TELECOM ITALIA S P A
Form 6-K
June 23, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15D-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF JUNE 2015

TELECOM ITALIA S.p.A.

(Translation of registrant's name into English)

Via Gaetano Negri 1

20123 Milan, Italy

(Address of principal executive offices)

Indicate by check mark whether the registrant files

or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F [X] FORM 40-F [ ]

Indicate by check mark if the registrant

is submitting the Form 6-K in paper

as permitted by Regulation S-T Rule 101(b)(1): [ ]

Indicate by check mark if the registrant

is submitting the Form 6-K in paper

as permitted by Regulation S-T Rule 101(b)(7): [ ]

Indicate by check mark whether by furnishing the information

contained in this Form, the registrant is also thereby furnishing

the information to the Commission pursuant to Rule 12g3-2(b)

under the Securities Exchange Act of 1934.

YES [ ] NO [X]

If "Yes" is marked, indicate below the file number assigned

to the registrant in connection with Rule 12g3-2(b): 82- _______

***This file cancels and replaces the previous submission, if any, because of a technical problem.***

INTERIM REPORT AT MARCH 31, 2014

Contents

*This document has been translated into English solely for the convenience of the readers. In the event of discrepancy, the Italian language version prevails.*

The Telecom Italia Group

# The Business Units

## DOMESTIC

The Domestic Business Unit operates as the consolidated market leader in the sphere of voice and data services on fixed and mobile networks for final retail customers and other wholesale operators.

In the international field, the Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

### CORE DOMESTIC

- Consumer
- Business
- National Wholesale
- Other (Support Structures)

### INTERNATIONAL WHOLESALE

Telecom Italia Sparkle group

- Telecom Italia Sparkle S.p.A.
- Lan Med Nautilus group

## OLIVETTI

Olivetti operates in the area of office products and services for Information Technology. It carries out Solution Provider activities to automate processes and business activities for small and medium-size enterprises, large corporations and vertical markets.

Olivetti group

- Olivetti S.p.A.

## Brazil

The Brazil Business Unit (Tim Brasil group) offers services using UMTS, GSM and LTE technologies. Moreover, with the acquisitions and subsequent integrations into the group of Intelig Telecomunicações, Tim Fiber RJ and Tim Fiber SP, the services portfolio has been extended by offering fiber optic data transmission using full IP technology such as DWDM and MPLS and by offering residential broadband services.

Tim Brasil Serviços e Participações S.A.

- Tim Participações S.A.
  - Intelig Telecomunicações Ltda
  - Tim Celular S.A.

## MEDIA

Media operates in the management of analog and digital broadcasting networks and accessory services of television broadcasting platforms.

Telecom Italia Media S.p.A.

- TI Media Broadcasting S.r.l.

## Board of Directors

| | |
|---|---|
| Chairman | Giuseppe Recchi |
| Chief Executive Officer | Marco Patuano |
| Directors | Tarak Ben Ammar |
| | Davide Benello (independent) |
| | Lucia Calvosa (independent) |
| | Flavio Cattaneo (independent) |
| | Laura Cioli (independent) |
| | Francesca Cornelli (independent) |
| | Jean Paul Fitoussi |
| | Giorgina Gallo (independent) |
| | Denise Kingsmill (independent) |
| | Luca Marzotto (independent) |
| | Giorgio Valerio (independent) |
| Secretary to the Board | Antonino Cusimano |

## Board of Statutory Auditors

| | |
|---|---|
| Chairman | Enrico Maria Bignami |
| Acting Auditors | Roberto Capone |
| | Gianluca Ponzellini |
| | Salvatore Spiniello |
| | Ferdinando Superti Furga |
| Alternate Auditors | Ugo Rock |
| | Vittorio Mariani |
| | Franco Patti |
| | Fabrizio Riccardo Di Giusto |

Board of Directors and Board of Statutory Auditors

of Telecom Italia S.p.A.



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## Highlights – First Three Months of 2014

The first quarter of 2014 was again affected by recessionary pressures in the domestic market and the slowdown of the growth in the economies of Latin American countries.

The telecommunications market continues to see an increasing trend in innovative services, which is only marginally offsetting the downturn in prices and revenues from traditional services. Despite the confirmation of the signs of cooling and improvement in competition (particularly in the domestic Mobile business), traditional services continue to report a sharp decline in ARPU, not only in the Mobile business but also in the Fixed-line business. This was partly due to the strategy of repositioning customers towards bundle and/or fixed-line and mobile convergent offers which – against a short-term reduction in profitability – will ensure the stability of the market share in the short term and a gradual stabilization of expenditure and revenues in the medium/long-term. Results also continued to be affected by the adverse impact of several regulatory trends and factors, in particular rates for wholesale services.

In Brazil economic growth was modest and the exchange rate depreciated by almost 20% compared to the first quarter of 2013. In a scenario of greater competition pressure, the mobile customers market experienced a slowdown compared to the same period of the previous year. However this did not affect the growth of the Brazilian investee.

Please note that, as regards Argentina, on November 13, 2013 the Telecom Italia Group accepted the purchase offer, made by the Fintech group, for the entire controlling interest held in the Sofora - Telecom Argentina group (Argentina Business Unit). As a result, with effect from the financial statements at December 31, 2013, the Business Unit has been classified under Discontinued operations/Non-current assets held for sale. Obtaining the necessary local authorizations is the condition precedent for the completion of the sale.

Specifically, for the first quarter of 2014:

- Consolidated revenues amounted to 5.2 billion euros, down by 11.9% on the first quarter of 2013 (-6.2% in organic terms), while EBITDA fell to 2.2 billion euros, down 8.4% (-5.7% in organic terms).

- The organic EBITDA margin stood at 42.4%, 0.2 percentage points higher than in the first quarter of 2013.

- Operating profit (EBIT) amounted to 1.2 billion euros, increasing by 1.1% compared to the first quarter of 2013 (+2.7% in organic terms). The organic EBIT Margin stood at 22.5%, 2.0 percentage points higher than in the first quarter of 2013.

- Profit for the period attributable to owners of the Parent totaled approximately 0.2 billion euros (versus 0.4 billion euros in the first quarter of 2013).

- Adjusted Net Financial Debt consequently came to 27.5 billion euros at March 31, 2014, an increase of 0.7 billion euros compared to the end of 2013, but down year-on-year by over 1.2 billion euros compared to March 31, 2013.

## Profit (loss) for the period

The details are as follows:

| (millions of euros) | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|
| Profit (loss) for the period | 367 | 448 |
| Attributable to: | | |
| Owners of the Parent: | | |
| Profit (loss) from continuing operations | 196 | 342 |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | 26 | 22 |
| Profit (loss) for the period attributable to owners of the Parent | 222 | 364 |
| Non-controlling interests: | | |
| Profit (loss) from continuing operations | 38 | 9 |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | 107 | 75 |
| Profit (loss) for the period attributable to non-controlling interests | 145 | 84 |

## Alternative Performance Measures

In this Interim Report at March 31, 2014 of the Telecom Italia Group, in addition to the conventional financial performance measures required by IFRS, a series of *alternative performance measures* are presented for the purposes of providing a better understanding of results from operations and the financial position. Such measures, which are also presented in other periodical financial reports (annual and interim) should, however, not be construed 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), 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 |
| +/- | Share of losses (profits) of associates and joint ventures accounted for using the equity method |
| 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 (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets | |

- **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 and exchange differences. In particular, starting from this Interim Management Report, Telecom Italia has revised the method for calculating the organic change in revenues, EBITDA and EBIT, no longer including non-organic income/expenses in that calculation. As noted above, organic changes now include only the effects of the change in the scope of consolidation and of exchange differences. Figures for the periods under comparison have been reclassified accordingly.

Telecom Italia believes that the presentation of the organic change in revenues, EBITDA and EBIT allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level). This method of presenting information is also used in presentations to analysts and investors. This Interim Management Report provides a reconciliation between the “reported figure” and the "comparable” figure.

- **Net Financial Debt**: Telecom Italia believes that 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. The Interim Management Report includes a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.

To better represent the real performance of Net Financial Debt, in addition to the usual indicator (renamed “Net financial debt carrying amount”), “Adjusted net financial debt” is also shown, which excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities.

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 relating to 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 assets/liabilities |
| E=(C + D) | Adjusted net financial debt |

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Telecom Italia Group Condensed Consolidated Financial Statements at March 31, 2014

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## Consolidated Statements of Financial Position

### Assets

| (millions of euros) | | note | 3/31/2014 | 12/31/2013 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | | | |
| Goodwill | | 4) | 29,984 | 29,932 |
| Other intangible assets | | 5) | 6,180 | 6,280 |
| | | | 36,164 | 36,212 |
| Tangible assets | | 6) | | |
| Property, plant and equipment owned | | | 12,182 | 12,299 |
| Assets held under finance leases | | | 887 | 920 |
| | | | 13,069 | 13,219 |
| Other non-current assets | | | | |
| Investments in associates and joint ventures accounted for using the equity method | | | 35 | 65 |
| Other investments | | | 46 | 42 |
| Non-current financial assets | | | 1,340 | 1,256 |
| Miscellaneous receivables and other non-current assets | | | 1,697 | 1,607 |
| Deferred tax assets | | | 983 | 1,039 |
| | | | 4,101 | 4,009 |
| **Total Non-current assets** | (a) | | 53,334 | 53,440 |
| **Current assets** | | | | |
| Inventories | | | 392 | 365 |
| Trade and miscellaneous receivables and other current assets | | | 5,921 | 5,389 |
| Current income tax receivables | | | 36 | 123 |
| Current financial assets | | | | |
| Securities other than investments, financial receivables and other current financial assets | | | 1,646 | 1,631 |
| Cash and cash equivalents | | | 3,945 | 5,744 |
| | | | 5,591 | 7,375 |
| Current assets sub-total | | | 11,940 | 13,252 |
| **Discontinued operations/Non-current assets held for sale** | | 7) | | |
| of a financial nature | | | 508 | 657 |
| of a non-financial nature | | | 2,500 | 2,871 |
| | | | 3,008 | 3,528 |
| **Total Current assets** | (b) | | 14,948 | 16,780 |
| **Total Assets** | (a+b) | | 68,282 | 70,220 |

## Equity and Liabilities

| (millions of euros) | | note | 3/31/2014 | 12/31/2013 |
|---|---|---|---|---|
| Equity | | 8) | | |
| Share capital issued | | | 10,693 | 10,693 |
| less: treasury shares | | | (89) | (89) |
| Share capital | | | 10,604 | 10,604 |
| Paid-in capital | | | 1,704 | 1,704 |
| Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | | | 5,035 | 4,753 |
| Equity attributable to owners of the Parent | | | 17,343 | 17,061 |
| Equity attributable to Non-controlling interests | | | 3,038 | 3,125 |
| Total Equity | (c) | | 20,381 | 20,186 |
| Non-current liabilities | | | | |
| Non-current financial liabilities | | 9) | 31,040 | 31,084 |
| Employee benefits | | | 894 | 889 |
| Deferred tax liabilities | | | 281 | 234 |
| Provisions | | | 706 | 699 |
| Miscellaneous payables and other non-current liabilities | | | 766 | 779 |
| Total Non-current liabilities | (d) | | 33,687 | 33,685 |
| Current liabilities | | | | |
| Current financial liabilities | | 9) | 5,182 | 6,119 |
| Trade and miscellaneous payables and other current liabilities | | | 7,699 | 8,649 |
| Current income tax payables | | | 52 | 20 |
| Current liabilities sub-total | | | 12,933 | 14,788 |
| Liabilities directly associated with Discontinued operations/Non-current assets held for sale | | 7) | | |
| of a financial nature | | | 27 | 27 |
| of a non-financial nature | | | 1,254 | 1,534 |
| | | | 1,281 | 1,561 |
| Total Current Liabilities | (e) | | 14,214 | 16,349 |
| Total Liabilities | (f=d+e) | | 47,901 | 50,034 |
| Total Equity and Liabilities | (c+f) | | 68,282 | 70,220 |

## Separate Consolidated Income Statements

| (millions of euros) | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|
| Revenues | 5,188 | 5,889 |
| Other income | 84 | 54 |
| Total operating revenues and other income | 5,272 | 5,943 |
| Acquisition of goods and services | (2,179) | (2,557) |
| Employee benefits expenses | (775) | (845) |
| Other operating expenses | (267) | (327) |
| Change in inventories | 23 | 50 |
| Internally generated assets | 126 | 138 |
| Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA) | 2,200 | 2,402 |
| Depreciation and amortization | (1,070) | (1,149) |
| Gains (losses) on disposals of non-current assets | 37 | 6 |
| Impairment reversals (losses) on non-current assets | – | (105) |
| Operating profit (loss) (EBIT) | 1,167 | 1,154 |
| Share of losses (profits) of associates and joint ventures accounted for using the equity method | (5) | – |
| Other income (expenses) from investments | 11 | – |
| Finance income | 366 | 732 |
| Finance expenses | (1,051) | (1,244) |
| Profit (loss) before tax from continuing operations | 488 | 642 |
| Income tax expense | (254) | (291) |
| Profit (loss) from continuing operations | 234 | 351 |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | 133 | 97 |
| Profit (loss) for the period | 367 | 448 |
| Attributable to: | | |
| Owners of the Parent | 222 | 364 |
| Non-controlling interests | 145 | 84 |

| (euro) | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|
| Earnings per share: | | |
| Basic and Diluted Earnings Per Share (EPS) | | |
| Ordinary Share | 0.02 | 0.02 |
| Savings Share | 0.03 | 0.03 |
| *of which:* | | |
| from Continuing operations | | |
| Ordinary Share | 0.01 | 0.01 |
| Savings Share | 0.02 | 0.02 |
| from Discontinued operations/Non-current assets held for sale | | |

| | | |
|---|---|---|
| Ordinary Share | 0.01 | 0.01 |
| Savings Share | 0.01 | 0.01 |

## Consolidated Statements of Comprehensive Income

Note 8

| (millions of euros) | | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|---|
| Profit (loss) for the period | (a) | 367 | 448 |
| Other components of the Consolidated Statements of Comprehensive Income: | | | |
| Other components that subsequently will not be reclassified in the Separate Consolidated Income Statements | | | |
| Remeasurements of employee defined benefit plans (IAS 19): | | | |
| Actuarial gains (losses) | | – | – |
| Net fiscal impact | | – | – |
| | (b) | – | – |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method: | | | |
| Profit (loss) | | – | – |
| Net fiscal impact | | – | – |
| | (c) | – | – |
| Total other components that subsequently will not be reclassified in the separate consolidated income statements | (d=b+c) | – | – |
| Other components that subsequently will be reclassified in the Separate Consolidated Income Statements | | | |
| Available-for-sale financial assets: | | | |
| Profit (loss) from fair value adjustments | | 24 | (10) |
| Loss (profit) transferred to the Separate Consolidated Income Statement | | (6) | (1) |
| Net fiscal impact | | (3) | 1 |
| | (e) | 15 | (10) |
| Hedging instruments: | | | |
| Profit (loss) from fair value adjustments | | (26) | 102 |
| Loss (profit) transferred to the Separate Consolidated Income Statement | | 2 | (71) |
| Net fiscal impact | | 4 | (8) |
| | (f) | (20) | 23 |
| Exchange differences on translating foreign operations: | | | |
| Profit (loss) on translating foreign operations | | (175) | 276 |
| Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement | | – | – |
| Net fiscal impact | | – | – |
| | (g) | (175) | 276 |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method: | | | |
| Profit (loss) | | – | 1 |

| | | | |
|---|---|---|---|
| Loss (profit) transferred to the Separate Consolidated Income Statement | | – | – |
| Net fiscal impact | | – | – |
| | (h) | – | 1 |
| Total other components that will be reclassified subsequently in the Separate Consolidated Income Statements | (i=e+f+g+h) | (180) | 290 |
| Total other components of the Consolidated Statements of Comprehensive Income | (k=d+i) | (180) | 290 |
| Total comprehensive income (loss) for the period | (a+k) | 187 | 738 |
| Attributable to: | | | |
| Owners of the Parent | | 280 | 587 |
| Non-controlling interests | | (93) | 151 |

## Consolidated Statements of Changes in Equity

### Changes in equity from January 1, 2013 to March 31, 2013

| (millions of euros) | Equity attributable to owners of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Paid-in capital | Reserve for available-for-sale financial assets | Reserve for cash flow hedges | Reserve for exchange differences on translating foreign operations | Reserve for remeasurements of employee defined benefit plans (IAS 19) | Share of other profits (losses) of associates and joint ventures accounted for using the equity method | Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | Total | Equity attributable to Non-controlling interests |
| Balance at December 31, 2012 | 10,604 | 1,704 | 43 | (383) | 504 | 154 | (1) | 6,753 | 19,378 | 3,634 |
| Changes in equity during the period: | | | | | | | | | | |
| Dividends approved | | | | | | | | | – | (5) |
| Total comprehensive income (loss) for the period | | | (10) | 23 | 209 | | 1 | 364 | 587 | 151 |
| Effect of equity transactions of TI Media | | | | | | | | (23) | (23) | 23 |
| Other changes | | | | | | | | 1 | 1 | 12 |
| Balance at March 31, 2013 | 10,604 | 1,704 | 33 | (360) | 713 | 154 | – | 7,095 | 19,943 | 3,815 |

### Changes in Equity from January 1, 2014 to March 31, 2014 Note 8

| (millions of euros) | Equity attributable to owners of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Paid-in capital | Reserve for available-for-sale financial assets | Reserve for cash flow | Reserve for exchange differences | Reserve for remeasurements of employee | Share of other profits | Other reserves and retained | Total | Equity attributable to Non-controlli |

| | | | | hedges | on translating foreign operations | defined benefit plans (IAS 19) | (losses) of associates and joint ventures accounted for using the equity method | earnings (accumulated losses), including profit (loss) for the period | | interests |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | 10,604 | 1,704 | 39 | (561) | (377) | 132 | – | 5,520 | 17,061 | 3,125 |
| Changes in equity during the period: | | | | | | | | | | |
| Dividends approved | | | | | | | | | – | (12) |
| Total comprehensive income (loss) for the period | | | 15 | (20) | 63 | | | 222 | 280 | (93) |
| Other changes | | | | | | | | 2 | 2 | 18 |
| Balance at March 31, 2014 | 10,604 | 1,704 | 54 | (581) | (314) | 132 | – | 5,744 | 17,343 | 3,038 |

## Consolidated Statements of Cash Flows

| (millions of euros) | note | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Profit (loss) from continuing operations | | 234 | 351 |
| Adjustments for: | | | |
| Depreciation and amortization | | 1,070 | 1,149 |
| Impairment losses (reversals) on non-current assets (including investments) | | – | 105 |
| Net change in deferred tax assets and liabilities | | 105 | 164 |
| Losses (gains) realized on disposals of non-current assets (including investments) | | (38) | (6) |
| Share of losses (profits) of associates and joint ventures accounted for using the equity method | | 5 | – |
| Change in provisions for employee benefits | | (5) | 11 |
| Change in inventories | | (27) | (56) |
| Change in trade receivables and net amounts due from customers on construction contracts | | (77) | 209 |
| Change in trade payables | | (496) | (971) |
| Net change in current income tax receivables/payables | | 117 | 55 |
| Net change in miscellaneous receivables/payables and other assets/liabilities | | (347) | (393) |
| Cash flows from (used in) operating activities (a) | | 541 | 618 |
| Cash flows from investing activities: | | | |
| Purchase of intangible assets on an accrual basis | 5) | (309) | (377) |
| Purchase of tangible assets on an accrual basis | 6) | (375) | (389) |
| Total purchase of intangible and tangible assets on an accrual basis | | (684) | (766) |
| Change in amounts due to fixed asset suppliers | | (569) | (479) |
| Total purchase of intangible and tangible assets on a cash basis | | (1,253) | (1,245) |
| Acquisition of control of subsidiaries or other businesses, net of cash acquired | | (9) | – |
| Acquisitions/disposals of other investments | | – | – |
| Change in financial receivables and other financial assets | | (110) | 41 |
| Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of | | – | – |
| Proceeds from sale/repayment of intangible, tangible and other non-current assets | | 74 | 25 |
| Cash flows from (used in) investing activities (b) | | (1,298) | (1,179) |
| Cash flows from financing activities: | | | |

| | | | | |
|---|---|---|---|---|
| Change in current financial liabilities and other | | | 65 | (219) |
| Proceeds from non-current financial liabilities (including current portion) | | | 1,094 | 966 |
| Repayments of non-current financial liabilities (including current portion) | | | (2,108) | (1,307) |
| Share capital proceeds/reimbursements (including subsidiaries) | | | – | – |
| Dividends paid | | | – | – |
| Changes in ownership interests in consolidated subsidiaries | | | – | – |
| Cash flows from (used in) financing activities | (c) | | (949) | (560) |
| Cash flows from (used in) Discontinued operations/Non-current assets held for sale | (d) | 7) | (190) | 117 |
| Aggregate cash flows | (e=a+b+c+d) | | (1,896) | (1,004) |
| Net cash and cash equivalents at beginning of the period | (f) | | 6,296 | 7,397 |
| Net foreign exchange differences on net cash and cash equivalents | (g) | | (84) | 58 |
| Net cash and cash equivalents at end of the period | (h=e+f+g) | | 4,316 | 6,451 |

## Additional Cash Flow Information

| (millions of euros) | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|
| Income taxes (paid) received | (16) | (50) |
| Interest expense paid | (873) | (809) |
| Interest income received | 158 | 134 |
| Dividends received | – | – |

## Analysis of Net Cash and Cash Equivalents

| (millions of euros) | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|
| Net cash and cash equivalents at beginning of the period | | |
| 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 |
| Net cash and cash equivalents at end of the period | | |

| | | |
|---|---|---|
| Cash and cash equivalents - from continuing operations | 3,945 | 5,870 |
| Bank overdrafts repayable on demand – from continuing operations | (55) | (25) |
| Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale | 426 | 606 |
| Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale | – | – |
| | 4,316 | 6,451 |

## Note 1
## Form, content and other general information

### Form and content

Telecom Italia (the "Parent") and its subsidiaries form the "Telecom Italia Group" or the "Group".

Telecom Italia is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy.

The registered offices of the Parent Telecom Italia are located in Milan at Piazza degli Affari 2, Italy.

The duration of the company, as stated in the Company's Bylaws, extends until December 31, 2100.

The Telecom Italia Group operates mainly in Europe, the Mediterranean Basin and South America.

The Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector.

The Telecom Italia Group condensed consolidated financial statements at March 31, 2014 have been prepared on a going concern basis (for further details see the Note "Accounting policies") and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (designated as "IFRS"), as well as the laws and regulations in force in Italy.

Specifically, the Telecom Italia Group condensed consolidated financial statements at March 31, 2014 have been prepared in compliance with IAS 34 (*Interim Reports*) and, as permitted by this standard, do not include all the information required in the annual consolidated financial statements. Therefore, these financial statements must be read in conjunction with the Telecom Italia Group consolidated financial statements for 2013.

For purposes of comparison, the consolidated statement of financial position at December 31, 2013, the separate consolidated income statement and the consolidated statement of comprehensive income for the first quarter 2013, as well as the consolidated statement of cash flows and the consolidated statement of changes in equity for the first quarter of 2013 have been presented. Furthermore, following the classification of the Sofora - Telecom Argentina group as discontinued operations starting from the last quarter of 2013, the separate consolidated income statement and the consolidated statement of cash flows for the first quarter of 2013 have been restated accordingly.

The Telecom Italia Group condensed consolidated financial statements are expressed in euro, rounded to the nearest million, unless otherwise indicated.

Publication of the Telecom Italia Group condensed consolidated financial statements for the period ended March 31, 2014 was approved by resolution of the board of directors' meeting held on May 12, 2014.

### Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- the consolidated statement of financial position has been prepared by classifying assets and liabilities according to the "current and non-current" criterion;

- the separate consolidated income statement has been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting and is in line with the industrial sector of reference.

In addition to EBIT or Operating profit (loss), the separate consolidated income statement includes the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

In particular, besides EBIT, EBITDA 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). EBIT and EBITDA are calculated as follows:

| | |
|---|---|
| Profit (loss) before tax from continuing operations | |
| + | Finance expenses |
| - | Finance income |
| +/- | Other expenses (income) from investments |
| +/- | Share of losses (profits) of associates and joint ventures accounted for using the equity method |
| 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 (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets | |

- the consolidated statement of comprehensive income includes the profit (loss) for the period as shown in the separate consolidated income statement and all other non-owner changes in equity;

- the consolidated statement of cash flows has been prepared by presenting cash flows from operating activities according to the “indirect method”, as permitted by IAS 7 (*Statement of Cash Flows*).

## Segment Reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

- whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources (for Telecom Italia the Board of Directors) to be allocated to the segment and assess its performance; and

- for which discrete financial information is available.

In particular, the operating segments of the Telecom Italia Group are organized according to the relative geographical location for the telecommunications business (Domestic and Brazil) and according to the specific businesses for the other segments. Additionally, following the inclusion of the Sofora – Telecom Argentina group under Discontinued operations in the fourth quarter of 2013, the Argentina Business Unit is no longer shown.

The term “operating segment” is considered synonymous with “Business Unit”.

The operating segments of the Telecom Italia Group are as follows:

- Domestic: includes operations in Italy for voice and data services on fixed and mobile networks for final customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group (International wholesale), the operations of the Olivetti group (office products and services for Information Technology), as well as the relative support activities. Since the first quarter of 2014 the operations of Olivetti group have been consolidated under the Domestic Business Unit. This different presentation reflects the commercial and business placement of the Olivetti group and the process of integrating of its products and services offered by TelecomItalia in the domestic market. Accordingly, the figures for the corresponding period of the previous year have been reclassified on a consistent basis;

- Brazil: includes mobile (TIM Celular) and fixed (TIM Celular and Intelig) telecommunications operations in Brazil;

- Media: performs network operator activities through Telecom Italia Media Broadcasting;

- Other Operations: includes finance companies and other minor companies not strictly related to the core business of the Telecom Italia Group.

## Note 2
## Accounting policies

### Going concern

The condensed consolidated financial statements at March 31, 2014 have been prepared on a going concern basis as there is the reasonable expectation that Telecom Italia will continue its operational activities in the foreseeable future (and in any event with a time horizon of at least twelve months).

In particular, consideration has been given to the following factors, which Management believes, at this time, are not such as to generate doubts as to the Group's ability to continue as a going concern:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the Telecom Italia Group are exposed:

  – changes in the general macroeconomic situation in the Italian, European and South American markets, as well as the volatility of financial markets in the Eurozone;

  – variations in business conditions;

  – changes to laws and regulations (price and rate variations);

  – outcomes of disputes and litigations with regulatory authorities, competitors and other parties;

  – financial risks (interest rate and/or exchange rate trends, changes in credit rating by rating agencies);

- the mix between equity and debt capital considered optimal as well as the policy for the remuneration of equity, as described in the paragraph "Share capital information" under the Note "Equity" in the annual consolidated financial statements at December 31, 2013;

- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note "Financial risk management" in the annual consolidated financial statements at December 31, 2013.

### Accounting policies and principles of consolidation

The accounting policies and consolidation principles adopted in the preparation of the condensed consolidated financial statements at March 31, 2014 are the same as those adopted in the Telecom Italia Group annual consolidated financial statements at December 31, 2013, to which reference can be made, except for:

- the use of the new standards/interpretations adopted by the Group since January 1, 2014, described below;

- the adjustments required by the nature of the interim measurements.

Furthermore, in the condensed consolidated financial statements at March 31, 2014, income tax expense for the period of the individual consolidated companies are calculated according to the best possible estimate based on available information and on a reasonable forecast of performance up to the end of the tax period. Conventionally, the income tax liabilities (current and deferred) on the profit for the interim period of the individual consolidated companies are recorded net of advances and tax receivables (limited to those for which refunds have not been requested), as well as deferred tax assets, and classified in "Deferred tax liabilities". If that balance is an asset, it is conventionally recognized in "Deferred tax assets".

## Use of estimates

The preparation of the condensed consolidated financial statements at March 31, 2014 and related disclosure in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and scenarios considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements, as well as the amount of revenues and costs during the year. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

In relation to the most important accounting estimates, reference should be made to the information provided in the annual consolidated financial statements at December 31, 2013.

## New Standards and Interpretations endorsed by EU in force from January 1, 2014

In accordance with IAS 8 *(Accounting Policies, Changes in Accounting Estimates and Errors),* the IFRS in force starting from January 1, 2014 are indicated and briefly illustrated below.

- **Amendments to IAS 32 *(Financial Instruments*: *Presentation - Offsetting Financial Assets and Financial Liabilities*)**

On December 13, 2012, Regulation EU no. 1256-2012 was issued, applying several amendments made by the IASB to IAS 32 *Financial Instruments*: *Presentation*,to clarify the application of certain criteria for offsetting financial assets and liabilities set out in IAS 32. The amendments to IAS 32 must be adopted retrospectively from January 1, 2014. The adoption of these amendments had no impact on the condensed consolidated financial statements at March 31, 2014.

- **Amendments to IAS 36 *(Disclosures on the recoverable amount of non-financial assets)***

On December 19, 2013, Regulation EU no. 1374-2013 was issued, applying several amendments to IAS 36 *Impairment of Assets*, entitled *Disclosures on the recoverable amount of non-financial assets* (*Amendments to IAS 36*) at EU level. These amendments govern the disclosure to be provided on the recoverable amount of impaired assets, if that amount is based on the fair value less costs to sell. Those amendments must be adopted retrospectively from January 1, 2014. The adoption of the amendments had no impact on the disclosure provided in these condensed consolidated financial statements.

- **Amendments to IAS 39*(Novation of derivatives and continuation of hedge accounting)***

On December 19, 2013 Regulation EU no. 1375-2013 was issued, applying an amendment to IAS 39 *Financial Instruments: Recognition and Measurement*, entitled *Novation of derivatives and continuation of hedge accounting*

(*Amendments to IAS 39*). The amendments permit the continuation of hedge accounting in the event that a hedging derivative is novated as a result of the application of laws or regulations, in order to replace the original counterpart to guarantee the fulfillment of the obligation undertaken and if specific conditions are met. This amendment will also be included in IFRS 9 *Financial Instruments*. Said amendments must be adopted retrospectively from January 1, 2014. The adoption of these amendments had no impact on the condensed consolidated financial statements at March 31, 2014.

## New Standards and Interpretations issued by the IASB but not yet endorsed by the EU

- **IFRIC 21 (*Levies*)**

In May 2013 the IASB issued IFRIC 21 *Levies*, an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* This interpretation provides guidance about the recognition of liabilities for the payment of levies other than income tax expense. IFRIC 21 must be applied from January 1, 2014. No significant effects are expected from the first-time application of IFRIC 21.

- **Other Standards and Interpretations issued by the IASB but not yet endorsed by the EU**

| | **Mandatory application starting from:** |
|---|---|
| Amendments to IAS 19: Employee Contributions to Defined Benefit Plans | 1/1/2015 |
| Improvements to the IFRS (2010–2012 cycle) | 1/1/2015 |
| Improvements to the IFRS (2011-2013 cycle) | 1/1/2015 |
| IFRS 14 (Regulatory Deferral Accounts) | 1/1/2016 |
| Accounting for the acquisition of interestsin joint operations (Amendments to IFRS 11 – Joint Arrangements) | 1/1/2016 |
| IFRS 9 (Financial Instruments) and subsequent amendments | N.A. |

The potential impacts arising from their application on the consolidated financial statements are currently being assessed.

## Note 3
## Scope of consolidation

The changes in the scope of consolidation at March 31, 2014 compared to December 31, 2013 are listed below.

Continuing operations:

Entry of companies in the scope of consolidation:

| Company | | Business Unit | Month |
|---|---|---|---|
| TRENTINO NGN S.R.L | Acquisition of control | Domestic | February 2014 |

Discontinued operations/Non-current assets held for sale

Exit of companies from the scope of consolidation:

| Company | | Business Unit | Month |
|---|---|---|---|
| SPRINGVILLE S.A. | sold | Argentina | February 2014 |

The breakdown by number of subsidiaries and associates of the Telecom Italia Group is as follows:

| | 3/31/2014 | | |
|---|---|---|---|
| Companies: | Italy | Outside Italy | Total |
| subsidiaries consolidated line-by-line(*) | 39 | 61 | 100 |
| associates accounted for using the equity method | 13 | - | 13 |
| Total companies | 52 | 61 | 113 |

| | 12/31/2013 | | |
|---|---|---|---|
| Companies: | Italy | Outside Italy | Total |
| subsidiaries consolidated line-by-line(*) | 38 | 62 | 100 |
| associates accounted for using the equity method | 14 | - | 14 |
| Total companies | 52 | 62 | 114 |

| | 3/31/2013 | | |
|---|---|---|---|
| Companies: | Italy | Outside Italy | Total |
| subsidiaries consolidated line-by-line(*) | 41 | 61 | 102 |
| associates accounted for using the equity method | 15 | - | 15 |
| Total companies | 56 | 61 | 117 |

(*) Including subsidiaries posted under Discontinued operations/Non-current assets held for sale.

## Note 4
## Goodwill

Goodwill shows the following breakdown and changes during the first three months of 2014:

| (millions of euros) | 12/31/2013 | Increase | Decrease | Impairments | Exchange differences | 3/31/2014 |
|---|---|---|---|---|---|---|
| Domestic | 28,443 | | | | | 28,443 |
| Core Domestic | 28,028 | 3 | | | | 28,031 |
| International Wholesale | 415 | | (3) | | | 412 |
| Brazil | 1,468 | | | | 52 | 1,520 |
| Media | 21 | | | | | 21 |
| Other Operations | – | | | | | – |
| Total | 29,932 | – | – | – | 52 | 29,984 |

The increases and decreases, relating respectively to Core Domestic and International Wholesale, are connected to the assignment of a portion of goodwill following the transfer by Telecom Italia Sparkle S.p.A. to Telecom Italia S.p.A. of the entire investment held in Telecom Italia San Marino.

The increase of 52 million euros is due to exchange differences relating to the goodwill of the Brazil Business Unit.

In accordance with IAS 36, goodwill is not amortized, but is tested for impairment annually or more frequently if specific events or circumstances indicate that it may be impaired. At March 31, 2014, Telecom Italia’s market capitalization, as already noted at December 31, 2013, was less than the Equity value. The Company therefore repeated the impairment testing. This process did not identify any impairment loss, at March 31, 2014, as the estimate of the recoverable amount of all the CGUs examined was higher than their carrying amount.

The impairment test at March 31, 2014 was carried out on two levels. At a first level, an estimate was made of the recoverable amount of the individual Cash Generating Units (or groups of units) to which goodwill is allocated and at a second level the group was considered as a whole.

The Cash Generating Units (or groups of units) to which goodwill has been allocated are the following:

Segment Cash Generating Units (or groups of units)

| | |
|---|---|
| Domestic | Core Domestic |
| | International Wholesale |
| Brazil | Tim Brasil group |
| Media | Telecom Italia Media group |

The value used to determine the recoverable amount of the Cash Generating Units (or groups of units) to which goodwill has been allocated is the value in use for the CGUs of the Domestic segment; the recoverable amount of the Brazil and Media CGUs is instead based on market capitalization (fair value).

For the Core Domestic and International Wholesale CGUs the formal estimate of recoverable amount has been made using the same method adopted for the annual impairment test at December 31, 2013, updating the related inputs (expected earnings flows, cost of capital, long-term growth rate, capital expenditure rate).

The main variables that had a significant influence on the value in use, for the two CGUs for which this value is used (Core Domestic and International Wholesale), are detailed in the table below:

| Core Domestic | International Wholesale |
|---|---|
| EBITDA Margin (EBITDA/revenues) | EBITDA Margin (EBITDA/revenues) |
| during the period of the plan | during the period of the plan |
| Growth of EBITDA during the period of the plan | Growth of EBITDA during the period of the plan |
| Capital expenditure rate (capex/revenues) | Capital expenditure rate (capex/revenues) |
| Cost of capital | Cost of capital |
| Long-term growth rate | Long-term growth rate |

The estimate of the value in use for the CGUs examined is based on the forecast for 2014 and the Industrial Plan forecast.

The nominal growth rates used to estimate the terminal value are the following:

| Core Domestic | International Wholesale |
|---|---|
| +0.0% | +0.0% |

In particular, the growth rates for the CGUs of the Domestic segment are in line with the range of growth rates applied by the analysts who follow Telecom Italia shares (as can be gathered from the reports published after the presentation of the industrial plan).

Since the growth rate in the terminal value is in relation to the level of capital expenditures (capex) necessary to sustain that growth, for the estimate of the earnings flow to be capitalized, a level of capital expenditure (capex/revenues) of the Core Domestic CGU in line with the median of the analysts' terminal year forecasts was used.

The cost of capital was estimated by considering the following:

- the criterion applied was the Capital Asset Pricing Model – CAPM estimate (the criterion used by the Group to estimate the value in use referred to in Annex A of IAS 36);

- in the case of International Wholesale, a “full equity” financial structure was considered since it is representative of the normal financial structure of the business; for the Core Domestic CGU, a Group target financial structure was assumed in line with the average of the European telephone incumbents, including Telecom Italia;

- the Beta coefficient for the Core Domestic CGU and the International Wholesale CGU was arrived at by using the Beta coefficients of the European telephone incumbents, including Telecom Italia, adjusted to take into account the financial structure (Core Domestic CGU beta coefficient = 1.22; International Wholesale CGU beta coefficient = 0.76 (unlevered beta));

- for the Core Domestic CGU a base estimate of weighted average cost of capital (WACC) was used.

On the basis of these elements, the post-tax and pre-tax weighted average cost of capital and the related capitalization rates (WACC–g) have been estimated for each Cash Generating Unit as follows:

| | Core Domestic | International Wholesale |
|---|---|---|
| | % | % |
| WACC post-tax | 7.99 | 8.22 |
| WACC post-tax – g | 7.99 | 8.22 |
| WACC pre-tax | 11.57 | 12.03 |
| WACC pre-tax – g | 11.57 | 12.03 |

The recoverable amount of all the CGUs at March 31, 2014 was higher than the carrying amount of operating capital.

With regard to the Core Domestic and International Wholesale CGUs, given that their recoverable amount is essentially in line with their carrying amount, for the purposes of the sensitivity analysis it should be noted that a negative change in the main key variables listed above would have resulted in an impairment loss.

A second level impairment test was then conducted to test for impairment at the level of the entire Group, in order to include the Central Functions and the financial Cash Generating Units of the Group without any goodwill allocation (Olivetti). The total recoverable amount of all the Cash Generating Units of the Group was compared to the carrying amount of the total operating capital referring to the same units/segments post-first level impairment testing. No impairment losses were identified at this additional level of impairment testing.

## Note 5
## Other intangible assets

Other intangible assets decreased 100 million euros compared to December 31, 2013.
Details on the composition and changes are as follows:

| (millions of euros) | 12/31/2013 | Additions | Amortization | Impairment (losses) / reversals | Disposals | Exchange differences | Other changes | 3/31/2014 |
|---|---|---|---|---|---|---|---|---|
| Industrial patents and intellectual property rights | 2,332 | 112 | (325) | | | 30 | 102 | 2,251 |
| Concessions, licenses, trademarks and similar rights | 3,394 | 5 | (89) | | | 22 | 2 | 3,334 |
| of which Licenses with an indefinite useful life | – | | | | | | | – |
| Other intangible assets with a finite useful life | 257 | 18 | (51) | | | 1 | (1) | 224 |
| Work in progress and advance payments | 297 | 174 | | | | 2 | (102) | 371 |
| Total | 6,280 | 309 | (465) | – | – | 55 | 1 | 6,180 |

Additions in the first three months of 2014 also include 64 million euros of internally generated assets (73 million euros in the first three months of 2013).

Industrial patents and intellectual property rights at March 31, 2014 essentially consisted of applications software purchased outright and user license rights acquired, and relate to Telecom Italia S.p.A. (1,348 million euros) and the Brazil Business Unit (870 million euros).

Concessions, licenses, trademarks and similar rights at March 31, 2014 mainly related to:

- unamortized cost of telephone licenses and similar rights (2,294 million euros for Telecom Italia S.p.A. and 501 million euros for the Brazil Business Unit);

- Indefeasible Rights of Use - IRU (253 million euros) mainly relate to companies of the Telecom Italia Sparkle group (International Wholesale);

- TV frequencies of the Media Business Unit (101 million euros). The expiry of the user licenses for the frequencies used for digital terrestrial transmission was rescheduled as a result of their definitive assignment up to 2032. Accordingly, the amortization period will end in that year instead of in 2028, without significant impacts on either the current or future periods.

Other intangible assets with a finite useful life at March 31, 2014 essentially consisted of 198 million euros of capitalized subscriber acquisition costs (SAC) connected with certain commercial deals offered by Telecom Italia S.p.A..

Note 6
Tangible assets
(owned and under finance leases)

## Property, plant and equipment owned

Property, plant and equipment owned decreased 117 million euros compared to December 31, 2013. Details on the composition and changes are as follows:

| (millions of euros) | 12/31/2013 | Additions | Depreciation | Impairment (losses) / reversals | Disposals | Exchange differences | Other changes | 3/31/2014 |
|---|---|---|---|---|---|---|---|---|
| Land | 135 | | | | (3) | | | 132 |
| Buildings (civil and industrial) | 380 | 1 | (11) | | (34) | 1 | 1 | 338 |
| Plant and equipment | 10,594 | 216 | (515) | | (2) | 76 | 261 | 10,630 |
| Manufacturing and distribution equipment | 41 | 1 | (4) | | | | 1 | 39 |
| Other | 454 | 5 | (44) | | (1) | 6 | 38 | 458 |
| Construction in progress and advance payments | 695 | 148 | | | | 5 | (263) | 585 |
| Total | 12,299 | 371 | (574) | – | (40) | 88 | 38 | 12,182 |

Additions in the first three months of 2014 also include 62 million euros of internally generated assets (65 million euros in the first three months of 2013).

Net other changes were essentially attributable to the effects of the acquisition of the controlling stake in Trentino NGN S.r.l. on February 28, 2014.

## Assets held under finance leases

Assets held under finance leasesdecreased 33 million euros compared to December 31, 2013. Details on the composition and changes are as follows:

| (millions of euros) | 12/31/2013 | Additions | Depreciation | Other changes | 3/31/2014 |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Buildings (civil and industrial) | 883 | 2 | (30) | 7 | 862 |
| Other | 5 | | (1) | | 4 |
| Construction in progress and advance payments | 32 | 2 | | (13) | 21 |
| Total | 920 | 4 | (31) | (6) | 887 |



Note 4

Goodwill

## Note 7
## Discontinued operations/Non-current assets held for sale

Starting from the fourth quarter of 2013 the Sofora - Telecom Argentina group has been classified as discontinued operations. Accordingly, the related figures are classified under "Discontinued operations/Non-current assets held for sale" and "Liabilities directly associated with Discontinued operations/Non-current assets held for sale" in the consolidated statement of financial position.

### Agreements for the disposal of the Sofora – Telecom Argentina group

On November 13, 2013, the purchase offer, made by the Fintech group, for the entire controlling interest held in the Sofora - Telecom Argentina group, was accepted by Telecom Italia S.p.A. and its subsidiaries Telecom Italia International and Tierra Argentea, for a total amount of USD 960 million.

In implementation of the above-mentioned agreements, on December 10, 2013, the class B shares of Telecom Argentina and the class B shares of Nortel owned by Tierra Argentea were sold for total amount of USD 108.7 million. As a result, the Telecom Italia Group's economic interest in Telecom Argentina has now been reduced to 19.3% (22.7% at December 31, 2012).

Conversely, obtaining the necessary authorizations is the condition precedent for the sale of the Sofora shares held by Telecom Italia S.p.A. and its subsidiary Telecom Italia International.

Further details are provided in the Telecom Italia Group consolidated financial statements at December 31, 2013.

— • —

The breakdown of the assets and liabilities of the Sofora - Telecom Argentina group is provided below:

| (millions of euros) | | 3/31/2014 | 12/31/2013 |
|---|---|---|---|
| Discontinued operations/Non-current assets held for sale | | | |
| of a financial nature | | 508 | 657 |
| of a non-financial nature | | 2,500 | 2,871 |
| Total | (a) | 3,008 | 3,528 |
| Liabilities directly associated with Discontinued operations/Non-current assets held for sale | | | |
| of a financial nature | | 27 | 27 |
| of a non-financial nature | | 1,254 | 1,534 |

| | | | |
|---|---|---|---|
| Total | (b) | 1,281 | 1,561 |
| Net value of the assets related to the disposal group | (a-b) | 1,727 | 1,967 |

The amounts accumulated in Equity through the Comprehensive income statement relate to the "Reserve for exchange differences on translating foreign operations", and total -1,384 million euros (-1,019 million euros at December 31, 2013).

The assets of a financial nature are broken down as follows:

| (millions of euros) | 3/31/2014 | 12/31/2013 |
|---|---|---|
| Non-current financial assets | 63 | 27 |
| Current financial assets | 445 | 630 |
| Total | 508 | 657 |

The assets of a non-financial nature are broken down as follows:

| (millions of euros) | 3/31/2014 | 12/31/2013 |
|---|---|---|
| Non-current assets | 2,017 | 2,322 |
| *Intangible assets* | *690* | *825* |
| *Tangible assets* | *1,306* | *1,473* |
| *Other non-current assets* | *21* | *24* |
| Current assets | 483 | 549 |
| Total | 2,500 | 2,871 |

The liabilities of a financial nature are broken down as follows:

| (millions of euros) | 3/31/2014 | 12/31/2013 |
|---|---|---|
| Non-current financial liabilities | 25 | 25 |
| Current financial liabilities | 2 | 2 |
| Total | 27 | 27 |

The liabilities of a non-financial nature are broken down as follows:

| (millions of euros) | 3/31/2014 | 12/31/2013 |
|---|---|---|

| | | |
|---|---|---|
| Non-current liabilities | 416 | 491 |
| Current liabilities | 838 | 1,043 |
| Total | 1,254 | 1,534 |

The items relating to "Profit/(loss) from Discontinued operations/Non-current assets held for sale" in the separate consolidated income statements are shown below:

| (millions of euros) | 1st Quarter 2014 | 1st Quarter 2013 | |
|---|---|---|---|
| | | | BU |
| Income statement effects from Discontinued operations/Non-current assets held for sale: | | | |
| Revenues | 718 | 917 | |
| Other income | 1 | 1 | |
| Operating expenses | (516) | (647) | |
| Depreciation and amortization, gains (losses) on disposals and impairment losses on non-current assets | | (143) | |
| Operating profit (loss) (EBIT) | 203 | 128 | |
| Finance income (expenses), net | (3) | 21 | |
| Profit (loss) before tax from Discontinued operations/Non-current assets held for sale | 200 | 149 | |
| Income tax expense | (67) | (52) | |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | 133 | 97 | |

The income statement effects relate entirely to the Sofora - Telecom Argentina group.

Also, the consolidated statements of comprehensive income include translation of foreign operations losses of the Sofora - Telecom Argentina group, of 365 million euros at March, 31 2014 and 17 million euros at March, 31 2013. Consequently, the overall result from Discontinued operations/Non-current assets held for sale was negative by 232 million euros at March, 2014 and was positive by 80 million euros at March, 31 2013.

Assets held under finance leases

Within the consolidated statements of cash flows the net impacts, expressed in terms of contributionto the consolidation, of the "Discontinued operations/Non-current assets held for sale" are broken down

as follows:

| (millions of euros) | 1st Quarter 2014 | 1st Quarter 2013 |
|---|---|---|
| Discontinued operations/Non-current assets held for sale | | |
| Cash flows from (used in) operating activities | 69 | 196 |
| Cash flows from (used in) investing activities | (246) | (78) |
| Cash flows from (used in) financing activities | (13) | (1) |
| Total | (190) | 117 |

## Note 8
## Equity

Equity is composed as follows:

| (millions of euros) | 3/31/2014 | 12/31/2013 |
|---|---|---|
| Equity attributable to owners of the Parent | 17,343 | 17,061 |
| Equity attributable to Non-controlling interests | 3,038 | 3,125 |
| Total | 20,381 | 20,186 |

The composition of Equity attributable to owners of the Parent is the following:

| (millions of euros) | | 3/31/2014 | | 12/31/2013 |
|---|---|---|---|---|
| Share capital | | 10,604 | | 10,604 |
| Paid-in capital | | 1,704 | | 1,704 |
| Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | | 5,035 | | 4,753 |
| Reserve for available-for-sale financial assets | 54 | | 39 | |
| Reserve for cash flow hedges | (581) | | (561) | |
| Reserve for exchange differences on translating foreign operations | (314) | | (377) | |
| Reserve for remeasurements of employee defined benefit plans (IAS 19) | 132 | | 132 | |
| Share of other profits (losses) of associates and joint ventures accounted for using the equity method | – | | – | |
| Other reserves and retained earnings (accumulated losses), including profit (loss) for the period | 5,744 | | 5,520 | |
| Total | | 17,343 | | 17,061 |

## Future potential changes in share capital

The table below reports future potential changes in share capital connected with the "Guaranteed Subordinated Mandatory Convertible Bonds due 2016, convertible into ordinary shares of Telecom Italia S.p.A." issued in November 2013 by Telecom Italia Finance S.A., with the authorizations to increase the share capital existing at March 31, 2014 and the options and rights granted under equity compensation plans still outstanding at March 31, 2014:

| | Number of maximum shares issuable | (thous |
|---|---|---|
| Additional capital increases not yet approved (ordinary shares) | | |
| Resolution by the shareholders' meeting held on April 8, 2009(**) | 1,600,000,000 | 880,00 |
| *"Long Term Incentive Plan 2010-2015"* (bonus capital increase) | 197,883 | 109 |
| *"Long Term Incentive Plan 2012"* (capital increase in cash for Selected Management) | n.a. | 4,540 |
| *"Long Term Incentive Plan 2012"* (bonus capital increase for Selected Management) | n.a. | 4,540 |
| *"Long Term Incentive Plan 2012"* (bonus capital increase for Top Management) | n.a. | 2,995 |
| Resolution by the shareholders' meeting held on April 17, 2013 | 72,000,000 | 39,600 |
| Total additional capital increases not yet approved (ordinary shares) | | |
| 2013 Guaranteed Subordinated Mandatory Convertible Bonds (ordinary shares) | | |
| – principal | n.a. | 1,300,0 |
| – interest portion | n.a. | 238,87 |
| 2013 Guaranteed Subordinated Mandatory Convertible Bonds (ordinary shares) Total | | |

(*) Amounts stated for capital increases connected with incentive plans and the "Guaranteed Subordinated Mandatory Convertible Bonds due 2016, convertible into ordinary shares of Telecom Italia S.p.A." are the "total estimated value" inclusive of any premiums.

(**) Expired on April 8, 2014.

For further details, see the Note "Financial liabilities (non-current and current)" and the Telecom Italia Group consolidated financial statements for the year 2013.



## Note 7
## Discontinued operations/Non-current assets held for sale

## Note 9
## Financial liabilities
## (non-current and current)

Non-current and current financial liabilities (gross financial debt) are composed as follows:

| (millions of euros) | | 3/31/2014 | 12/31/2013 |
|---|---|---|---|
| Financial payables (medium/long-term): | | | |
| Bonds | | 21,844 | 22,060 |
| Convertible bonds | | 1,441 | 1,454 |
| Amounts due to banks | | 4,092 | 4,087 |
| Other financial payables | | 355 | 356 |
| | | 27,732 | 27,957 |
| Finance lease liabilities (medium/long-term) | | 1,069 | 1,100 |
| Other financial liabilities (medium/long-term): | | | |
| Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature | | 2,144 | 2,026 |
| Non-hedging derivatives | | 95 | – |
| Other liabilities | | – | 1 |
| | | 2,239 | 2,027 |
| Total non-current financial liabilities | (a) | 31,040 | 31,084 |
| Financial payables (short-term): | | | |
| Bonds | | 1,873 | 2,503 |
| Convertible bonds | | 30 | 10 |
| Amounts due to banks | | 2,489 | 2,790 |
| Other financial payables | | 374 | 400 |
| | | 4,766 | 5,703 |
| Finance lease liabilities (short-term) | | 187 | 193 |
| Other financial liabilities (short-term): | | | |
| Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature | | 221 | 207 |
| Non-hedging derivatives | | 8 | 16 |
| Other liabilities | | – | – |
| | | 229 | 223 |
| Total current financial liabilities | (b) | 5,182 | 6,119 |
| Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale | (c) | 27 | 27 |
| Total Financial liabilities (Gross financial debt) | (a+b+c) | 36,249 | 37,230 |

The subordinated fixed-rate equity-linked bond issue of 1,300 million euros with mandatory conversion in Telecom Italia ordinary shares at maturity (2016), issued in November 2013 by Telecom Italia Finance S.A. and guaranteed by Telecom Italia S.p.A., has been classified under Financial liabilities.

Assets held under finance leases

Gross financial debt according to the original currency of the transaction is as follows:

| | 3/31/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| | (millions of foreign currency) | (millions of euros) | (millions of foreign currency) | (millions of euros) |
| USD | 8,986 | 6,517 | 8,925 | 6,472 |
| GBP | 2,577 | 3,111 | 2,536 | 3,043 |
| BRL | 3,357 | 1,076 | 3,258 | 1,008 |
| JPY | 20,052 | 141 | 19,873 | 137 |
| ARS | - | - | 64 | 7 |
| EURO | | 25,377 | | 26,536 |
| | | 36,222 | | 37,203 |
| Discontinued operations | | 27 | | 27 |
| | | 36,249 | | 37,230 |

The breakdown of gross financial debt by effective interest rate bracket, excluding the effect of any hedging instruments, is provided below:

| (millions of euros) | 3/31/2014 | 12/31/2013 |
|---|---|---|
| Up to 2.5% | 5,107 | 5,578 |
| From 2.5% to 5% | 6,876 | 6,042 |
| From 5% to 7.5% | 16,622 | 16,936 |
| From 7.5% to 10% | 3,315 | 4,503 |
| Over 10% | 601 | 468 |
| Accruals/deferrals, MTM and derivatives | 3,701 | 3,676 |
| | 36,222 | 37,203 |
| Discontinued operations | 27 | 27 |
| | 36,249 | 37,230 |

Following the use of derivative hedging instruments, on the other hand, the gross financial debt by nominal interest rate bracket is:

| (millions of euros) | 3/31/2014 | 12/31/2013 |
|---|---|---|
| Up to 2.5% | 6,340 | 6,452 |
| From 2.5% to 5% | 9,944 | 9,051 |
| From 5% to 7.5% | 12,470 | 13,465 |

| | | | |
|---|---|---|---|
| From 7.5% to 10% | 2,699 | | 4,022 |
| Over 10% | 1,068 | | 537 |
| Accruals/deferrals, MTM and derivatives | 3,701 | | 3,676 |
| | 36,222 | | 37,203 |
| Discontinued operations | | 27 | 27 |
| | 36,249 | | 37,230 |

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

Details of the maturities of financial liabilities – at nominal repayment amount:

| | maturing by March 31 of the year: | | | | | | |
|---|---|---|---|---|---|---|---|
| (millions of euros) | 2015 | 2016 | 2017 | 2018 | 2019 | After 2019 | Total |
| Bonds (*) | 1,449 | 3,336 | 1,400 | 1,906 | 3,475 | 11,407 | 22,973 |
| Loans and other financial liabilities | 2,432 | 1,178 | 737 | 824 | 749 | 1,628 | 7,548 |
| Finance lease liabilities | 171 | 121 | 131 | 143 | 147 | 526 | 1,239 |
| Total | 4,052 | 4,635 | 2,268 | 2,873 | 4,371 | 13,561 | 31,760 |
| Current financial liabilities | 419 | - | - | - | - | - | 419 |
| Total excluding Discontinued Operations | 4,471 | 4,635 | 2,268 | 2,873 | 4,371 | 13,561 | 32,179 |
| Discontinued operations | 26 | - | - | - | - | - | 26 |
| Total | 4,497 | 4,635 | 2,268 | 2,873 | | | |