TELECOM ITALIA S P A
Form 6-K
May 08, 2013

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 MAY 2013

TELECOM ITALIA S.p.A.
(Translation of registrant's name into English)

Piazza degli Affari 2
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- _______

PRESS RELEASE

ANALYSIS PROCEEDS ON POSSIBLE OPERATION WITH HUTCHISON WHAMPOA FOR AN AGGREGATION WITH 3 ITALIA

EXAMINATION OF THE ACCESS NETWORK SPIN-OFF WILL CONCLUDE ON 23 MAY

Telecom Italia Board of Directors examines and approves Interim Financial Statements at 31 March 2013

REVENUES: €6,796 MILLION, -8.1% COMPARED WITH Q1 2012; -3.2% IN ORGANIC TERMS

EBITDA: €2,672 MILLION, -10.1% COMPARED WITH Q1 2012; -6.4% IN ORGANIC TERMS

EBIT: €1,282 MILLION, -21.1% COMPARED WITH Q1 2012; -11.4% IN ORGANIC TERMS

NET INCOME: €364 MILLION, COMPARED WITH €605 MILLION OF Q1 2012

ADJUSTED NET FINANCIAL POSITION: €28,767 MILLION, AN INCREASE OF €493 MILLION COMPARED WITH 31 DECEMBER 2012 (€28,274 MILLION)

LIQUIDITY MARGIN AT 31 MARCH 2013: €13.9 BILLION, COVERS ALL LIABILITIES BEYOND THE NEXT 24 MONTHS

2013 MAIN ECONOMIC-FINANCIAL TARGETS ALREADY ANNOUNCED TO THE MARKET ARE CONFIRMED

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The preliminary results for the first quarter of 2013 will be illustrated to the financial community during a conference call scheduled for 12 am (Italian time) tomorrow. Journalists may listen to the conference call, without asking questions, by calling: +39 06 33168.

Those unable to connect live may follow the presentation until Thursday 16 May by calling: +39 06 334843 (access code 519970).

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The Telecom Italia Group Interim Financial Statements at 31 March 2013 were drafted in accordance with art. 154 ter (Financial Reporting) of Leg. Decree 58/1998 (Unified Finance Law - TUF) and subsequent amendments and supplements and with Consob Communication DEM/8041082 of 30 April 2008 (Quarterly reporting by issuers of listed shares who give Italy as state of origin).

These Interim Financial Statements have not undergone an external audit and were drafted in accordance with the international accounting principles issued by the International Accounting Standards Board and approved by the European Union (IFRS").

The accounting and consolidation principles adopted in the preparation of the Interim Statements were consistent with those used for the Telecom Italia Group Consolidated Statements at 31 December 2012. New standards / interpretations applicable from 1 January 2013 will be adopted by the group beginning with the First Half Financial Report at 30 June 2013.

Following the early adoption, from the first half of 2012, of the new version of IAS 19 (Employee Benefits), the figures for the consolidated separate income statement of for the first quarter of 2012 have been duly restated. In particular, this has led to the reclassification of the €10 million "time value" component in the actuarial calculations from Employee benefits expenses to Finance expenses.

As illustrated below, Q1 2013 was marked, especially in the domestic market, by a fiercer competitive environment and significant pricing pressure. This weighed negatively on trends in the main economic and financial variables in the first quarter 2013. Nonetheless, on the basis of currently available information, the Group confirms its full-year 2013 main economic- financial targets previously announced and underlying the 2013 - 2015 Strategic Plan.

In light of the above, the company - despite the climate of uncertainty and the outlook which could, if confirmed by future developments, potentially leave it susceptible to certain devaluation effects - decided, on the basis of the currently available data, not to update the impairment test on the value of goodwill for the Interim Financial Statements at 31 March 2013, already carried out for the Telecom Italia Group Consolidated Statements at 31 December 2012, bearing mind that this update will be performed as is normal practice - for the First Half Financial Report at 30 June 2013.

In addition to the conventional financial performance indicators contemplated under IFRS, Telecom Italia Group uses certain alternative performance measures in order to give a clearer picture of the trend of operations and the company's financial position. These are: EBITDA; EBIT; organic difference in revenues, EBITDA and EBIT; accounting and adjusted net financial debt. For further details please see the attachment Alternative performance measures .

Note that the section "Outlook for the 2013 financial year", contains forward-looking statements about the Group s intentions, beliefs and current expectations with regard to its financial results and other aspects of operations and strategies. Readers should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the statements owing to a number of factors, the majority of which are beyond the Group s control.

Milan, 8 May 2013

Telecom Italia's Board of Directors met today, chaired by Franco Bernabè to approve the quarterly results, examined the possible aggregation with 3 Italia and the network spin-off project.

Strategic transactions

With reference to 3 Italia, the Board of Directors authorized an in-depth examination of the potential transaction with Hutchison Whampoa.

As is known, on April 11 2013, the Board of Directors established an internal committee with the task of making a preliminary assessment of the viability (regulatory and antitrust) of the potential transaction and the overall interest (industrial and financial) therein, in order to report on the results to the Board with a non-binding recommendation on the opportunity for the Company to deepen the analysis on the potential transaction to verify its concrete feasibility.

In carrying out its activities, the Committee was supported by the management and financial, tax and legal advisors of Telecom Italia, and specifically advised by Credit Suisse. In particular, the assessment focused on the following areas:

- comparable integrations in the mobile telecommunications sector;
- previous financial statements of 3 Italia;
- industrial targets of 3 Italia;
- potential synergies deriving from the transaction;
- tax aspects related to the transaction;
- regulatory and *anti-trust* issues;
- preliminary evaluations of the companies involved.

Considering the outcome of the assessment performed, which was based on preliminary and limited information, the Committee:

- acknowledged that there are no impediments to start a discussion with the other party in view of the possible completion of the transaction;
- suggested to mandate the Top Management to verify with the other party the existence of realistic negotiation margins to achieve an acceptable trade-off between the respective positions on the determination of the values of the two companies, recommending the conclusion of this second phase of analysis within a 30-day period.

In addition to the preliminary analysis summarized above, in light of the voluntary application to the project of procedural checks similar to those applied to the related parties transactions of greater importance, also the Committee of Independent Directors carried out its own analysis of preliminary nature. As such, the Committee of Independent Directors (composed to this end of the Lead Independent Director Luigi Zingales, and Directors Lucia Calvosa, Massimo Egidi and Mauro Sentinelli) will consider the Company's interest in completing the transaction and the advantages and substantial fairness of its conditions.

The Committee of Independent Directors, which has selected as its advisor Greenhill & Co. International LLP, agreed with the recommendation to deepen the analysis that was adopted by the full Board of Directors.

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With regard to the access network spinoff project, an examination of the results of the management analysis, on the basis of the mandate conferred by the Board of Directors on 11 April 2013, started today and will be completed in a special board meeting scheduled for 23 May 2013.

In view of the definition of an operational feasibility procedure aiming at the network spinoff, the activities and analysis carried out by the management and their advisors include:

- the competitive regulatory framework of the access network in Italy compared to the European scenario;

- the perimeter of the potential spinoff;

- the separation procedures, with a comparative assessment of the effects of the different solutions on Telecom Italia, under the perspective of value creation;

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financials and timing of the transaction.

It should be noted that the effects of the project, to date, are not incorporated into the Business Plan for the period 2013-2015, for which the update was approved by the Board of Directors on 8 February 2013, and therefore were not even considered in the economic and financial guidances announced to the market on the same date.

The analyses in progress are monitored by the Control and Risk Committee, which relies on the advisory support of Barclays

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The impacts on the sustainability of financial indebtedness of the possible integration of 3 Italia in Telecom Italia and the proposed network spinoff can only be quantified once the corresponding initiatives have been defined in all necessary detail; any assessments in this regard would therefore be premature to date. In the meantime, in light of the approved quarterly results and the business outlook, the Board of Directors confirms the sustainability of the Group's financial indebtedness in the 2013-2015 Plan. In particular, given the liquidity margin at 31 March 2013, equal to 13.9 billion euros (made up of 7.2 billion euros of cash and cash equivalents as well as 6.7 billion euros of unused irrevocable credit lines), the financial liabilities falling due according to contract over a period exceeding the next 24 months are in fact fully covered.

The above information shall also be provided at the request of Consob.

Interim Financial Statements

The Telecom Italia Board of Directors also examined and approved the Group s Interim Financial Statements at 31 March 2013.

THE MAIN VARIATIONS TO THE TELECOM ITALIA GROUP CONSOLIDATION AREA

There were no variations to the consolidation perimeter in the first quarter of 2013.

The following changes occurred during 2012:

- *Matrix Other Operations: the company was sold on 31 October 2012, and consequently excluded from the consolidation area.*

TELECOM ITALIA GROUP

Revenues in Q1 2013 amounted to **€6,796 million**, down 8.1% from €7,392 million in the first quarter of 2012 (-€596 million). In terms of organic variation, consolidated revenues fell by 3.2% (-€227 million).

In detail, the organic variation in revenues is calculated by excluding:

- the effect of foreign exchange rate fluctuations of -€360 million regarding the Brazil Business Unit (-€234 million) and the Argentina Business Unit (-€126 million);

- the effect of changes to the consolidation area (-€9 million), following the sale of Matrix (Other Operations) on 31 October 2012.

Revenues, broken down by business unit, are as follows:

(millions of euros)	Q1 2013		Q1 2012		Change		
		%		%	absolute	%	% organic
Domestic	4,024	59.2	4,477	60.6	(453)	(10.1)	(10.1)
Core Domestic	*3,832*	*56.4*	*4,244*	*57.4*	*(412)*	*(9.7)*	*(9.7)*
International Wholesale	*283*	*4.2*	*347*	*4.7*	*(64)*	*(18.4)*	*(18.4)*
Brazil	1,786	26.3	1,928	26.1	(142)	(7.4)	5.4
Argentina	917	13.5	901	12.2	16	1.8	18.3
Media, Olivetti and Other Operations	100	1.5	137	1.9	(37)		
Adjustments and eliminations	*(31)*	*(0.5)*	*(51)*	*(0.8)*	*20*		
Total Consolidated	6,796	100.0	7,392	100.0	(596)	(8.1)	(3.2)

EBITDA in Q1 2013 came to **€2,672 million**, down €301 million (-10.1%) on the previous year period, with EBITDA margin of 39.3% (40.2% in Q1 2012). In organic terms EBITDA slipped by €186 million (-6.4%) on the previous year, and 1.4 pp lower in proportion to revenues (39.7% in Q1 2013 compared with 41.1 % in Q1 2012). This was due to the greater weight of South American revenues, where margins are lower than for Domestic Business, and to higher mobile handset sales, aimed at a greater penetration of data services.

The following table shows a breakdown of EBITDA and EBITDA margin by business unit:

(millions of euros)	Q1 2013		Q1 2012		Change		
		%		%	absolute	%	% organic
Domestic	1,973	73.8	2,215	74.5	(242)	(10.9)	(9.8)
% of Revenues	*49.0*		*49.5*			*(0.5) pp*	*0.2 pp*
Brazil	463	17.3	505	17.0	(42)	(8.3)	4.4

% of Revenues	*25.9*		*26.2*			*(0.3) pp*	*(0.3) pp*
Argentina	271	10.1	289	9.7	(18)	(6.2)	9.2
% of Revenues	*29.6*		*32.1*			*(2.5) pp*	*(2.5) pp*
Media, Olivetti and Other Operations	(32)	(1.1)	(33)	(1.1)	1		
Adjustments and eliminations	*(3)*	*(0.1)*	*(3)*	*(0.1)*	–		
Total Consolidated	2,672	100.0	2,973	100.0	(301)	(10.1)	(6.4)
% of Revenues	*39.3*		*40.2*			*(0.9) pp*	*(1.4) pp*

EBIT amounted to **€1,282 million** in Q1 2013, down €343 million (-21.1%) from Q1 2012, with the EBIT margin standing at 18.9% (22.0% in Q1 2012). The **organic EBIT variation** was a negative €182 million (-11.4%), with an organic EBIT margin of 20.8% (22.7% in Q1 2012).

Consolidated net profits in the first quarter of 2013 amounted to **€364 million** (€605 million in the same period of 2012).

Capex for the first quarter of 2013 amounted to **€878 million** (down €76 million compared with Q1 2012) broken down by business unit as follows:

(millions of euros)	Q1 2013	%	Q1 2012	%	Change
Domestic	578	65.8	586	61.4	(8)
Brazil	178	20.3	234	24.5	(56)
Argentina	112	12.8	121	12.7	(9)
Media, Olivetti and Other Operations	10	1.1	13	1.4	(3)
Adjustments and eliminations	–	–	–	–	–
Total Consolidated	878	100.0	954	100.0	(76)
% of Revenues	*12.9*		12.9		–

Capex for the **Domestic Business Unit** remained largely in line with the same period of the previous year: the increase for the advancement of plans to build out next generation networks (LTE network and fibre) was offset by the reduced requirement for delivery on new plants, due to the commercial slowdown in fixed-line access.

For the **Brazil Business Unit** capex decreased by €56 million (including a negative forex effect of €28 million); the reduction was mainly attributable to a temporary slowdown in network expenditure due to delays in the drafting of agreements with the principle providers, partially offset by higher investment in IT development.

The **Argentina Business Unit** reported capex substantially in line with the first quarter of the previous year (-€9 million already including a negative forex effect of €17 million). Besides the costs of client acquisition, expenditure was aimed at enlarging and upgrading broadband services to improve transmission capacity and increase access speed, traditional fixed-line access to meet demand and backhauling to support mobile access growth. Telecom Personal also invested primarily in increased capacity and enlargement of the 3G network to support Mobile Internet growth.

Cash flow from operations comes to **€137 million** (€626 million in Q1 2012) hit harder than in Q1 2012 by seasonal trends in outlays to cover payables for the last quarter of the previous year.

Adjusted net financial debt at 31 March 2013 amounts to **€28,767 million**, up €493 million compared with 31 December 2012 (€28,274 million), influenced by the decline in cash flow from operations.

Accounting net financial debt amounts to **€29,516 million** (€29,053 million at 31 December 2012).

The **liquidity margin** at 31 March 2013 stood at **€13.91 billion** (€16.14 billion at 31 December 2012) and consists of €7.21 billion in cash (€8.19 billion at 31 December 2012) and unused committed credit lines for a total €6.70 billion (€7.95 billion at 31 December 2012). This will cover all Group liabilities due beyond the next 24 months.

At 31 March 2013 Group **headcount** stood at **82,941 employees** (83,184 at 31 December 2012), of which 54,311 in Italy (54,419 at 31 December 2012).

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BUSINESS UNIT RESULTS

Figures for Telecom Italia Media at 31 March 2013 can be found in the press release issued on 6 May, following the Board Meeting's approval.

DOMESTIC

Domestic revenues stood at **€4,024 million** (€4,477 million in Q1 2012), down by 10.1% in reported and in organic terms.

With a worsening economic outlook and a market characterized by stiffer competition and downward pressure on prices (especially on mobile and traditional services), the fall in revenues was also influenced by a regulatory and seasonal factors.

Organic revenues from services amounted to €3,886 million, a contraction of 10.4% compared to the same period of 2012. In particular revenues from Mobile services amounted to €1,292 million (€1,573 million in first quarter 2012), down €281 million (-17.9% from the same period of 2012). On top of this came the application of the new termination rates (MTR) with a 72% reduction against the same period of 2012 (1.5 euro cents vs. 5.3 cents). Excluding the impact of the new termination rates of €117 million, Q1 2013 performance would be -7.5% compared with the previous year period.

If we add in the fact that the leap year 2012 has a larger number of days, plus the introduction of a Europewide traffic roaming price cap from July 2012, the percentage decline would be essentially in line with that of the last quarter of 2012.

Revenues from Fixed-line services amounted to €2,924 million (€3,161 million in Q1 2012), down €237 million (-7.5%) from the corresponding period of 2012.

Highlights:

<u>**Core Domestic Revenues**</u>

Core Domestic revenues amounted to **€3,832 million**, down 9.7% (€4,244 million in the first three months of 2012) and with the same organic variation.

The performance of the individual market segments as compared with the same period of 2012 is as follows:

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Consumer: revenues for the segment as a whole amounted to €1,986 million, down €194 million compared with Q1 2012 (-8.9%). Performance weakened on 2012 (which saw a contraction of 3.6% compared with 2011 and of 4.5% in Q4 alone), attributable in particular to the steep erosion of Mobile revenues (-14.7% compared with -5.4% in FY 2012 and 7.0% in the last quarter of 2012), due to fiercer competition and the consequent loss of Customer Base (-4.1% compared with 31 March 2012 and -1.8% compared with 31 December 2012) and to the impact of the lower termination rates (-€104 million in Q1 on Mobile). The fall in revenues is entirely due to revenues from services (-€201 million, or -9.6%), especially on traditional Mobile Voice services (-€160 million, in large part attributable to the introduction of the new termination rates - MTR), Fixed-line voice (-€53 million) and Messaging (-€17 million), only partially offset by the growth in Internet Mobile revenues (+€9 million) and Fixed-line Broadband (+€8 million).

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Business: Revenues for the segment, which from January 2013 also includes the Top segment, amounted to €1,305 million in Q1, down €197 million (-13.1%) on the same period of 2012. The fall was primarily seen in revenues from services (-€188 million) of which -€109 million on Mobile (-23.9%) and -€88 million on Fixed-line (-8.7%). Specifically, on Mobile the contraction is mainly attributable to the decline in income from voice traffic, following of the introduction of the lower mobile network termination rates, but also to a loss of human customer base (-2.2% compared with 31 March 2012 and 0.8% compared with 31 December 2012), in particular in the SoHo and SME segments, which saw an average contraction of the human customer base of -6.8%. On Fixed-line though in recovery compared with the last quarter of 2012 (especially in the Top segment) cooling demand due to the poor economic picture continues to have a dampening effect.

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National Wholesale: the Wholesale segment reported revenues totalling €499 million in Q1 2013, with a decline of €19 million (-3.7%) compared with the same period of 2012, mainly due to lower carrying and interconnection income.

International Wholesale Revenues

In Q1 2013 the International Wholesale segment posted revenues of €283 million, down €64 million (-18.4%) compared with the first three months of 2012. The contraction was seen especially in Voice services (-€53.6 million, -22%), following the annual review of bilateral contracts and the transit component, with the consequent focus on renewal of higher margin agreements. Revenues were down for IP/Data services (-€4.4 million, -6%), in the face of increased total bandwidth sold and falling prices, especially in the captive market. This greater focus on higher margin international traffic enabled the quarter to generate an EBITDA of €47 million, in organic terms in line with the result of the same period of 2012 and with a margin increase of around 3 percentage points.

EBITDA for the Domestic business unit in Q1 2013 amounted to €1,973 million, down €242 million from the first quarter of 2012 (-10.9%). EBITDA margin was 49%, slightly down on the previous-year period (-0.5 percentage points). This result was affected by the contraction in revenues from services (-€451 million compared with the same period of 2012), only partly recovered by the lower quotas paid to other carriers mainly due to the reduction in termination rates, and by efficiencies obtained thanks to the selective control and containment of costs.

Organic EBITDA in Q1 2013 came to €2,000 million (-€218 million, -9.8% compared with Q1 2012), with an EBITDA margin at 49.7% of revenues slightly improved on the same period of 2012 (+0.2 percentage points).

EBIT for the Domestic BU came to **€1,093 million**, €211 million lower (-16.2%) compared with the first quarter of 2012 (€1,304 million). The EBIT margin came to 27.2% (29.1% in Q1 2012).

Organic EBIT amounted to €1,120 million, down €187 million (-14.3%) from the same period of 2012 (€1,307 million); the margin on revenues slipped from 29.2% in Q1 2012 to 27.8% in Q1 2013.

The **headcount** came to **53,147 employees**, 77 lower than on 31 December 2012.

BRASILE

(average real/euro exchange rate 2.63739)

Revenues of **TIM Brasil Group** in Q1 2013 came to **4,711 million reais**, 243 million higher than Q1 2012 (**+5.4%**). Revenues from services grew to reach 4,087 million reais, up from 4,015 million reais in Q1 2012 (+1.8%). Revenues from product sales increased from 453 million reais in Q1 2012 to 624 million reais in Q1 2013 (+37.7%). Mobile ARPU (Average Revenue Per User) stood at 18.5 reais in Q1 2013 compared with 19.1 reais in the same period of 2012. The total number of **lines** at 31 March 2013 was **71.2 million**, **up 1.2%** with respect to 31 March 2012, representing a **27% market share**.

EBITDA amounted to **1,221 million reais**, up 51 million reais from Q1 2012 (**+4.4%**). Margin growth was sustained by the increase in revenues, mainly in VAS, partially counterbalanced by the higher termination rates due to increased traffic volumes and by production and personnel costs. EBITDA margin was 25.9%, down 0.3 percentage points from the previous year period.

EBIT amounted to **552 million reais**, an **improvement of 13 million** on Q1 2012. This is explained by the higher contribution of EBITDA, partially offset by increased amortisations of 39 million reais (668 million reais in Q1 2013 compared with 629 million in the same period of 2012).

Headcount stood at **11,549 employees** (11,622 at 31 December 2012).

ARGENTINA

(average real/euro exchange rate 6.61552)

Q1 2013 **revenues** came to **6,064 million pesos**, an increase of 938 million pesos (+18.3%) compared with first quarter 2012 (5,126 million pesos) thanks to growth of the Broadband and Mobile client bases, as well as ARPU (Average Revenue Per User). The principal source of revenues was mobile telephony which contributed around 73% of consolidated revenues for BU and grew by over 20% compared with the same period of 2012.

The number of **fixed lines** at 31 March 2013 remained practically unchanged against the end of 2012 (around 4.1 million lines). Despite the freezing of tariffs imposed by the Economic Emergency Law of January 2002, **ARBU** (Average Revenue Billed per User) **grew by 5.5%** compared with Q1 2012 thanks to the increase in additional services and the diffusion of the traffic plans.

Telecom Argentina's overall Broadband **line portfolio** at 31 March 2013 numbered **1,626,000 subscribers**, substantially in line with the end of 2012. ARPU grew by 20.2% to reach 114.9 pesos (95.6 pesos in Q1 2012), mainly thanks to a policy of upselling and price adjustments.

The **Personal** client base in Argentina grew by 139,000 from the end of 2012 to reach a total **19,114 thousand customers**, 33% of which with post-paid contracts. Meanwhile, thanks to the acquisition of high value customers and the leadership in Smartphones, **ARPU grew by 13.1%** to reach 62.1 pesos (54.9 pesos in Q1 2012). Much of this growth is attributable to Value Added Services (SMS and Internet), which together represented around 55% of mobile telephony revenues in Q1 2013.

In Paraguay the **Núcleo** client base **grew by around 1.5%** from 31 December 2012 to reach **2,335,000 lines**, 19% of which with post-paid contracts.

EBITDA reached **1,796 million pesos**, an improvement of 152 million pesos (+9.2%). The EBITDA margin was 29.6%, 2.5 percentage points less than in Q1 2012, mainly due to the higher incidence of purchases of materials and services, labour and other operating costs.

EBIT for Q1 2013 came to 849 million pesos compared with 816 million pesos for the same period of the previous year (+33 million pesos). The increase was largely due to the improvement in EBITDA, in part offset by higher amortisations of 125 million pesos resulting from the reduction in the useful lives of customer relationships made at the end of 2012. The EBIT margin was 14.0% of revenues (-1.9 percentage points from Q1 2012).

Headcount stood at **16,748 employees** (16,803 at 31 December 2012).

OLIVETTI

Revenues in Q1 2013 were **€52 million**, €7 million weaker compared with the same period of 2012. The fall in revenues is mainly due to lower sales in Italy by €3 million on the direct and indirect channels, whose customers are most exposed to the current crisis; by around €3 million due to lower supply of products to Telecom Italia; by €2 million due to lower sales in Latin America and Europe, partially offset by greater revenues on the International Sales channel.

EBITDA was a **negative €19 million**, €6 million lower than in Q1 2012. The result is affected by charges totalling €9 million, following the fire on 19 March 2013 which completely destroyed the spare parts warehouse. The goods were insured and we expect by the end of current fiscal period to receive the indemnity covering at least the full damages. Excluding this component, the variation in EBITDA was a positive €3 million (+23.1%), thanks to steady margins and the reduction of fixed costs (which benefit from the closure in 2012 of the ink-jet sector). These two phenomena more than matched the lower profits from declining sales.

EBIT was a **negative €20 million**, €5 million worse than in Q1 2012 (-€15 million). The result was impacted by the events described above in regard to EBITDA. Excluding the losses due to the destruction of the spare parts warehouse, EBIT grew by €4 million (+26.7%) from -€15 million in Q1 2012 to -€11 million in Q1 2013.

The **headcount** comes to **762 employees**, 16 fewer than the 778 of 31 December 2012.

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EVENTS SUBSEQUENT TO 31 MARCH 2013

Sale of La7 S.r.l.

On 30 April 2013, after having received the authorizations foreseen by law, Telecom Italia Media completed the sale of La7 S.r.l. to Cairo Communication, according to the terms and conditions previously communicated to the market in March 2013.

The sale price amounted to around €1 million. Prior to the sale, La7 S.r.l. was recapitalised by Telecom Italia Media S.p.A. by an amount such as to give it a positive net financial position at sale date of not less than €88 million. The capital injection also served to bring the shareholders’ equity to an agreed €138 million.

Within the framework of the deal, Telecom Italia S.p.A. forwent loans due from Telecom Italia Media S.p.A. totalling €100 million.

On the basis of these agreements, and bearing in mind the business performance of La7 S.r.l. up to the date of sale, a negative economic impact on FY 2013 of around €130 million is expected, before the financial year shareholders' stake.

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PARTIAL SPIN-OFF OF TELECOM ITALIA SPARKLE

The Board of Directors has approved the partial spin-off of Telecom Italia Sparkle, via transfer to the parent Telecom Italia of the "Network Operations" business unit to ensure: (i) for the Sparkle network the delivery, operation and management of customer services and technical support as well as the operation of departmental networks and Network & Service Management systems; (ii) the protection of relations with the judicial authorities and the realization of relative international services.

The spin-off is expected to conclude by the third quarter of 2013.

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OUTLOOK FOR THE 2013 FINANCIAL YEAR

As regards Telecom Italia Group's outlook for the ongoing financial year, the goals linked to the main economic and financial indicators, as described in the 2013-2015 Industrial Plan, foresee the following outcomes for the whole of 2013:

- Revenues essentially unchanged from 2012;
- Low-single digit percentage reduction in EBITDA;
- Adjusted net financial position of less than €27 billion.

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The Manager designate for the preparation of accounting and corporate documents, Piergiorgio Peluso, hereby declares, pursuant to paragraph 2, Art.154-bis of Italy’s Financial Law, that the accounting information contained herein corresponds to the company’s documentation, accounting books and records.

<u>ATTACHMENTS TO THE PRESS RELEASE</u>

ALTERNATIVE PERFORMANCE MEASURES

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

The non-IFRS alternative performance measures used are described below:

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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 before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

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

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

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

In order to better represent the actual change in net financial debt, starting with the Half-year Financial Report at June 30, 2009, in addition to the usual measure (renamed Net financial debt carrying amount) the measure denominated

Adjusted net financial debt has been introduced, which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Net financial debt is calculated as follows:

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

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The reclassified Separate Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows as well as the Consolidated Net Financial Debt of the Telecom Italia Group, herewith presented, are the same as those included in the Interim Report at March 31, 2013 and are unaudited.

The accounting policies and consolidation principles adopted in the preparation of the Interim Report at March 31, 2013 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at December 31, 2012, to which reference can be made. The new standards and interpretations applicable starting from January 1, 2013 will be adopted by the Group starting from the

Half-year Financial Report at June 30, 2013.

Following the early adoption, starting from the First Half 2012, of the revised IAS 19 (Employee Benefits) to the Provision for Employee Severance Indemnities, the Separate Consolidated Income Statement data for the First Quarter 2012 have been restated (Restated). In particular, this resulted in a reclassification of 10 million euros from Employee benefits expenses to Finance expenses for the time value component in actuarial calculations.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Quarter 2013	1st Quarter 2012 (Restated)	Change (a-b)	
	(a)	(b)	amount	%
Revenues	6,796	7,392	(596)	(8.1)
Other income	55	52	3	5.8
Total operating revenues and other income	6,851	7,444	(593)	(8.0)
Acquisition of goods and services	(2,964)	(3,231)	267	8.3
Employee benefits expenses	(976)	(988)	12	1.2
Other operating expenses	(440)	(456)	16	3.5
Change in inventories	63	53	10	18.9
Internally generated assets	138	151	(13)	(8.6)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,672	2,973	(301)	(10.1)
Depreciation and amortization	(1,292)	(1,344)	52	3.9
Gains (losses) on disposals of non-current assets	7	(4)	11	°
Impairment reversals (losses) on non-current assets	(105)	–	(105)	°
Operating profit (loss) (EBIT)	1,282	1,625	(343)	(21.1)
Share of profits (losses) of associates and joint ventures accounted for using the equity	–	(3)	3	°

method				
Other income (expenses) from investments	–	–	–	°
Finance income	764	803	(39)	(4.9)
Finance expenses	(1,255)	(1,252)	(3)	(0.2)
Profit (loss) before tax from continuing operations	791	1,173	(382)	(32.6)
Income tax expense	(343)	(455)	112	24.6
Profit (loss) from continuing operations	448	718	(270)	(37.6)
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–	–	°
Profit (loss) for the period	448	718	(270)	(37.6)
Attributable to:				
Owners of the Parent	364	605	(241)	(39.8)
Non-controlling interests	84	113	(29)	(25.7)

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(millions of euros)		1st Quarter 2013	1st Quarter 2012
Profit (loss) for the period	(a)	448	718
Other components of the Consolidated Statements of Comprehensive Income:			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
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 will not be reclassified subsequently to Separate Consolidated Income Statement	(d=b+c)	–	–
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		(10)	25
Loss (profit) transferred to the Separate Consolidated Income Statement		(1)	–
Net fiscal impact		1	(4)