



C A P I T A L

Telecom Italia Capital

Société Anonyme

12, rue Eugène Ruppert

L-2453 Luxembourg

R.C.S. Luxembourg B 77.970

Audited Annual Accounts
as at December 31, 2013, , which have
been authorized by the Board of
Directors held on February 27, 2014

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Directors' report

Dear Shareholder,

Telecom Italia Capital (herein defined as well as the "Company" or "TI Capital") ends the year 2013 with a loss of EUR 8.870.158,47 (profit of EUR 3.293.485,93 in 2012).

The result of the period is impacted by charges due to the exercise, by bank counterparties, of early termination clauses with respect to some derivative agreements entered to cover both rate and exchange risk. The net costs involved amount to EUR 10,9 million, of which EUR 8,2 million for novation and EUR 2,7 million for postponement of the termination clause. Such costs are not tax deductible.

During the year 2013, your Company continued its activity of providing financial assistance to Telecom Italia Group Companies. The contribution of the borrowing and lending activity is positive for EUR 3,5 million (EUR 4,4 million in 2012).

The net financial position as of December 31, 2013 is positive for EUR 24,5 million (EUR 32,2 million as of December 31, 2012).

Notes

The aggregate principal amount of the outstanding notes equals to USD 9.650.000.000,00 (USD 11.650.000.000,00 as of December 31, 2012). On November 15, 2013 matured and were repaid USD 2.000.000.000,00 of notes issued on October 2003. The repayment has been financed by reducing the amounts deposited with Telecom Italia S.p.A.

The proceeds of the outstanding notes have been utilized to provide funding to Telecom Italia Group companies. All the notes are unconditionally and irrevocably guaranteed by the mother company Telecom Italia S.p.A.

Share Capital

As of December 31, 2013 the subscribed share capital amounts to EUR 2.336.000,00, consisting of 100.000 ordinary shares with a nominal value of EUR 23,36 per share.

Risks

The Directors consider the following as the principal risks that the Company faces:

- the Company has raised, and may raise in the future, financing in currencies other than euro. According to its risk management policies, TI Capital hedges the foreign currency risk exposure on its liabilities through currency swaps contracts or natural hedge positions. Furthermore, in order to hedge its interest rate exposure, Telecom Italia Capital enters into interest rate swaps.

The financial risks are managed through:

- the application of guidelines defined at Group level;
- the identification of the most suitable financial instruments, including derivatives, to reach prefixed objectives;
- the monitoring of the results achieved;

- the exclusion of the use of financial instruments for speculative purposes.

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

Events subsequent to December 31, 2013

On February 2014 additional charges of EUR 14,9 million have been booked in relation with outstanding derivatives agreements of which EUR 13,5 million for postponement by 10 years of an early termination clause originally due for September 30, 2014 and EUR 1,4 million for termination clause cancellation. The above mentioned charges are not deductible and they will impact in a significant way the result of the year 2014.

During the year 2014 it is foreseen to continue the activity of financial assistance to Telecom Italia Group companies and continue to manage the market risks related to the funding and investment activity.

During the year will come to maturity and shall be repaid the following notes:

- on June 18, USD 1.000.000.000,00, 6,175% notes, issued on June 18, 2009;
- on September 30, USD 1.250.000.000,00 4,95% notes, issued on October 6, 2004

Both repayments shall be financed by reducing the loan/deposit with the mother company.

Financials as of December 31, 2013 herein reported comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes.

The Board invites to approve the aforesaid financial statements and proposes to:

- a) allocate the loss of the year 2013 amounting to EUR 8.870.158,47 to "Profit and loss brought forward" which shall be reduced from EUR 14.303.502,50 to 5.433.344,03;
- b) to reallocate EUR 110.325,00 from "Other reserves" to "Profit and loss brought forward", considering that the five years unavailability period for tax purposes has expired;
- c) to create a new reserve of EUR 76.740,00 by reallocating the same amount from "Profit and loss brought forward" to "Other reserves". Following art 8a of the law October 16, 1934, as modified, which authorizes the Company to deduct net wealth tax from its own basis, the new created reserve is equal to five (5) times the amount of the net wealth tax to be paid for year 2013 (EUR 15.348,00, amount net of I.R.C. minimum tax increased of social contributions equal to EUR 3.210,00) and shall be kept unavailable for five year starting from the year immediately following the one in which the reserve has been created.

For the Board of Directors
The Managing Director
Adriano Trapletti

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Balance Sheet

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME BALANCE SHEET AS AT DECEMBER 31, 2013					
ASSETS - [EUR]		31.DECEMBER.2013	31.DECEMBER.2012	LIABILITIES - [EUR]	
B. Formation expenses	[3]	22.176.057,06	26.331.978,09	A. Capital and reserves	21.185.890,42
C. Fixed assets		5.422.229.949,36	7.690.880.170,37	I. Subscribed capital	[7] 2.336.000,00
III. Financial fixed assets				II. Share premium and similar premiums	[8] 11.810.696,39
2. Amounts owed by affiliated undertakings	[4]	5.422.229.949,36	7.690.880.170,37	IV. Reserves	[9]
				1. Legal reserve	234.000,00
				4. Other reserves	1.371.850,00
D. Current assets		2.069.024.029,58	1.505.205.096,43	V. Profit or loss brought forward	14.303.502,50
II. Debtors				VI. Profit or loss for the financial year	-8.870.158,47
2. Amounts owed by affiliated undertakings	[5]			C. Provisions	2.626.294,76
a) becoming due and payable within one year		1.895.538.883,88	1.189.155.028,31	2. Provisions for taxation	[10] 2.626.294,76
b) becoming due and payable after more than one year		170.176.479,98	310.940.314,16	D. Not Subordinated debts	7.491.578.444,09
4. Other receivables				1. Debenture loans	
a) becoming due and payable within one year		0,00	8.239,80	b) Non convertible loans	[11]
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand	[6]	3.308.665,72	5.101.514,16	i) becoming due and payable within one year	1.706.867.440,36
E. Prepayments		1.960.593,27	2.450.804,32	ii) becoming due and payable after more than one year	5.356.020.530,79
TOTAL ASSETS		7.515.390.629,27	9.224.868.049,21	4. Trade creditors	
				a) becoming due and payable within one year	578.629,53
				6. Amounts owed to affiliated undertakings	[12]
				a) becoming due and payable within one year	135.236.762,51
				b) becoming due and payable after more than one year	292.868.524,32
				8. Tax and social security debts	
				b) Social security debts	6.556,58
				9. Other creditors	
				a) becoming due and payable within one year	0,00
				TOTAL LIABILITIES	7.515.390.629,27
					9.224.868.049,21

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

Profit and Loss

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME					
PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013					
A. CHARGES - [EUR]			B. INCOME - [EUR]		
	31.DECEMBER.2013	31.DECEMBER.2012		31.DECEMBER.2013	31.DECEMBER.2012
1. Use of merchandise, raw materials and consumable materials	0,00	165,60			
2. Other external charges	662.370,86	678.104,71			
3. Staff costs	225.882,99	225.421,56			
a) Salaries and wages	196.964,42	197.435,96			
b) Social security on salaries and wages	24.400,35	23.275,08			
c) Supplementary pension costs	3.274,32	4.710,52			
d) Other social costs	1.243,90	0,00			
4. Value adjustments	3.486.812,80	3.635.826,93			
a) on formation expenses and on tangible and intangible fixed assets	3.486.812,80	3.635.826,93			
5. Other operating charges	115.629,06	108.751,50			
8. Interest and other financial charges	[13] 1.467.091.300,58	1.351.107.429,29			
a) concerning affiliated undertakings	937.281.172,39	724.843.945,99			
b) other interest and similar financial charges	529.810.128,19	626.263.483,30			
10. Income tax	863.872,25	1.284.557,46			
11. Other taxes not included in the previous caption	18.558,00	0,00			
12. Profit for the financial year	0,00	3.293.485,93			
TOTAL CHARGES	1.472.464.426,54	1.360.333.742,98			
			6. Income from financial fixed assets	[14] 263.322.803,07	299.354.970,51
			a) derived from affiliated undertakings	263.322.803,07	299.354.970,51
			8. Other interest and other financial income	[15] 1.200.271.465,00	1.060.978.772,47
			a) derived from affiliated undertakings	1.198.650.848,83	873.720.244,05
			b) other interest and similar financial income	1.620.616,17	187.258.528,42
			12. Loss for the financial year	8.870.158,47	0,00
			TOTAL INCOME	1.472.464.426,54	1.360.333.742,98

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

Cash Flow Statement

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME		
CASH FLOW STATEMENT AS AT 31 DECEMBER 2013		
	Note 31.DECEMBER.2013	31.DECEMBER.2012
Operating Activities		
Profit/Loss before tax	-8.006.286,22	4.578.043,39
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	3.486.812,80	3.635.826,93
Finance Income	-1.463.594.268,07	-1.360.333.742,98
Finance Expenses	1.464.992.552,45	1.348.856.406,10
Changes in trade and other receivables	490.211,05	508.102,37
Changes in trade and other payables	-159.430,01	-115.475,37
Cash from operating activities before taxes	-2.790.408,00	-2.870.839,56
Income Taxes Paid	-3.210,00	-932.575,00
Net cash flows from operating activities	-2.793.618,00	-3.803.414,56
Cash flows from Investing activities		
Investments and re-payments in Financial Receivables	1.490.084.101,04	3.998.833,82
Interest, commissions and other financial income received	1.478.510.494,14	1.373.372.345,25
Net cash flows from investing activities	2.968.594.595,18	1.377.371.179,07
Cash flows from Financing activities		
Net change in short-term financial payables	0,00	-6.600.000,00
Repayments of borrowings	-1.489.892.630,02	-4.005.863,09
Interest, commissions and other financial expenses paid	-1.477.847.243,25	-1.360.325.016,28
Net cash flows from financing activities	-2.967.739.873,27	-1.370.930.879,37
Net Increase / Decrease in Cash and Cash Equivalents	-1.938.896,09	2.636.885,14
Net foreign exchange differences in C&CE	146.132,39	299.341,94
Cash and cash equivalents at 01 January	5.101.379,42	2.165.152,34
Cash and cash equivalents at the end of the period	[6] 3.308.615,72	5.101.379,42

In order to give better understanding of the cash flow statement, the Company decided to reclassify some values in 2012 cash flow.

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

Notes to the accounts

as at December 31, 2013, which have been authorized by the Board of Directors held on February 27, 2014

Note 1 – General

Telecom Italia Capital (the “Company”) was incorporated in Luxembourg on September 27, 2000 for an unlimited duration. The registered office is currently established at 12, Rue Eugène Ruppert L-2453 Luxembourg. The registered number is B 77.970.

The corporate object is to provide financial assistance to the companies within Telecom Italia Group. In this respect, the Company can acquire assets by issuing securities, bonds or any other financial instrument and by taking loans in whatever form from banks and institutional investors or in any other form, the above-mentioned list being purely enumerative and not limitative.

The Company may also have participating interests in any Luxembourg or foreign company and administrate, manage and develop its portfolio.

The Company may carry out any commercial, industrial or financial operation and perform real estate transactions pertaining directly or indirectly to its object.

Generally, the Company may carry out all transactions considered as useful to the achievement and development of its object.

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

Note 2 – Summary of significant accounting policies

Basis of preparation

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

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

Euro (“EUR”) is the book accounting currency.

Use of estimates

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

Foreign currency translation

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

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

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

The unrealized exchange differences that arise from all these conversions are reflected in the profit and loss account in the items "Other interest and similar financial charges/ Other interest and similar financial income".

The realized income and charges in currencies other than EUR are recorded in their respective currencies and converted at the exchange rate prevailing on the respective transaction dates.

The exchange rate used to convert as of December 31, 2013 the operations in USD into EUR is the following: 1 EUR= USD 1,37910.

Formation expenses

Formation expenses may include incorporation expenses and bond issuance expenses. Incorporation expenses are valued at purchase price including the expenses incidental thereto less cumulated depreciation amounts written off over maximum 5 years. Bond issuance expenses are written off on a straight-line basis over the period of the note.

Financial fixed assets

Financial fixed assets are stated at cost less accumulated depreciation and any impairment adjustments. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

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

Cash at bank, cash in postal cheque accounts, cheques and cash in hand is defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash at bank and in hand and short-term deposits which are held to maturity are carried at cost.

Accrued interest

Accrued interest are shown with their principal amount.

Prepayments/Deferred income

“Prepayments” and “Deferred income” accounts include prepaid charges and deferred income. Issue discounts are listed with the related notes, while other similar charges are classified in “Formation expenses”. All are amortized through the profit and loss account on a straight-line basis over the lifetime of the notes.

Derivative instruments

The commitments related to currency and interest rates swaps are recorded as off-balance sheet items at the nominal value of the contracts.

No valuations of unrealized gains or losses are recorded during the life of the contracts since there is a perfect matching of the realized gains or losses of derivatives and the realized losses or gains on the hedged items at maturity. For the exchange rate variance refer to the accounting policy “Foreign currency translation” above.

The Company enters into derivatives only for the purpose of hedging.

Not subordinated debts

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

Provisions

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

Note 3 – Formation expenses

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Incorporation expenses	1.673,18	4.562,42
Bond issuance expenses	22.174.383,88	26.327.415,67
	22.176.057,06	26.331.978,09

The movements for the period are only due to depreciation.

Note 4 – Financial fixed assets - Amounts owed by affiliated undertakings

This item is composed by EUR 5.422.229.949,36 (EUR 7.690.880.170,37 as per December 31, 2012) being the total amount of medium-long term loans granted to Telecom Italia S.p.A. (the “Parent Company”) utilizing the proceeds received by issuing notes.

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: USD 2.000.000.000,00 Reimbursed November 15, 2013 ^[*]		
Floater rate: USDLibor 3m + 0,71000%	0,00	1.515.840.533,58
Nominal value: EUR: 700.000.000,00 Expiring December 18, 2014	<i>Classified in short term portion</i>	
Fixed rate: 5,94017%		700.000.000,00
Nominal value: EUR: 20.000.000,00 Expiring December 18, 2014	<i>Classified in short term portion</i>	
Fixed rate: 5,94017%		20.000.000,00
Nominal value: EUR: 83.000.000,00 Expiring November 2, 2015		
Floater rate: Euribor 6m + 2,06660%	83.000.000,00	83.000.000,00
Nominal value: EUR 1.816.000.000,00 Expiring September 30, 2019		
Floater rate: Euribor 6m + 0,87870%	1.816.000.000,00	1.816.000.000,00
Nominal value: EUR 642.000.000,00 Expiring December 4, 2019		
Fixed rate: 7,10320%	642.000.000,00	642.000.000,00
Nominal value: EUR: 700.000.000,00 Expiring December 18, 2019		
Fixed rate: 6,78656%	700.000.000,00	700.000.000,00
Nominal value: EUR: 20.000.000,00 Expiring December 18, 2019		
Fixed rate: 6,78656%	20.000.000,00	20.000.000,00
Nominal value: USD 1.000.000.000,00 Expiring November 15, 2034 ^[**]		
Floater rate: USDLibor 3m + 1,10000%	725.110.579,36	757.920.266,79
Nominal value: EUR 791.119.370,00 Expiring January 18, 2037		
Floater rate: Euribor 6m + 1,45969%	791.119.370,00	791.119.370,00
Nominal value: EUR: 645.000.000,00 Expiring December 5, 2039		
Fixed rate: 7,53220%	645.000.000,00	645.000.000,00
	5.422.229.949,36	7.690.880.170,37

[*] Maturity originally scheduled as of November 15, 2014.

[**] Differences between December 31, 2013 and December 31, 2012 are due to exchange rate impact.

Note 5 – Debtors - Amounts owed by affiliated undertakings

a) becoming due and payable within one year

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: EUR: 1.058.000.000,00 Expiring April 01, 2014 Floater rate: USDLibor 6m + 0,73335%	1.058.000.000,00	1.058.000.000,00
Nominal value: EUR: 700.000.000,00 Expiring December 18, 2014 Fixed rate: 5,94017%	700.000.000,00	<i>Classified in long term portion</i>
Nominal value: EUR: 20.000.000,00 Expiring December 18, 2014 Fixed rate: 5,94017%	20.000.000,00	<i>Classified in long term portion</i>
Accruals on long term loans with Parent Company	27.843.449,65	32.507.119,02
Short term loan with T.M.I. Telemedia International Limited	6.500.000,00	6.500.000,00
Short term loan with TI Germany GmbH reimbursed September 29,2013	0,00	4.200.000,00
Accruals on short term loans with Group Companies	92.998,45	76.372,40
Accruals on interest rate swaps with Parent Company	65.012.013,50	76.517.792,89
Accruals on interest rate swaps with Group Companies	10.970.370,39	11.353.744,00
Currency swaps with Parent Company	3.841.080,68	0,00
Currency swaps with Group Companies	3.278.971,21	0,00
	<u>1.895.538.883,88</u>	<u>1.189.155.028,31</u>

b) becoming due and payable after more than one year

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps with Parent Company	96.000.106,55	229.332.785,39
Currency swaps with Group Companies	74.176.373,43	81.607.528,77
	<u>170.176.479,98</u>	<u>310.940.314,16</u>

Note 6 – Cash at bank, cash in postal cheque accounts, cheques and cash in hand

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Bank current accounts	308.615,72	4.722.419,29
Bank term deposit accounts	3.000.000,00	378.960,13
Cash and cash equivalent as shown in Cash Flow Statement	3.308.615,72	5.101.379,42
Accruals on bank term deposits	50,00	134,74
	3.308.665,72	5.101.514,16

Note 7 – Subscribed capital

As of December 31, 2013 the authorized, issued and fully paid in share capital of EUR 2.336.000,00 is represented by 100.000 shares with a nominal value of EUR 23,36 per share.

As of December 31, 2013 and December 31, 2012, the Company is 100% held by Telecom Italia S.p.A.

Note 8 – Share premium and similar premiums

The extraordinary shareholders meeting held on May 15, 2009 decided to recapitalize the Company by injecting EUR 50.000.000,00 in cash, of which EUR 47.664.000,00 as issuance premium and EUR 2.336.000,00 as share capital. Such premium, paid on the same date, has been utilized in order to cover residual losses after capital reduction (EUR 35.853.303,61) emerging from the interim accounts as of February 28, 2009. Consequently, residual value of issuance premium is EUR 11.810.696,39.

Note 9 – Reserves

Reserves are split as follows:

- Legal Reserve: the Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. The legal reserve as of December 31, 2013 amounts to EUR 234.000,00 and equals 10% of the share capital. The reserve has been set up by the shareholders meeting as of March 2, 2005 by converting a portion of other unavailable reserves;

- Other reserves consist of Tax reserve for an amount of EUR 1.371.850,00. It has been created by the annual shareholders meetings held between the years 2008 and 2012 and is equal to five times the amount of the Net Wealth Tax to be paid for year 2007, 2008, 2010 and 2011. It will be unavailable for distribution for a five year period since the year following its creation and is detailed as below:

Fiscal year 2007	EUR	110.325,00
Fiscal year 2008	EUR	148.125,00
Fiscal year 2010	EUR	407.500,00
Fiscal year 2011	EUR	705.900,00
	EUR	1.371.850,00

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

	<i>Legal Reserve (EUR)</i>	<i>Other reserves (EUR)</i>	<i>Profit or loss brought forward (EUR)</i>	<i>Profit or loss for the financial year (EUR)</i>
Balance as at 31.12.2012	234.000,00	1.541.475,00	10.840.391,57	3.293.485,93
Movements for the period				
Allocation of prior year's Profit or loss ^[*]	0,00	0,00	3.293.485,93	-3.293.485,93
Reallocation of Reserve ^[*]	0,00	-169.625,00	169.625,00	0,00
Profit or loss for the year	0,00	0,00	0,00	-8.870.158,47
Balance as at 31.12.2013	234.000,00	1.371.850,00	14.303.502,50	-8.870.158,47

^[*] Shareholders Meeting held on April 03, 2013 decided to reallocate EUR 169.625,00 (Net Wealth Tax reserve for fiscal year 2005 and 2006) from "Other reserves" to "Profit or loss brought forward" considering that the five year unavailability period for tax purposes has expired and to allocate the profit of the year 2012, amounting to EUR 3.293.485,93, to the profit or loss brought forward.

Note 10 – Provisions for taxation

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Income tax	2.577.894,58	1.717.232,33
Value added tax	4.501,20	5.248,49
Chamber of Commerce Fees	24.434,91	21.405,98
Net wealth tax	18.558,00	0,00
Other taxes	906,07	272,97
	2.626.294,76	1.744.159,77

Note 11 – Non convertible loans

The Company has issued non-convertible notes for a total outstanding amount of USD 9.650.000.000,00 as at December 31, 2013 (December 31, 2012 – USD 11.650.000.000,00).

i) *becoming due and payable within one year*

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: USD 2.000.000.000,00		
Expired November 15, 2013		
Fixed Interest Rate 5,2500%	0,00	1.515.840.533,58
Nominal value: USD 1.000.000.000,00		
Expiring June 18, 2014		
Fixed Interest Rate 6,1750%	725.110.579,36	<i>Classified in long term portion</i>
Nominal value: USD 1.250.000.000,00		
Expiring September 30, 2014		
Fixed Interest Rate 4,9500%	906.388.224,20	<i>Classified in long term portion</i>
Prepaid charges on notes (issue discounts) - <i>Current portion</i>	-1.340.056,09	-1.824.014,42
Accrued interest on notes	76.708.692,89	90.348.359,10
	1.706.867.440,36	1.604.364.878,26

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

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: USD 1.000.000.000,00		
Expiring June 18, 2014		
Fixed Interest Rate 6,1750%	<i>Classified in short term portion</i>	757.920.266,79
Nominal value: USD 1.250.000.000,00		
Expiring September 30, 2014		
Fixed Interest Rate 4,9500%	<i>Classified in short term portion</i>	947.400.333,48
Nominal value: USD 1.400.000.000,00		
Expiring October 1, 2015		
Fixed Interest Rate 5,2500%	1.015.154.811,11	1.061.088.373,50
Nominal value: USD 1.000.000.000,00		
Expiring June 4, 2018		
Fixed Interest Rate 6,9990%	725.110.579,36	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring June 18, 2019		
Fixed Interest Rate 7,1750%	725.110.579,36	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring November 15, 2033		
Fixed Interest Rate 6,3750%	725.110.579,36	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring September 30, 2034		
Fixed Interest Rate 6,0000%	725.110.579,36	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring July 18, 2036		
Fixed Interest Rate 7,2000%	725.110.579,36	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring June 4, 2038		
Fixed Interest Rate 7,7210%	725.110.579,36	757.920.266,79
Prepaid charges on notes (issue discounts) – <i>Long term portion</i>	-9.797.756,48	- 11.641.774,65
	5.356.020.530,79	7.302.288.799,86

Note 12 – Amounts owed to affiliated undertakings

This item refers to the following payables due to Parent Company and Group Companies:

a) becoming due and payable within one year

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<u>EUR</u>	<u>EUR</u>
Guarantee fee due to Parent Company	2.098.747,62	2.251.022,68
Fees due to Group Companies	31.944,44	0,00
Current portion of long term loans with Parent Company ^[*]	2.389.574,00	3.711.228,98
Current portion of long term loans with Group Companies ^[*]	210.059,60	308.051,98
Currency swaps with Parent Company	105.067.529,95	0,00
Currency swaps with Group Companies	5.420,43	0,00
Accruals on long term loans with Parent Company	106.728,23	116.409,78
Accruals on long term loans with Group Companies	20.917,23	35.852,66
Accruals on interest rate swaps with Parent Company	21.715.270,93	25.344.143,58
Accruals on interest rate swaps with Group Companies	3.590.562,90	2.471.753,68
Accruals on currency swaps with Group Companies	7,18	0,00
	<u>135.236.762,51</u>	<u>34.238.463,34</u>

b) becoming due and payable after more than one year

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<u>EUR</u>	<u>EUR</u>
Long term loans with Parent Company ^[*]	20.925.731,07	22.337.330,47
Long term loans with Group Companies ^[*]	2.653.244,52	5.025.757,65
Currency swaps with Parent Company	269.289.548,73	224.198.391,11
	<u>292.868.524,32</u>	<u>251.561.479,23</u>

[*] Those items refer to the bank loans used to fund issuance costs for notes released from 2003 to 2006. Loans have a quarterly amortizing period. Due to shifting of bank counterparties to Parent and Group Companies the loans have been classified in "Amounts owed to affiliated undertakings". The residual nominal amount of loans is split as follows:

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Related to notes issued as of October 29, 2003 for an initial amount of USD 31.300.000,00:		
Final payment date:		
November 15, 2013	0,00	1.221.478,66
November 15, 2033	7.777.624,16	8.358.575,65
Nominal residual amount	7.777.624,16	9.580.054,31
Related to notes issued as of October 6, 2004 for an initial amount of USD 35.652.500,00:		
Final payment date:		
September 30, 2014	659.734,46	1.558.635,62
September 29, 2034	10.723.107,73	11.517.645,22
Nominal residual amount	11.382.842,19	13.076.280,84
Related to notes issued as of September 28, 2005 for an initial amount of USD 19.684.000,00:		
Final payment date:		
October 1, 2015	2.567.269,88	3.956.118,33
Nominal residual amount	2.567.269,88	3.956.118,33
Related to notes issued as of July 18, 2006 for an initial amount of USD 14.036.250,00:		
Final payment date:		
July 18, 2036	4.450.872,96	4.769.915,60
Nominal residual amount	4.450.872,96	4.769.915,60

Note 13 – Interest and other financial charges*a) concerning affiliated undertakings*

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Charges on Loans with Parent Company	1.273.018,86	1.333.347,78
Charges on Loans with Group Companies	174.589,38	243.812,42
Interest due to Group Companies	57.043,17	158.452,54
Guarantee Fee due to Parent Company	2.098.748,13	2.251.023,19
Other fees due to Group Companies	248.962,76	125.000,00
Charges on interest rate swaps with Parent Company	792.930.569,01	505.377.703,39
Charges on interest rate swaps with Group Companies	140.497.800,21	215.354.129,55
Charges on currency swaps with Group Companies	440,87	477,12
	937.281.172,39	724.843.945,99

b) other interest and similar financial charges

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest and charges vs. banks	80,08	40.468,47
Other financial commissions	2.267,93	2.716,96
Interest and similar expenses on debentures	528.331.123,27	557.514.128,21
Charges on interest rate swaps with banks	0,00	67.292.670,95
Charges on currency swaps with banks	146,38	757,49
Losses on exchange rates	1.476.510,53	1.412.741,22
	529.810.128,19	626.263.483,30

Note 14 – Income from financial fixed assets derived from affiliated undertakings

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest on long term loans to Parent Company	263.322.803,07	299.354.970,51
	<u>263.322.803,07</u>	<u>299.354.970,51</u>

Note 15 – Other interest and other financial income*a) derived from affiliated undertakings*

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest and commissions on receivables from Group Companies	221.984,82	372.465,31
Income on interest rate swaps with Parent Company	951.183.852,63	749.565.883,66
Income on interest rate swaps with Group Companies	247.244.610,88	123.781.895,08
Income on currency swaps with Group Companies	400,50	0,00
	<u>1.198.650.848,83</u>	<u>873.720.244,05</u>

b) other interest and similar financial income

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest on Bank deposits	829,15	2.284,66
Income on interest rate swaps with banks	0,00	185.519.322,00
Gain on exchange rates	1.619.787,02	1.736.921,76
	<u>1.620.616,17</u>	<u>187.258.528,42</u>

Note 16 – Hedging contracts and other derivative agreements

In order to hedge the exchange and interest rate risks linked to the notes issued, the Company entered into several currency and interest rate swap contracts for the same duration of the hedged notes. The table here below reports the sum of the notional amount for derivatives and counterparties.

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Cross Currency Interest Swap (CCIRS) contracts with Parent Company	5.712.845.236,93	5.906.643.687,00
Cross Currency Interest Swap (CCIRS) contracts with Group Companies	756.423.148,00	562.624.698,00
Interest Rate Swap (IRS) contracts with Parent Company	4.006.235.950,98	5.513.869.940,88
Interest Rate Swap (IRS) contracts with Group Companies	525.705.170,04	738.972.260,12
Foreign exchange agreements with Group Companies	568.717,97	0,00
Foreign exchange agreements with banks	0,00	279.837,21
	<u>11.001.778.223,92</u>	<u>12.722.390.423,21</u>

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

	<i>December 31, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Currency swap contracts with the Parent Company	-473.566.433,80	-166.010.828,01
Currency swap contracts with Group Companies	-10.413.716,45	15.429.513,07
Interest rate swap contracts with the Parent Company	554.943.573,00	1.156.074.125,03
Interest rate swap contracts with Group Companies	92.429.690,42	289.462.224,75
Currency swaps with banks	-4.090,52	8.019,39
	<u>163.389.022,65</u>	<u>1.294.963.054,23</u>

Note 17 – Tax situation

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

Note 18 – Consolidation

The accounts of the Company are included in the consolidated accounts of Telecom Italia S.p.A. which are available at the registered office located in Milano, Piazza degli Affari 2 and on the website <http://www.telecomitalia.com>

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

Note 19 – Directors remuneration

The Directors have not been remunerated in their capacity as Director during the year 2013.

Note 20 – Staff

As of December 31, 2013 the Company has 3 employees on its payroll (December 31, 2012 – 4). The average of employees during the fiscal period has been of 3,58 resources (2012 – 4).

Note 21 – Litigation

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

Note 22 – Auditor's fees

During the fiscal year 2013 a total of EUR 53.417,40 (VAT excluded) has been paid to PricewaterhouseCoopers Société Cooperative for the audit activity (2012 – EUR 11.922,00). No other amount has been paid to the Auditor.

Declaration of the manager responsible for financial reporting

Pursuant to paragraph 3 of Luxembourg's Transparency Law, the undersigned Adriano Trapletti, Managing Director of the Company, to the best of his knowledge, hereby declares that the above financial statements prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual account give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes a fair review of the development and performance of the business and the position of the issuer as at and for the period ended December 31, 2013, together with a description of the principal risks and uncertainties that the issuer faces.

Adriano Trapletti
Managing Director



Audit report

To the Shareholder of
Telecom Italia Capital S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Telecom Italia Capital S.A., which comprise the balance sheet as at 31 December 2013, the profit and loss account and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
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Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Telecom Italia Capital S.A. as of 31 December 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 27 March 2014

A handwritten signature in black ink, appearing to read 'Fabrice Goffin'.

Fabrice Goffin