



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

Unaudited Semi-Annual Accounts
as at June 30, 2013, which have been
authorized by the Board of Directors
held on July 29, 2013

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Directors' report

Telecom Italia Capital (herein defined as well as the "Company" or "TI Capital") ends the first six months of the year 2013 with a loss of EUR 10.171.318,36 (profit of EUR 1.708.568,61 for the same period 2012) after deducting tax charges for EUR 325.950,00 (EUR 689.427,98 for the first half 2012).

The result of the period is impacted by the exercise by counterparties of early termination clause with respect to a number of derivatives agreements entered to cover both rate and exchange risk. The cost involved amount to EUR 10,9 million, of which EUR 8,2 for novation and EUR 2,8 for postponement of the termination clause and are not deductible for taxes purposes.

The contribution of the on-going borrowing and lending activity is positive for EUR 1,6 million (EUR 1,8 million for the same period 2012).

The net financial position as of June 30, 2013 is positive for EUR 21,4 million (EUR 29,6 million as of December 31, 2012).

As per June 30, 2013, the aggregate principal amount of the outstanding notes equals to USD 11.650.000.000,00 (same amount as of December 31, 2012). The revenues of the aforesaid 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.

As of June 30, 2013 the fully paid in share capital amounts to EUR 2.336.000,00. Notwithstanding the loss of the period, the net equity is positive for EUR 19.884.730,53.

No event after the closing of the accounts has a material impact on the financials herein reported.

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.

During the second half of the year 2013 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. On November 15, 2013 will mature and shall be repaid USD

2.000.000.000,00 of notes issued on October 2003. The repayment shall be financed by reducing the amounts deposited with the mother company, Telecom Italia S.p.A.

Financials as of June 30, 2013 herein reported have not been audited. They comprise the balance sheet, the profit and loss account, the cash flow statements and the explanatory notes.

For the Board of Directors
The Managing Director
Adriano Trapletti

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Balance Sheet

ASSETS - [EUR]		30.JUNE.2013	31.DECEMBER.2012	LIABILITIES - [EUR]		30.JUNE.2013	31.DECEMBER.2012
B. Formation expenses	[3]	24.678.515,98	26.331.978,09	A. Capital and reserves		19.884.730,53	30.056.048,89
C. Fixed assets		7.710.697.351,65	7.690.880.170,37	I. Subscribed capital	[8]	2.336.000,00	2.336.000,00
III. Financial assets				II. Share premium and similar premiums	[9]	11.810.696,39	11.810.696,39
2. Loans to affiliated undertakings	[4]	7.710.697.351,65	7.690.880.170,37	IV. Reserves	[10]		
D. Current assets		1.522.818.354,85	1.505.205.096,43	1. Legal reserve		234.000,00	234.000,00
II. Debtors				4. Other reserves		1.371.850,00	1.541.475,00
2. Amounts owed by affiliated undertakings	[5]			V. Profit or loss brought forward		14.303.502,50	10.840.391,57
a) becoming due and payable after less than one year		1.230.470.683,66	1.189.155.028,31	VI. Result for the financial period		-10.171.318,36	3.293.485,93
b) becoming due and payable after more than one year		292.143.098,37	310.940.314,16	C. Provisions		2.065.854,07	1.744.159,77
4. Other debtors	[6]			2. Provisions for taxation	[11]	2.065.854,07	1.744.159,77
a) becoming due and payable after less than one year		0,00	8.239,80	D. Not Subordinated debts		9.238.444.089,93	9.193.067.840,55
b) becoming due and payable after more than one year		0,00	0,00	1. Debenture loans			
IV. Cash at bank and in hand	[7]	204.572,82	5.101.514,16	b) Non convertible notes	[12]		
E. Prepayments		2.200.452,05	2.450.804,32	i) becoming due and payable after less than one year		2.383.070.243,54	1.604.364.878,26
				ii) becoming due and payable after more than one year		6.602.155.280,95	7.302.288.799,86
				4. Trade creditors			
				a) becoming due and payable after less than one year		577.963,80	608.638,63
TOTAL ASSETS		9.260.394.674,53	9.224.868.049,21	6. Amounts owed to affiliated undertakings	[13]		
				a) becoming due and payable after less than one year		32.348.326,64	34.238.463,34
				b) becoming due and payable after more than one year		220.287.946,07	251.561.479,23
				8. Tax and social security			
				b) Social security		4.328,93	5.441,35
				9. Other creditors			
				a) becoming due and payable after less than one year	[14]	0,00	139,88
				TOTAL LIABILITIES		9.260.394.674,53	9.224.868.049,21

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

Profit and Loss

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME					
PROFIT AND LOSS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013					
A. CHARGES - [EUR]	30.JUNE.2013	30.JUNE.2012	B. INCOME - [EUR]	30.JUNE.2013	30.JUNE.2012
1. Raw materials and consumables	0,00	0,00			
2. Other external charges	325.059,56	339.069,61	6. Income from financial fixed assets	[16] 132.364.246,53	155.480.592,30
3. Staff costs	104.800,75	96.347,68	a) derived from affiliated undertakings	132.364.246,53	155.480.592,30
a) Wages and salaries	89.686,96	82.865,82			
b) Social security costs	11.372,36	10.598,70	8. Other interest and other financial income	[17] 731.691.561,89	770.860.424,42
c) Social security costs relating to pensions	3.741,43	2.883,16	a) derived from affiliated undertakings	731.043.619,74	584.111.764,05
4. Value adjustments	1.801.998,56	1.809.371,82	b) other interest receivable and similar income	647.942,15	186.748.660,37
a) on formation expenses and on tangible and intangible fixed assets	1.801.998,56	1.809.371,82			
5. Other operating charges	57.924,17	54.980,87	9. Extraordinary income	0,00	0,00
8. Interest payable and similar charges	[15] 871.611.393,74	921.643.250,15			
a) concerning affiliated undertakings	594.352.116,27	569.974.199,89	12. Loss for the financial year	10.171.318,36	0,00
b) other interest payable and similar charges	277.259.277,47	351.669.050,26			
10. Tax on profit or loss	325.950,00	689.427,98	TOTAL INCOME	874.227.126,78	926.341.016,72
11. Other taxes not included in the previous caption	0,00	0,00			
12. Profit for the financial year	0,00	1.708.568,61			
TOTAL CHARGES	874.227.126,78	926.341.016,72			

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

Cash Flow Statements

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME CASH FLOW STATEMENT AS AT 30 JUNE 13		
	30.JUNE.2013	31.DECEMBER.2012
Operating Activities		
Profit/Loss before tax	-9.845.368,36	4.578.043,39
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	1.801.998,56	3.635.826,93
Finance Income	-864.055.808,42	-1.360.333.742,98
Finance Expenses	870.485.404,05	1.348.856.406,10
Changes in trade and other receivables	250.352,27	508.102,37
Changes in trade and other payables	-1.161.073,08	-1.048.050,37
Net cash flows from operating activities	-2.524.494,98	-3.803.414,56
Cash flows from Investing activities		
Investments and re-payments in Financial Receivables	2.262.500,00	3.998.833,82
Interest, commissions and other financial income received	865.776.425,21	1.373.373.579,86
Net cash flows from investing activities	868.038.925,21	1.377.372.413,68
Cash flows from Financing activities		
Net change in short-term financial payables	2.500.000,00	-6.600.000,00
Repayments of borrowings	-2.033.861,66	-4.005.863,09
Interest, commissions and other financial expenses paid	-871.046.917,34	-1.360.326.250,89
Net cash flows from financing activities	-870.580.779,00	-1.370.932.113,98
Net Increase / Decrease in Cash and Cash Equivalents	-5.066.348,77	2.636.885,14
Net foreign exchange differences in C&CE	169.542,17	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	204.572,82	5.101.379,42

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

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME
CASH FLOW STATEMENT AS AT 30 JUNE 13

	30.JUNE.2013	30.JUNE.2012
Operating Activities		
Profit/Loss before tax	-9.845.368,36	2.397.996,59
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	1.801.998,56	1.809.371,82
Finance Income	-864.055.808,42	-926.341.016,72
Finance Expenses	870.485.404,05	920.470.187,99
Changes in trade and other receivables	250.352,27	252.501,90
Changes in trade and other payables	-1.161.073,08	-1.203.940,65
Net cash flows from operating activities	-2.524.494,98	-2.614.899,07
Cash flows from Investing activities		
Investments and re-payments in Financial Receivables	2.262.500,00	1.699.667,83
Interest, commissions and other financial income received	865.776.425,21	929.361.674,78
Net cash flows from investing activities	868.038.925,21	931.061.342,61
Cash flows from Financing activities		
Net change in short-term financial payables	2.500.000,00	-5.600.000,00
Repayments of borrowings	-2.033.861,66	-1.955.984,10
Interest, commissions and other financial expenses paid	-871.046.917,34	-922.513.403,23
Net cash flows from financing activities	-870.580.779,00	-930.069.387,33
Net Increase / Decrease in Cash and Cash Equivalents	-5.066.348,77	-1.622.943,79
Net foreign exchange differences in C&CE	169.542,17	238.868,29
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	204.572,82	781.076,84

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

Notes to the accounts

as at June 30, 2013

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 semi-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 statements 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 Euro at the end of each month. The net exchange differences that arise from these conversions are reflected in the profit and loss account in the item "Interest payable and similar charges/ Other interest and other financial income".

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

The exchange differences arising from the transactions expressed in currencies other than EUR are hedged either by balanced deposits and loans, or through currency swaps contracts using the account « exchange evaluation », whose valuation at the period-end rate allows to hedge off the exchange variance risk. Those differences are reflected in Profit and Loss accounts through "Other interest payable and similar charges" and "Other interest receivable and similar income".

The exchange rate used to convert as of June 30, 2013 the operations in USD into EUR is the following: 1 EUR= USD 1,30800.

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.

Fixed financial assets

Fixed financial 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 and in hand

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

Accrued interest

Accrued interest are shown with their principal amount.

Prepayments/Deferred income

“Prepayments” and “Deferred income” accounts include prepaid charges and deferred income.

Issue discounts 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 evaluations 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 variance refer to the accounting policy “Foreign currency translation” above.

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

Notes and other liabilities

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>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Incorporation expenses	3.117,80	4.562,42
Bond issuance expenses	24.675.398,18	26.327.415,67
	24.678.515,98	26.331.978,09

The movements for the period are only due to depreciation.

Note 4 – Loans to affiliated undertakings

This item is composed by EUR 7.710.697.351,65 (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>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: USD 2.000.000.000,00 Expiring November 15, 2014 [*]		
Floater rate: USDLibor 3m + 0,71000%	1.529.051.987,77	1.515.840.533,58
Nominal value: EUR: 700.000.000,00 Expiring December 18, 2014		
Fixed rate: 5,94017%	700.000.000,00	700.000.000,00
Nominal value: EUR: 20.000.000,00 Expiring December 18, 2014		
Fixed rate: 5,94017%	20.000.000,00	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%	764.525.993,88	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
	7.710.697.351,65	7.690.880.170,37

[*] Differences between June 30, 2013 and December 31, 2012 are due to exchange rate impact.

Note 5 – Amounts owed by affiliated undertakings

a) becoming due and payable after less than one year

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Current portion of long term loans with Parent Company	1.058.000.000,00	1.058.000.000,00
Accruals on long term loans with Parent Company	29.347.974,42	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	2.000.000,00	4.200.000,00
Accruals on short term loans with Group Companies	62.218,69	76.372,40
Accruals on interest rate swaps with Parent Company	77.143.902,83	76.517.792,89
Accruals on interest rate swaps with Group Companies	11.533.531,84	11.353.744,00
Exchange rate evaluation of currency and interest rate swaps with Parent Company	32.749.198,41	0,00
Exchange rate evaluation of currency and interest rate swaps with Group Companies	13.131.498,47	0,00
Exchange rate evaluation of currency swaps with Group Companies	2.359,00	0,00
	<u>1.230.470.683,66</u>	<u>1.189.155.028,31</u>

b) becoming due and payable after more than one year

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Exchange rate evaluation of currency and interest rate swaps with Parent Company	182.492.851,87	229.332.785,39
Exchange rate evaluation of currency and interest rate swaps with Group Companies	109.650.246,50	81.607.528,77
	<u>292.143.098,37</u>	<u>310.940.314,16</u>

Note 6 – Other debtors

a) becoming due and payable after less than one year

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Exchange rate evaluation of currency swaps with banks	0,00	8.239,80
	0,00	8.239,80

Note 7 – Cash at bank and in hand

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Bank current accounts	204.572,82	4.722.419,29
Bank term deposit accounts	0,00	378.960,13
Cash and cash equivalent as shown in Cash Flow Statement	204.572,82	5.101.379,42
Accruals on bank term deposits	0,00	134,74
	204.572,82	5.101.514,16

Note 8 – Subscribed capital

As of June 30, 2012 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 June 30, 2013 and December 31, 2012, the Company is 100% held by Telecom Italia S.p.A.

Note 9 – 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 10 – 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 June 30, 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/Loss brought forward (EUR)</i>	<i>Result 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/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/Loss for the period	0,00	0,00	0,00	-10.171.318,36
Balance as at 30.06.2013	234.000,00	1.371.850,00	14.303.502,50	-10.171.318,36

[*] 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 and 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 11 – Provisions for taxation

	June 30, 2013	December 31, 2012
	EUR	EUR
Income tax	2.042.394,83	1.717.232,33
VAT	1.780,29	5.248,49
Chamber of Commerce Fees	21.405,98	21.405,98
Other taxes	272,97	272,97
	2.065.854,07	1.744.159,77

Note 12 – Non convertible notes

The Company has issued non-convertible notes for a total outstanding amount of USD 11.650.000.000,00 as at June 30, 2013 (December 31, 2012 – USD 11.650.000.000,00).

i) *becoming due and payable after less than one year*

	June 30, 2013	December 31, 2012
	EUR	EUR
Nominal value: USD 1.000.000.000,00 Expiring June 18, 2014		<i>Classified in long term portion</i>
Fixed Interest Rate 6,18 %	764.525.993,88	
Nominal value: USD 2.000.000.000,00 Expiring November 15, 2013		
Fixed Interest Rate 5,25 %	1.529.051.987,77	1.515.840.533,58
Prepaid charges on notes (issue discounts) - <i>Current portion</i>	-1.643.537,03	-1.824.014,42
Accrued interest on notes	91.135.798,92	90.348.359,10
	2.383.070.243,54	1.604.364.878,26

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

	June 30, 2013	December 31, 2012
	EUR	EUR
Nominal value: USD 1.000.000.000,00		
Expiring June 18, 2014		
Fixed Interest Rate 6,18 %	<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 4,95 %	955.657.492,35	947.400.333,48
Nominal value: USD 1.400.000.000,00		
Expiring October 1, 2015		
Fixed Interest Rate 5,25 %	1.070.336.391,44	1.061.088.373,50
Nominal value: USD 1.000.000.000,00		
Expiring June 4, 2018		
Fixed Interest Rate 6,99 %	764.525.993,88	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring June 18, 2019		
Fixed Interest Rate 7,18 %	764.525.993,88	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring November 15, 2033		
Fixed Interest Rate 6,37 %	764.525.993,88	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring September 30, 2034		
Fixed Interest Rate 6,00 %	764.525.993,88	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring July 18, 2036		
Fixed Interest Rate 7,20 %	764.525.993,88	757.920.266,79
Nominal value: USD 1.000.000.000,00		
Expiring June 4, 2038		
Fixed Interest Rate 7,72 %	764.525.993,88	757.920.266,79
Prepaid charges on notes (issue discounts) – <i>Long term portion</i>	-10.994.566,12	- 11.641.774,65
	6.602.155.280,95	7.302.288.799,86

Note 13 – Amounts owed to affiliated undertakings

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

a) becoming due and payable after less than one year

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<u>EUR</u>	<u>EUR</u>
Guarantee fee due to Parent Company	1.125.989,18	2.251.022,68
Current portion of long term loans with Parent Company [*]	3.222.606,54	3.711.228,98
Current portion of long term loans with Group Companies [*]	260.333,30	308.051,98
Short term payables to Group Companies	2.562.500,04	0,00
Exchange rate evaluation of currency swaps with Group Companies	1.928,84	0,00
Accruals on short term payables with Group Companies	30.599,18	0,00
Accruals on long term loans with Parent Company	120.618,57	116.409,78
Accruals on long term loans with Group Companies	21.516,44	35.852,66
Accruals on interest rate swaps with Parent Company	21.526.285,45	25.344.143,58
Accruals on interest rate swaps with Group Companies	3.475.853,25	2.471.753,68
Accruals on currency swaps with Group Companies	95,85	0,00
	<u>32.348.326,64</u>	<u>34.238.463,34</u>

b) becoming due and payable after more than one year

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<u>EUR</u>	<u>EUR</u>
Long term loans with Parent Company [*]	23.257.496,04	22.337.330,47
Long term loans with Group Companies [*]	2.888.117,20	5.025.757,65
Exchange rate evaluation of currency interest rate swaps with Parent Company	194.142.332,83	224.198.391,11
	<u>220.287.946,07</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>June 30, 2013</i>	<i>December 31, 2012</i>
	<u>EUR</u>	<u>EUR</u>
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	599.805,35	1.221.478,66
November 15, 2033	8.316.622,31	8.358.575,65
Nominal residual amount	8.916.427,66	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	1.144.955,25	1.558.635,62
September 29, 2034	11.459.892,31	11.517.645,22
Nominal residual amount	12.604.847,56	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	3.354.318,35	3.956.118,33
Nominal residual amount	3.354.318,35	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	4.752.959,51	4.769.915,60
Nominal residual amount	4.752.959,51	4.769.915,60

Note 14 – Other creditors becoming due and payable after less than one year

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Accruals on currency swaps with banks	0,00	139,88
	0,00	139,88

Note 15 – Interest payable and similar charges*a) concerning affiliated undertakings*

	<i>June 30, 2013</i>	<i>June 30, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest due to Group Companies	44.251,00	153.266,90
Guarantee Fee due to Parent Company	1.125.989,69	1.173.062,16
Other fees due to Group Companies	123.194,29	62.500,00
Charges on interest rate swaps with Parent Company	565.300.537,27	375.502.184,09
Charges on Loans with Parent Companies	617.130,69	0,00
Charges on Loans with Group Companies	99.569,15	0,00
Charges on currency swaps with Group Companies	243,59	0,00
Charges on interest rate swaps with Group Companies	27.041.200,59	193.083.186,74
	594.352.116,27	569.974.199,89

b) *other interest payable and similar charges*

	<i>June 30, 2013</i>	<i>June 30, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest and charges vs. banks	63,18	818.596,48
Other financial commission	1.258,22	1.593,34
Interest and similar expenses on debentures	276.756.804,23	282.560.572,22
Charges on interest rate swaps with banks	0,00	67.292.670,95
Charges on currency swaps with banks	146,38	237,76
Charges on currency swaps with Group Companies	0,00	477,12
Losses on exchange rates	501.005,46	994.902,39
	<u>277.259.277,47</u>	<u>351.669.050,26</u>

Note 16 – Income from financial fixed assets derived from affiliated undertakings

	<i>June 30, 2013</i>	<i>June 30, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest on long term loans to Parent Company	132.364.246,53	155.480.592,30
	<u>132.364.246,53</u>	<u>155.480.592,30</u>

Note 17 – Other interest and other financial income

a) *derived from affiliated undertakings*

	<i>June 30, 2013</i>	<i>June 30, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest and commissions on receivables from Group Companies	106.794,52	218.787,70
Income on interest rate swaps with Parent Company	605.169.269,33	495.333.467,17
Income on interest rate swaps with Group Companies	125.767.459,87	88.559.509,18
Income on currency swaps with Group Companies	96,02	0,00
	<u>731.043.619,74</u>	<u>584.111.764,05</u>

b) *other interest receivable and similar income*

	<i>June 30, 2013</i>	<i>June 30, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Interest on Bank deposits	685,65	1.079,58
Income on interest rate swaps with banks	0,00	185.519.324,00
Gain on exchange rates	647.256,50	1.228.256,79
	647.942,15	186.748.660,37

Note 18 – 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 net sum of the notional amount for derivatives and counterparties.

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Currency and interest rate swap contracts with the Parent Company	5.712.845.236,93	5.906.643.687,00
Currency and interest rate swap contracts with Group Companies	756.423.148,00	562.624.698,00
Interest rate swap contracts with the Parent Company	5.753.058.103,98	5.513.869.940,88
Interest rate swap contracts with Group Companies	554.281.345,57	738.972.260,12
Currency swaps with Group Companies	1.039.205,82	0,00
Currency swaps with banks	0,00	279.837,21
	12.777.647.040,30	12.722.390.423,21

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

	<i>June 30, 2013</i>	<i>December 31, 2012</i>
	<i>EUR</i>	<i>EUR</i>
Currency and interest rate swap contracts with the Parent Company	-183.248.807,60	-166.010.828,01
Currency and interest rate swap contracts with Group Companies	37.039.043,02	15.429.513,07
Interest rate swap contracts with the Parent Company	756.068.503,16	1.156.074.125,03
Interest rate swap contracts with Group Companies	131.036.248,10	289.462.224,75
Currency swaps with banks	306,35	8.019,39
	<u>740.895.293,03</u>	<u>1.294.963.054,23</u>

Note 19 – Tax situation

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

Note 20 – 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 21 – Directors remuneration

The Directors have not been remunerated in their capacity as Director during the first six months of 2013.

Note 22 – Staff

As of June 30, 2013 the Company has 4 employees on its payroll (December 31, 2012 – 4). The average of employees during the fiscal period has been of 4,00 resources (2012 – 4).

Note 23 – Litigation

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

Note 24 – Auditor's fees

During the first six months a total of EUR 5.736,60 (VAT excluded) has been paid to PricewaterhouseCoopers Société Cooperative for the audit activity (in the first six months 2012 no fees has been paid for audit activities). No other amount has been paid to the Auditor.

Declaration of the manager responsible for financial reporting

Pursuant to paragraph 4 of Luxembourg's Transparency Law, the undersigned Adriano Trapletti, Managing Director of the Company, to the best of his knowledge, hereby declares that the above interim financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Adriano Trapletti
Managing Director