millions of reais) | | Olivetti (millions of euros) | |
|--|-------------------------------|--------------|---------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Historical EBITDA | 5,198 | 5,008 | (4) | (57) |
| Changes in the scope of consolidation | | – | | – |
| Foreign currency financial statements translation effect | | – | | – |
| Non-organic (revenues and income) costs and expenses | – | 53 | (6) | 31 |
| <i>Disputes and settlements</i> | – | 11 | – | – |
| <i>Restructuring expenses (*)</i> | – | – | (6) | 31 |
| <i>Other (income) expenses</i> | – | 42 | – | – |
| Comparable EBITDA | 5,198 | 5,061 | (10) | (26) |

(*) The item includes reversals and provisions to the mobility found.

EBIT – reconciliation of organic data

| (millions of euros) | TELECOM ITALIA GROUP | | Domestic | | Telecom Italia S.p.A. | |
|---|----------------------|--------------|--------------|--------------|-----------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Historical EBIT | 2,718 | 1,709 | 1,993 | 1,078 | 1,878 | 944 |
| Changes in the scope of consolidation | | 112 | | - | | - |
| Foreign currency financial statements translation effect | | (126) | | (2) | | - |
| Non-organic (revenues and income) costs and expenses already described under EBITDA | 206 | 205 | 215 | 153 | 210 | 159 |
| Capital loss related to the sale of La7 S.r.l. | 100 | - | - | - | - | - |
| Capital gain related to the sale of MTV Italia S.r.l. | (3) | - | - | - | - | - |
| Net gains on disposals of non-current assets and investments | - | (72) | - | (21) | - | (36) |
| Impairment of goodwill and other non-current assets | 2,187 | 4,173 | 2,187 | 4,016 | 2,187 | 4,016 |
| Restructuring expenses | - | 3 | - | - | - | - |
| Comparable EBIT | 5,208 | 6,004 | 4,395 | 5,224 | 4,275 | 5,083 |

| | Brazil (millions of reais) | | Olivetti (millions of euros) | |
|---|-------------------------------|--------------|---------------------------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Historical EBIT | 2,460 | 2,424 | (8) | (65) |
| Changes in the scope of consolidation | | - | | - |
| Foreign currency financial statements translation effect | | - | | - |
| Non-organic (revenues and income) costs and expenses already described under EBITDA | - | 53 | (6) | 31 |
| Capital loss related to the sale of La7 S.r.l. | - | - | - | - |
| Capital gain related to the sale of MTV Italia S.r.l. | - | - | - | - |
| Net gains on disposals of non-current assets and investments | - | - | - | - |
| Impairment of goodwill and other non-current assets | - | - | - | - |
| Restructuring expenses | - | - | - | 3 |
| Comparable EBIT | 2,460 | 2,477 | (14) | (31) |

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, 2013:

| (billions of euros) | 12/31/2013 | | 12/31/2012 | |
|---|------------|------------|-------------|------------|
| | Committed | Utilized | Committed | Utilized |
| Revolving Credit Facility – due February 2013 | - | - | 1.25 | - |
| Revolving Credit Facility – due August 2014 | 8.0 | 1.5 | 8.0 | 1.5 |
| Revolving Credit Facility - due December 2013 | - | - | 0.2 | - |
| Total | 8.0 | 1.5 | 9.45 | 1.5 |

We remind that on May 24, 2012 Telecom Italia extended for the amount of 4 billion euros the Revolving Credit Facility (RCF) of 8 billion euros and maturing in August 2014 through a Forward Start Facility which will come into effect in August 2014 (or previously in case Telecom Italia should cancel in advance the commitments under the current RCF 2014) and will mature in May 2017.

Furthermore, we remind that on March 25, 2013 Telecom Italia extended further 3 billion euros of the same RCF 2014 through another Forward Start Facility which will come into effect in August 2014 (or previously in case Telecom Italia should cancel in advance the commitments under the current RCF 2014) and will mature in March 2018.

Finally, 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 2013, we point out as follows:

| (millions of original currency) | Currency | Amount | Issue date |
|--|----------|--------|------------|
| New issues | | | |
| Telecom Italia S.p.A. hybrid bond 750 million euros 7.750% due 3/20/2073 | Euro | 750 | 3/20/2013 |
| Telecom Italia S.p.A. 1,000 million euros 4.875% due 9/25/2020 | Euro | 1,000 | 9/25/2013 |
| Telecom Italia Finance S.A. 1,300 million euros 6.125% due 11/15/2016 | Euro | 1,300 | 11/15/2013 |

Telecom Italia S.p.A. hybrid bond 750 million euros 7.750% due 3/20/2073

It's the first subordinated bond ("hybrid bond") in the Euro market. The bond has a tenor of 60 years and final maturity in 2073 with a first call date for the issuer in 2018. The call schedule is at par on March 20, 2018 and every 5 years after. Coupon step up 25 bps in 2023 plus an additional 75 bps in 2038. The effective yield to the first call date is 7.875%. The notes are listed on the Luxembourg Stock Exchange. The bond has been repaid in advance on March 3, 2014.

Telecom Italia Finance S.A. 1,300 million euros 6.125% due 11/15/2016

EUR 1,300 million Fixed Rate Guaranteed Subordinated Mandatory Convertible Bonds into Telecom Italia S.p.A. ordinary shares (the "Mandatory Convertible Bonds") at maturity, issued by Telecom Italia Finance S.A. and guaranteed by Telecom Italia S.p.A.. The minimum conversion price of the Mandatory Convertible Bonds has been set at EUR 0.6801 and the maximum conversion price has been set at EUR 0.8331 (equal to 122.5% of the minimum conversion price). From an accounting standpoint, the financial instrument represents a liability to pay annual coupons and includes an embedded component for the conversion; such component is treated as an embedded derivative and therefore accounted for at fair value through profit or loss along with the life of the bond.

(millions of original currency)

| | Currency | Amount | Repayment date |
|--|----------|--------|----------------|
| Repayments | | | |
| Telecom Italia Finance S.A. 678 million euros 6.875% ⁽¹⁾ | Euro | 678 | 1/24/2013 |
| Telecom Italia S.p.A. 432 million euros 6.750% ⁽²⁾ | Euro | 432 | 3/21/2013 |
| Telecom Italia S.p.A. 268 million euros floating rate ⁽³⁾ | Euro | 268 | 7/19/2013 |
| Telecom Italia Capital S.A. 2,000 million of USD 5.250% | USD | 2,000 | 11/15/2013 |

(1) Net of 172 million euros repurchased from the company during the years 2011 and 2012.

(2) Net of 218 million euros repurchased from the company during the years 2011 and 2012.

(3) Net of 232 million euros repurchased from the company during the year 2012.

On June 3, 2013, Telecom Italia S.p.A. successfully closed the tender offer for the buyback of three Telecom Italia Capital S.A. USD notes maturing in June 2014, September 2014 and October 2015, repurchasing a total nominal amount of 1,577 million of USD (about 1.2 billion euros). The repurchased notes will be accounted by the purchaser Telecom Italia S.p.A. in its portfolio, while at a consolidated level such notes have been deleted from the financial liabilities.

The details of the Telecom Italia Capital S.A. notes repurchased by Telecom Italia S.p.A. are the following:

| Bond Title | Principal amount outstanding prior to the Tender Offer | Principal amount repurchased | Buyback price |
|---|--|------------------------------|---------------|
| Telecom Italia Capital S.A. 1,000 USD millions 6.175% | USD 1,000,000,000 | USD 220,528,000 | 105.382% |
| Telecom Italia Capital S.A. 1,250 USD millions 4.950% | USD 1,250,000,000 | USD 721,695,000 | 105.462% |
| Telecom Italia Capital S.A. 1,400 USD millions 5.250% | USD 1,400,000,000 | USD 634,797,000 | 108.523% |

The **Telecom Italia S.p.A. 2002-2022 bonds**, reserved for subscription by employees of the Group, amounted 198 million euros (nominal value) as of December 31, 2013 and decreased by 32 million euros in comparison with December 31, 2012 (230 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, 2013 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 2,539 million euros with the following detail:

- 284 million euros, due January 22, 2014;
- 557 million euros, due May 19, 2014;
- 565 million euros, due June 18, 2014;
- 383 million euros, due September 30, 2014;
- 750 million euros, due June 16, 2015.

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..

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. ("**Telecom Italia**") from the European Investment Bank ("**EIB**"), we point out that following the downgrade to Baa3 undergone by Telecom Italia from Moody's last

February 11, 2013, the EIB has performed a review of all the outstanding contracts (at that time for a total nominal amount of 3,350 million euros). The parties agreed to lightly modify the contracts with reference to the clauses of assets disposal, negative pledge and event of default cases. Furthermore additional costs (in terms of greater interest rate paid on each loan) have been defined at the expense of Telecom Italia from a minimum of 1 bp p.a. to a maximum of 56 bps p.a., according to the loan maturity. Finally, a clause has been inserted according to which should one or more medium/long term non subordinated debt and not guaranteed Telecom Italia credit rating be less than BBB- for Standard & Poor's, Baa3 for Moody's and BBB- for Fitch Ratings, the company shall communicate it immediately to the EIB, which will have the right to require the constitution of additional guarantees liking to the EIB itself, or Telecom Italia shall provide other kind of guarantee offering protection in manner, form and content adequate to the Bank, specifying a term for that establishment; in case of non-fulfilment by Telecom Italia to the EIB possible requirements, the EIB could demand the immediate repayment of the loan.

We point out that, following the downgrade of Moody's on October 8, 2013 and of Standard & Poor's on November 14, 2013, the Company arranged for the communication contractually due, starting with EIB suitable arguments.

With reference to the EIB loans not secured by bank guarantees for a nominal amount of 1,450 million euros (out of a total nominal amount of 2,850 million euros at December 31, 2013), the following covenants are applied:

- 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, or, only for certain loan contract, the EIB has the option to demand the immediate repayment of the loan (should the merger, demerger or contribution of a business segment outside the Group compromise the Project execution or cause a prejudice to EIB in its quality of creditor);
- "Clause by inclusion" contemplated in the loan contracted on August 5, 2011 for the amount of 100 million euros and in the loan contracted on February 7, 2013 for the amount of 300 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 financing agreements, 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 treatment in favor of the EIB. This provision is not applied till the outstanding capital related to the subsidized loans does not exceed the amount of 500 million euros;
- *"Network Event" contemplated in the 300 million euros financing and in the 100 million euros financing guaranteed by SACE dated both February 7, 2013: against the disposal of the entire fixed network or of a substantial part of it (in any case more than half of quantitative terms) in favor of third parties or in case of disposal of the controlling stake of the company in which the network or a substantial part of it has previously been transferred, Telecom Italia shall immediately inform EIB which has the option of requiring the provision of guarantees or amendment of the loan contract or an alternative solution.*

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.

The syndicated bank credit line 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. With reference to loans:

- Multi-currency revolving credit facility (“MRCF”) (8,000,000,000 euros) due on August 1, 2014. The agreement was signed between Telecom Italia and a syndicate of banks on August 1, 2005 and subsequently modified. The protocol provided in case of change in control is similar to that included in the syndicated credit lines called Forward Start Facility that will come into effect at the due date of the MRCF on August 1, 2014, and exactly:
 - Revolving Credit Facility (“RCF 2017”) signed on May 24, 2012 for the amount of 4 billion euros and due on May 24, 2017; and
 - Revolving Credit Facility (“RCF 2018”) signed on March 25, 2013 for the amount of 3 billion euros and due on March 26, 2018.

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 (a) with the 2/3 of the Lenders of the MRCF, the credit facility shall cease to be effective and Telecom Italia shall be held to repay any sum eventually disbursed to itself (currently equal to 1,500,000,000 euros) or (b) with a single bank in the RCF 2017 and RCF 2018, the bank with who the agreement hasn't been met shall request the repayment of the amount disbursed and the cancellation of the amount related to its commitment. 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;

- *Bond*:
 - EUR 1,300 million Fixed Rate Guaranteed Subordinated Mandatory Convertible Bonds into Telecom Italia S.p.A. ordinary shares (the “Mandatory Convertible Bonds”) at maturity, issued by Telecom Italia Finance S.A. (the “Issuer”) and guaranteed by Telecom Italia S.p.A. (the “Guarantor”). The trust deed provides in case of acquisition of control, the Issuer shall give notice to the Trustee and to the bondholders, and the bondholders have the rights to convert, within the following 60 days, its bonds into ordinary shares of the Guarantor. It is not an acquisition of control, the case in which the control would be acquired (i) by Guarantor shareholders that, as at the date of signing the agreement, directly or indirectly, held a quote of the Guarantor shareholders meeting voting rights greater than 13%, or (ii) by parts of the Telco shareholders' agreement dated February 29, 2012 and amended on September 24 and November 12, 2013, or (iii) by a combination of subjects belonging to the above mentioned two categories;
 - the regulations covering the bonds issued under the EMTN Programs, 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) for a total nominal amount of 2.85 billion euros*:
 - the contracts signed by Telecom Italia with the EIB, for the amount of 2.15 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 and in 2013, for a total amount of 600 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 shareholders' meeting 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, as well as the loan contract dated February 7, 2013 guaranteed by SACE for the amount of 100 million euros, consider the "clause by inclusion" according to which in case Telecom Italia commits itself to maintain in other financing agreements 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 provision in favor of the EIB. This provision is not applied till the outstanding capital related to the subsidized loans does not exceed the amount of 500 million euros.
- Loans: we underline that the outstanding loans generally contain a commitment for Telecom Italia – whose breach is an Event of Default – of not implementing mergers, demergers or transfer of business, involving entities outside the Group. Such Event of Default could entail, upon request of the Lender, the early redemption of the drawn amounts and/or the annulment of the undrawn commitment amounts.
- *Senior Secured Syndicated Facility*. The contract was signed in October 2011 between BBVA Banco Francés and Tierra Argentea S.A. (company fully-controlled by the Telecom Italia Group) for the amount of 312,464,000 Argentinean pesos and provides the repayment of the loan in 2016. Following a Waiver & Prepayment Agreement on March 6, 2013, and a Second prepayment and Waiver Agreement on January 15, 2014, the residual capital amount is equal to 39,664,000 Argentinean pesos (about 4 million euros). The loan is assisted by a bank guarantee at first call for its residual amount. 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 involves the total repayment in advance of the loan in case the Telecom Italia 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, 2013, no covenants, negative pledge clauses or other clauses regarding the above described debt position have been breached or violated in any way.

EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS

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

| (millions of euros) | 2013 | 2012 |
|--|----------------|----------------|
| Operating revenues and other income: | | |
| Other income | 6 | - |
| Acquisition of goods and services, other operating expenses, change in inventories: | | |
| Restructuring expenses | | (14) |
| Sundry expenses | (86) | (32) |
| Employee benefits expenses: | | |
| Restructuring expenses | (19) | (10) |
| Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA) | (99) | (56) |
| Gains (losses) on disposals of non-current assets: | | |
| Gains on disposals of non-current assets | 4 | 72 |
| Losses on disposals of non-current assets | (101) | - |
| Impairment reversals (losses) on non-current assets: | | |
| Impairment loss on Core Domestic goodwill | (2,187) | (4,016) |
| Impairment loss on Media goodwill | - | (105) |
| Write-down of other intangible and tangible assets (Media) | - | (52) |
| Write-down of tangible assets for restructuring | - | (3) |
| Impact on EBIT - Operating profit (loss) | (2,383) | (4,160) |
| Other income (expenses) from investments: | | |
| Net losses on disposal of other investments | - | (2) |
| Finance expenses: | | |
| Interest expense and other financial expenses on disputes | - | (47) |
| Impact on profit (loss) before tax from continuing operations | (2,383) | (4,209) |
| IRES tax recovery for IRAP tax on cost of labor (Law Decree 16/2012) | - | 319 |
| Income taxes on non-recurring items | 3 | 11 |
| Discontinued operations - Impairment loss on goodwill and write-down of other intangible assets Sofora - Telecom Argentina group | - | (234) |
| Other Income (expenses) relating to Discontinued operations | (22) | 2 |
| Impact on profit (loss) for the year | (2,402) | (4,111) |

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

| (millions of euros) | 2013 | 2012 | Change | |
|--|----------------|----------------|----------------|---------------|
| | | | amount | % |
| Revenues | 15,304 | 16,940 | (1,636) | (9.7) |
| Other income | 256 | 241 | 15 | 6.2 |
| Total operating revenues and other income | 15,560 | 17,181 | (1,621) | (9.4) |
| Acquisition of goods and services | (5,434) | (5,940) | 506 | 8.5 |
| Employee benefits expenses | (2,251) | (2,490) | 239 | 9.6 |
| Other operating expenses | (624) | (656) | 32 | 4.9 |
| Change in inventories | 42 | (13) | 55 | |
| Internally generated assets | 244 | 351 | (107) | (30.5) |
| Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA) | 7,537 | 8,433 | (896) | (10.6) |
| Depreciation and amortization | (3,470) | (3,492) | 22 | 0.6 |
| Gains (losses) on disposals of non-current assets | (2) | 20 | (22) | |
| Impairment reversals (losses) on non-current assets | (2,187) | (4,017) | 1,830 | 45.6 |
| Operating profit (loss) (EBIT) | 1,878 | 944 | 934 | 98.9 |
| Income (expenses) from investments | (73) | 36 | (109) | |
| Finance income | 2,458 | 2,233 | 225 | 10.1 |
| Finance expenses | (4,445) | (4,238) | (207) | (4.9) |
| Profit (loss) before tax | (182) | (1,025) | 843 | 82.2 |
| Income tax expense | (846) | (796) | (50) | (6.3) |
| Profit (loss) for the year | (1,028) | (1,821) | 793 | 43.5 |

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)

| | | 2013 | 2012 |
|---|-----------------|----------------|----------------|
| Profit (loss) for the year | (a) | (1,028) | (1,821) |
| Other components of the Statements of Comprehensive Income: | | | |
| Other components that will not be reclassified subsequently to Separate Income Statement | | | |
| Remeasurements of employee defined benefit plans (IAS19): | | | |
| Actuarial gains (losses) | | (19) | (53) |
| Income tax effect | | 5 | 15 |
| | | (14) | (38) |
| Total other components that will not be reclassified subsequently to Separate Income Statement | (b) | (14) | (38) |
| Other components that will be reclassified subsequently to Separate Income Statement | | | |
| Available-for-sale financial assets: | | | |
| Profit (loss) from fair value adjustments | | (26) | 44 |
| Loss (profit) transferred to the Separate Income Statement | | - | - |
| Income tax effect | | 8 | (12) |
| | (c) | (18) | 32 |
| Hedging instruments: | | | |
| Profit (loss) from fair value adjustments | | 175 | (458) |
| Loss (profit) transferred to the Separate Income Statement | | 326 | 324 |
| Income tax effect | | (138) | 37 |
| | (d) | 363 | (97) |
| Total other components that will be reclassified subsequently to Separate Income Statement | (e= c+d) | 345 | (65) |
| Total other components of the Statements of Comprehensive Income | (f= b+e) | 331 | (103) |
| Total comprehensive income (loss) for the year | (a+f) | (697) | (1,924) |

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

(millions of euros)

| | 12/31/2013 | 12/31/2012 | Change |
|--|------------------------------|---------------|----------------|
| | (a) | (b) | (a-b) |
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Goodwill | 28,424 | 30,611 | (2,187) |
| Intangible assets with a finite useful life | 4,420 | 4,726 | (306) |
| | 32,844 | 35,337 | (2,493) |
| Tangible assets | | | |
| Property, plant and equipment owned | 9,307 | 9,488 | (181) |
| Assets held under finance leases | 918 | 1,005 | (87) |
| | 10,225 | 10,493 | (268) |
| Other non-current assets | | | |
| Investments | 9,329 | 9,330 | (1) |
| Non-current financial assets | 1,371 | 2,449 | (1,078) |
| Miscellaneous receivables and other non-current assets | 1,134 | 996 | 138 |
| Deferred tax assets | 561 | 824 | (263) |
| | 12,395 | 13,599 | (1,204) |
| Total Non-current assets | (a) 55,464 | 59,429 | (3,965) |
| Current assets | | | |
| Inventories | 154 | 112 | 42 |
| Trade and miscellaneous receivables and other current assets | 3,475 | 4,189 | (714) |
| Current income tax receivables | 101 | 55 | 46 |
| Current financial assets | | | |
| <i>Securities other than investments, financial receivables and other current financial assets</i> | 2,009 | 839 | 1,170 |
| <i>Cash and cash equivalents</i> | 1,284 | 2,146 | (862) |
| | 3,293 | 2,985 | 308 |
| Total Current assets | (b) 7,023 | 7,341 | (318) |
| Total assets | (a+b) 62,487 | 66,770 | (4,283) |
| Equity and Liabilities | | | |
| Equity | | | |
| Share capital issued | 10,694 | 10,694 | - |
| Less: treasury shares | (21) | (21) | - |
| Share capital | 10,673 | 10,673 | - |
| Paid-in capital | 1,704 | 1,704 | - |
| Other reserves and retained earnings (accumulated losses), including profit (loss) for the year | 4,203 | 5,352 | (1,149) |
| Total Equity | (c) 16,580 | 17,729 | (1,149) |
| Non-current liabilities | | | |
| Non-current financial liabilities | 29,154 | 34,887 | (5,733) |
| Employee benefits | 762 | 728 | 34 |
| Deferred tax liabilities | 2 | 2 | - |
| Provisions | 469 | 478 | (9) |
| Miscellaneous payables and other non-current liabilities | 412 | 518 | (106) |
| Total Non-current liabilities | (d) 30,799 | 36,613 | (5,814) |
| Current liabilities | | | |
| Current financial liabilities | 8,882 | 5,425 | 3,457 |
| Trade and miscellaneous payables and other current liabilities | 6,226 | 7,003 | (777) |
| Current income tax payables | - | - | - |
| Total Current Liabilities | (e) 15,108 | 12,428 | 2,680 |
| Total Liabilities | (f=d+e) 45,907 | 49,041 | (3,134) |
| Total equity and liabilities | (c+f) 62,487 | 66,770 | (4,283) |

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

| (millions of euros) | 2013 | 2012 |
|--|---------------------|----------------|
| Cash flows from operating activities: | | |
| Profit (loss) for the year | (1,028) | (1,821) |
| Adjustments for: | | |
| Depreciation and amortization | 3,470 | 3,492 |
| Impairment losses (reversals) on non-current assets (including investments) | 2,371 | 4,122 |
| Net change in deferred tax assets and liabilities | 140 | 99 |
| Losses (gains) realized on disposals of non-current assets (including investments) | 1 | (29) |
| Change in provisions for employee benefits | (33) | (232) |
| Change in inventories | (35) | 13 |
| Change in trade receivables and net amounts due from customers on construction contracts | 769 | 818 |
| Change in trade payables | (388) | (571) |
| Net change in current income tax receivables/payables | (53) | (451) |
| Net change in miscellaneous receivables/payables and other assets/liabilities | (667) | (261) |
| Cash flows from (used in) operating activities | (a) 4,547 | 5,179 |
| Cash flows from investing activities: | | |
| Purchase of intangible assets on an accrual basis | (1,235) | (1,197) |
| Purchase of tangible assets on an accrual basis | (1,680) | (1,808) |
| Total purchase of intangible and tangible assets on an accrual basis | (2,915) | (3,005) |
| Change in amounts due to fixed asset suppliers | (81) | 217 |
| Total purchase of intangible and tangible assets on a cash basis | (2,996) | (2,788) |
| Acquisitions of control of subsidiaries or other businesses, net of cash acquired | 5 | 57 |
| Acquisitions/disposals of other investments | (174) | (60) |
| Change in financial receivables and other financial assets | (108) | 943 |
| Proceeds from sale/repayments of intangible, tangible and other non-current assets | 18 | 29 |
| Cash flows from (used in) investing activities | (b) (3,255) | (1,819) |
| Cash flows from financing activities: | | |
| Change in current financial liabilities and other | (194) | (102) |
| Proceeds from non-current financial liabilities (including current portion) | 2,441 | 3,940 |
| Repayments of non-current financial liabilities (including current portion) | (3,025) | (6,670) |
| Share capital proceeds/reimbursements | - | - |
| Dividends paid | (454) | (900) |
| Cash flows from (used in) financing activities | (c) (1,232) | (3,732) |
| Aggregate cash flows | (d=a+b+c) 60 | (372) |
| Net cash and cash equivalents at beginning of the year | (e) 911 | 1,283 |
| Net cash and cash equivalents at end of the year | (f=d+e) 971 | 911 |

Additional Cash Flow Information

| (millions of euros) | 2013 | 2012 |
|------------------------------|---------|---------|
| Income taxes (paid) received | (759) | (1,097) |
| Interest expense paid | (4,419) | (3,576) |
| Interest income received | 2,708 | 1,717 |
| Dividends received | 104 | 132 |

Analysis of Net Cash and Cash Equivalents

| (millions of euros) | 2013 | 2012 |
|--|------------|--------------|
| Net cash and cash equivalents at beginning of the year: | | |
| Cash and cash equivalents | 2,146 | 1,595 |
| Bank overdrafts repayable on demand | (1,235) | (312) |
| | 911 | 1,283 |
| Net cash and cash equivalents at end of the year: | | |
| Cash and cash equivalents | 1,284 | 2,146 |
| Bank overdrafts repayable on demand | (313) | (1,235) |
| | 971 | 911 |

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

| (millions of euros) | 12/31/2013 | 12/31/2012 | Change |
|--|----------------|----------------|----------------|
| Non-current financial liabilities | | | |
| Bonds | 15,828 | 15,138 | 690 |
| Amounts due to banks, other financial payables and liabilities | 12,325 | 18,591 | (6,266) |
| Finance lease liabilities | 1,001 | 1,158 | (157) |
| | 29,154 | 34,887 | (5,733) |
| Current financial liabilities (1) | | | |
| Bonds | 1,406 | 1,192 | 214 |
| Amounts due to banks, other financial payables and liabilities | 7,288 | 4,016 | 3,272 |
| Finance lease liabilities | 188 | 217 | (29) |
| | 8,882 | 5,425 | 3,457 |
| Total Gross financial debt | 38,036 | 40,312 | (2,276) |
| Non-current financial assets | | | |
| Financial receivables and other non-current financial assets | (1,371) | (2,449) | 1,078 |
| | (1,371) | (2,449) | 1,078 |
| Current financial assets | | | |
| Securities other than investments | (1,462) | (363) | (1,099) |
| Financial receivables and other current financial assets | (547) | (476) | (71) |
| Cash and cash equivalents | (1,284) | (2,146) | 862 |
| | (3,293) | (2,985) | (308) |
| Total financial assets | (4,664) | (5,434) | 770 |
| Net financial debt carrying amount | 33,372 | 34,878 | (1,506) |
| Reversal of fair value measurement of derivatives and related financial assets/liabilities | (1,063) | (1,651) | 588 |
| Adjusted Net Financial Debt | 32,309 | 33,227 | (918) |
| <i>Breakdown as follows:</i> | | | |
| Total adjusted gross financial debt | 35,934 | 37,010 | (1,076) |
| Total adjusted financial assets | (3,625) | (3,783) | 158 |
| <i>(1) of which current portion of medium/long -term debt:</i> | | | |
| Bonds | 1,406 | 1,192 | 214 |
| Amounts due to banks, other financial payables and liabilities | 5,380 | 2,301 | 3,079 |
| Finance lease liabilities | 188 | 217 | (29) |

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

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

| (millions of euros) | 2013 | 2012 |
|--|----------------|----------------|
| Acquisition of goods and services | | |
| Fines | (2) | - |
| Fine for A428 proceedings | (84) | - |
| Sundry expenses | - | (21) |
| Employee benefits expenses | | |
| Expenses for mobility | (15) | - |
| Use of mobility fund | - | 6 |
| Impact on operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA) | (101) | (15) |
| Gains (losses) on disposals of non-current assets | | |
| Gains (losses) on non-current assets | 1 | 36 |
| Impairment reversals (losses) on non-current assets | | |
| Goodwill impairment changes | (2,187) | (4,016) |
| Impact on EBIT - Operating profit (loss) | (2,287) | (3,995) |
| Other income (expenses) from investments | | |
| Gain on disposal of non-current assets | - | - |
| Loss on disposal of Consorzio CRIAI | - | (2) |
| Net gain on disposal of Matrix | - | 10 |
| Finance expenses | - | (43) |
| Impact on profit (loss) before tax | (2,287) | (4,030) |
| IRES tax recovery for IRAP tax on cost of labor (Law Decree 16/2012) | - | 303 |
| Income taxes on non-recurring items | 4 | (2) |
| Impact on profit (loss) for the year | (2,283) | (3,729) |

EFFECTS ON KEY FINANCIAL AND OPERATING DATA ARISING FROM THE PROSPECTIVE ADOPTION OF IFRS 13 (*FAIR VALUE MEASUREMENT*)

On December 11, 2012, EC issued the Regulation EC n. 1255-2012 that endorsed in the EU the IFRS 13, which aims to improve consistency and comparability in fair value measurement through the so called “fair value hierarchy”. IFRS 13 should be adopted prospectively and do not extend the use of fair value accounting but provide guidance on how it should be applied.

In particular, the IFRS 13:

- defines the concept of fair value;
- establishes a single set of principles for all fair value measurements;
- introduces specific disclosure requirements to be provided about the measurement of fair value.

Although many of the concepts set forth in IFRS 13 are consistent with current practice, some aspects of the new standard result in impacts on Telecom Italia Group, foremost among which is the effect due to the clarification introduced regarding the measurement of the non-performance risk in determining the fair value of derivative contracts. This risk includes both changes in the creditworthiness of the counterparty and of the Telecom Italia Group itself.

The application of IFRS 13 has resulted for the year 2013 in a positive effect on the consolidated net result and equity attributable to owners of the Parent of 18 million euros.

As regards Telecom Italia S.p.A., the application of IFRS 13 has resulted for the year 2013 in a positive effect on net result and equity of 37 million euros.