TELECOM ITALIA S P A
Form 6-K/A
January 16, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K/A

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF JANUARY 2014

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- _______

This file cancels and replaces the previous submission because of a technical problem.

Half-year

Financial Report

at June 30, 2013

Contents

Useful Information

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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
BRAZIL The Brazil Business Unit (Tim Brasil group) offers services using UMTS and GSM 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.
ARGENTINA The Argentina Business Unit (Sofora - Telecom Argentina group) operates in Argentina and Paraguay. Specifically, in Argentina it operates in fixed telecommunications through the company Telecom Argentina and in mobile telecommunications through the company Telecom Personal (with the Personal brand), and in Paraguay it operates in mobile telecommunications with the company Núcleo.	Sofora Telecomunicaciones S.A. (Sofora) • Nortel Inversora S.A. – Telecom Argentina S.A. – Telecom Argentina USA Inc. – Telecom Personal S.A. – Núcleo S.A. (Paraguay)
MEDIA Media operates in the management of analog and digital broadcasting networks, accessory services of television broadcasting platforms and the television broadcasting segment through the MTV Group.	Telecom Italia Media S.p.A. • TI Media Broadcasting S.r.l. (network operator) •

	MTV group
OLIVETTI Olivetti operates in the sector 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. The reference market is focused mainly in Europe, Asia and South America.	Olivetti S.p.A. • Advalso S.p.A. • Olivetti I-Jet S.p.A. • European Affiliates

Board of Directors

Executive Chairman	Franco Bernabè
Deputy Chairman	Aldo Minucci
Managing Director and Chief Operating Officer	Marco Patuano
Directors	César Alierta Izuel
	Tarak Ben Ammar
	Lucia Calvosa (independent)
	Elio Cosimo Catania (independent)
	Massimo Egidi (independent)
	Jean Paul Fitoussi (independent)
	Gabriele Galateri di Genola
	Julio Linares López
	Gaetano Micciché
	Renato Pagliaro
	Mauro Sentinelli (independent)

	Luigi Zingales (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

Key Operating and Financial Data - Telecom Italia Group

Half-year 2013 Highlights

The first half of 2013 continued to be affected by the fragility of the domestic economic environment and by a reduction in economic growth in Latin American countries. Along with the continuing unfavorable economic scenario, in Italy downwards pressure on prices continued, particularly in the Mobile Consumer market. In the second quarter, it was decided to respond firmly to this trend with highly competitive deals, investing a portion of profits to clear the way for defense and net acquisition of customers, also using innovative convergent fixed-mobile deals. In addition to that market context, the results were also significantly affected by the adverse impact of regulatory factors.

Although the overall conditions for the second part of the year continue to appear challenging, the Company expects a gradual easing of competitive pressure, particularly on Mobile prices, and a more stable regulatory framework.

In this context, Telecom Italia is implementing significant actions to increase operating efficiency and safeguard the deleverage objective. All the opportunities offered by the announced project of structural separation of the fixed-line access network will be pursued, and we will continue to assess future opportunities for consolidation in the mobile business.

More specifically, in the first half of 2013:

- Consolidated revenues dropped year-on-year (-2.7% in organic terms) to 13.8 billion euros, while EBITDA fell to 5.2 billion euros, down 10.6% (-6.8% in organic terms).

- In organic terms, operating profit (EBIT) decreased by 13% compared to the first half of 2012. In reported terms, EBIT in the first half of 2013 came to 0.4 billion euros, also as a result of a goodwill impairment loss for Core Domestic totaling 2.2 billion euros.

- Profit (loss) for the period attributable to Owners of the Parent showed a loss of 1.4 billion euros. Excluding the impact of the aforementioned goodwill impairment loss, profit for the period would have been 0.8 billion euros (profit of 1.2 billion euros in the first half of 2012).

- Cash flow in the first half of the year, which is already usually lower than in the second half of the year, was impacted to a greater extent, in the first six months of 2013, by the seasonal trend in bills payable in the last half of the previous year. Dividends and taxes were also paid totaling 0.7 billion euros, a decrease of approximately 0.5 billion euros compared to the same period of the previous year.

- Adjusted Net Financial Debt consequently came to 28.8 billion euros, up 0.5 billion euros compared to the end of 2012 and down 1.5 billion euros compared to June 30, 2012.

Financial Highlights

(millions of euros)		1st Half 2013	1st Half 2012	% Change Reported	% Change Organic
Revenues		13,760	14,793	(7.0)	(2.7)
EBITDA	(1)	5,236	5,859	(10.6)	(6.8)
EBITDA Margin		*38.1%*	*39.6%*	*(1.5) pp*	
Organic EBITDA Margin		*38.9%*	*40.7%*	*(1.8) pp*	
EBIT before goodwill impairment loss		2,540	3,199	(20.6)	
Goodwill impairment loss		*(2,187)*	–	-	
EBIT	(1)	353	3,199	(89.0)	(13.0)
EBIT Margin		*2.6%*	*21.6%*	*(19.0) pp*	
Organic EBIT Margin		*20.1%*	*22.5%*	*(2.4) pp*	

Profit (loss) for the period attributable to owners of the Parent		(1,407)	1,242	
Capital expenditures (CAPEX)		2,193	2,269	(3.3)
		6/30/2013	6/30/2012	12/31/2012
Adjusted net financial debt	(1)	28,813	30,360	28,274
Change on 6/30/2013			(1,547)	539

1)

Details are provided under Alternative Performance Measures .

Consolidated Operating Performance

Revenues

Revenues amounted to 13,760 million euros in the first half of 2013, down 7% from 14,793 million euros in the first half of 2012. The drop of 1,033 million euros was mainly driven by falling revenues for the Domestic Business Unit (-944 million euros) and Brazil Business Unit (-113 million euros, due to the reais/euro exchange rate), whereas the Argentina Business Unit recorded growth (+67 million euros). In terms of organic change, consolidated revenues fell by 2.7% (-375 million euros).

Specifically, the organic change in revenues is calculated by excluding:

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the effect of the change in exchange rates,[1] totaling -634 million euros, mainly relating to the Brazil Business Unit (-352 million euros) and the Argentina Business Unit (-280 million euros);

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the effect of the change in the scope of consolidation (-33 million euros) resulting from the sale of the company Matrix (Other Operations) on October 31, 2012 and of La7 S.r.l. (Media) on April 30, 2013.

The breakdown of revenues by operating segment is the following:

(millions of euros)	1st Half 2013		1st Half 2012		Change		
		% of total		% of total	amount	%	% organic

Domestic	8,104	58.9	9,048	61.2	(944)	(10.4)	(10.5)
Core Domestic	*7,687*	*55.9*	*8,570*	*57.9*	*(883)*	*(10.3)*	*(10.4)*
International Wholesale	*596*	*4.3*	*709*	*4.8*	*(113)*	*(15.9)*	*(15.7)*
Brazil	3,620	26.3	3,733	25.2	(113)	(3.0)	7.1
Argentina	1,890	13.7	1,823	12.3	67	3.7	22.5
Media, Olivetti and Other Operations	212	1.5	290	2.0	(78)		
Adjustments and Eliminations	*(66)*	*(0.4)*	*(101)*	*(0.7)*	*35*		
Consolidated Total	13,760	100.0	14,793	100.0	(1,033)	(7.0)	(2.7)

The breakdown of revenues by operating segment is the following:

The Domestic Business Unit (divided into Core Domestic and International Wholesale) recorded a decline of 951 million euros (-10.5%) in organic revenues for the first half of 2013, compared to the corresponding period of 2012.

This trend is partly attributable to regulatory issues, such as the entry into force of new mobile termination rates (MTR), which are 72% lower than those applicable in the same period of 2012 (1.5 euro cents compared to 5.3 euro cents in the same period of 2012), with a negative impact on the income statement of -247 million euros compared to the first half of 2012, as well as the recent AGCom decisions regarding rates for access to the copper network (-58 million euros compared to the first half of 2012). In the final figures for the first half of 2013, Telecom Italia applied with retroactive effect as of January 1, 2013 the values set forth in the two tables in the measure on rates for 2013 relating to wholesale access fees for the copper network (Local Loop Unbundling, naked bitstream, shared bitstream), recently notified by AGCom to the European Commission, which has a term of thirty days to make any comments. Moreover, Telecom Italia believes that those decisions on 2013 rates have aspects that conflict with the European regulatory framework, and has reserved the right to provide the European Commission with its comments. If these decisions are confirmed, Telecom Italia will lodge an appeal with the competent legal forums.

The performance of the domestic market was also affected by the deterioration in the macroeconomic environment and a much more competitive scenario, especially in Mobile services.

In detail:

- Organic revenues from services amounted to 7,784 million euros, down 10.6% compared to the corresponding period of 2012. Specifically, revenues from services in the Mobile business came to 2,604 million euros (3,179 million euros in the first half of 2012) a decrease of 575 million euros (-18.1% compared to the corresponding period of 2012). Revenues from services in the Fixed-line business came to 5,835 million euros (6,329 million euros in the first half of 2012), and were down 494 million euros (-7.8% compared to the corresponding period of 2012);

- Products recorded revenues of 320 million euros, in decline compared to the same period of 2012 (-23 million euros). This negative trend is mainly attributable to Fixed-line products (corded phones, PCs, routers, etc.), as a result of a contraction in the market, as well as a more selective commercial strategy to defend the profit base.

As for the Brazil Business Unit, organic revenues grew 7.1% in the first half of 2013 compared to the corresponding period of the prior year. Revenues from services continued their positive trend (+1.9% compared to the first half of 2012), driven by growth in the customer base (reaching approximately 72 million lines at June 30, 2013, up 2.6% compared to December 31, 2012). Handset revenues also showed a positive trend (+47.9% compared to the first half of 2012).

For the Argentina Business Unit, organic revenues increased 22.5% compared to the first half of 2012 (+347 million euros). In particular, mobile business revenues recorded growth of 25.0%, while the fixed-line segment, which is coming out of a decade of partially blocked regulated rates, grew by 16.0% year-on-year.

An in-depth analysis of revenue performance by individual Business Unit is provided under Key Operating and Financial Data - The Business Units of the Telecom Italia Group .

EBITDA

EBITDA totaled 5,236 million euros, down 623 million euros compared to the first half of 2012 (-10.6%); the EBITDA margin was 38.1% (39.6% in the first half of 2012). In organic terms, EBITDA fell by 391 million euros (-6.8%) year-on-year, while the EBITDA margin was down 1.8 percentage points, from 40.7% in the first half of 2012 to 38.9% in the first half of 2013. The drop in the margin was due to a higher percentage of revenues coming from South America, where margins are lower than those of the Domestic Business.

Details of EBITDA and EBITDA margins by operating segment are as follows:

(millions of euros)	1st Half 2013		1st Half 2012		Change		
		% of total		% of total	amount	%	% organic
Domestic	3,824	73.0	4,406	75.2	(582)	(13.2)	(10.9)
EBITDA Margin	*47.2*		*48.7*			*(1.5) pp*	*(0.1) pp*
Brazil	919	17.6	987	16.8	(68)	(6.9)	2.8
EBITDA Margin	*25.4*		*26.5*			*(1.1) pp*	*(1.1) pp*
Argentina	537	10.3	550	9.4	(13)	(2.4)	15.5
EBITDA Margin	*28.4*		*30.2*			*(1.8) pp*	*(1.8) pp*
Media, Olivetti and Other Operations	(40)	(0.8)	(81)	(1.3)	41		
Adjustments and Eliminations	*(4)*	*(0.1)*	*(3)*	*(0.1)*	*(1)*		
Consolidated Total	5,236	100.0	5,859	100.0	(623)	(10.6)	(6.8)
EBITDA Margin	*38.1*		*39.6*			*(1.5) pp*	*(1.8) pp*

EBITDA was particularly impacted by the change in the line items analyzed below:

•

Acquisition of goods and services (6,154 million euros; 6,500 million euros in the first half of 2012). The reduction of 346 million euros was mainly attributable to the Domestic Business Unit, which saw a decrease of 367 million euros compared to the first half of 2012, largely due to lower amounts payable to other operators. This was offset by the growth in purchases by the Brazil Business Unit (+19 million euros, net of a negative exchange rate effect of 213 million euros) and the Argentina Business Unit (+34 million euros, net of a negative exchange rate effect of 129 million euros).

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Employee benefits expenses (1,931 million euros; 2,006 million euros in the first half of 2012).

These decreased by 75 million euros. The change was influenced by:

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an 88 million euro decrease in employee benefits expenses in Italy, primarily due to lower

ordinary personnel costs and charges, which fell by 71 million euros, and the exit of Matrix

and La7 S.r.l. from the Group s scope of consolidation, for 21 million euros.

This decrease was offset by higher restructuring expenses for a total of 5 million euros. These expenses included 21 million euros for the first half of 2013, recognized following the framework agreement signed by the Parent with the Trade Unions on March 27, 2013 (including 18 million euros from the Parent, 2 million euros from TI Information Technology and 1 million euros from TI Sparkle) and the charge of 16 million euros, posted in the first half of 2012, resulting from the agreements signed with the Trade Unions of Olivetti I-Jet and its subsidiary Olivetti Engineering S.A., for the purpose of managing redundant staff of the company placed in liquidation;

–

a 13 million euros increase in employee benefits expenses in our foreign businesses,

connected with the growth in the average workforce, which rose to 839 employees across the

Brazil and Argentina Business Units.

•

Other operating expenses (941 million euros; 897 million euros in the first half of 2012).

These increased by 44 million euros compared to the first half of 2012.

This increase was primarily attributable to the Domestic Business Unit (+64 million euros,

including 84 million euros relating to the estimate of the charges connected with the fine

imposed by the Italian Antitrust Authority (AGCM) challenged by Telecom Italia relating to the A428 proceedings) and to the Argentina Business Unit (+25 million euros, including a negative exchange rate effect of 30 million euros), and only partly offset by the reduction in other operating expenses of the Brazil Business Unit (-32 million euros, including a negative exchange rate effect of 35 million euros).

In detail:

–

Write-downs and expenses in connection with credit management (236 million euros; 270 million euros in the first half of 2012) consisted of 154 million euros (174 million euros in the first half of 2012) for the Domestic Business Unit, 53 million euros (49 million euros in the first half of 2012) for the Brazil Business Unit, and 24 million euros (26 million euros in the first half of 2012) for the Argentina Business Unit;

–

Provision charges (60 million euros; 56 million euros in the first half of 2012) consisted of 39 million euros (35 million euros in the first half of 2012) for the Brazil Business Unit, 12 million euros (6 million euros in the first half of 2012) for the Argentina Business Unit, and 8 million euros (13 million euros in the first half of 2012) for the Domestic Business Unit;

–

Telecommunications operating fees and charges (292 million euros; 337 million euros in the first half of 2012) consisted of 226 million euros (272 million euros in the first half of 2012) for the Brazil Business Unit, 36 million euros (35 million euros in the first half of 2012) for the Argentina Business Unit, and 30 million euros (30 million euros in the first half of 2012) for the Domestic Business Unit;

–

Sundry expenses, amounting to 108 million euros (20 million euros in the first half of 2012), mainly referred to the Domestic Business Unit and included 84 million euros relating to the estimate of the charges for the aforementioned fine imposed by the Italian Antitrust Authority (AGCM), on conclusion of the A428 proceedings. Telecom Italia has lodged an appeal against the fine before the Administrative Court (TAR) for Lazio.

Depreciation and amortization

Details are as follows:

(millions of euros)	1st Half 2013	1st Half 2012	Change
Amortization of intangible assets with a finite useful life	1,124	1,076	48
Depreciation of property, plant and equipment owned and leased	1,465	1,600	(135)
Total	2,589	2,676	(87)

The reduction in overall depreciation and amortization was mainly attributable to the Domestic Business Unit (-30 million euros), as a result of the decrease in depreciation of property, plant and equipment, which was offset by the increase in amortization of intangible assets, primarily due to the entry into force from January 1, 2013 of the user rights on the LTE frequencies (33 million euros). The reduction was also attributable to the Brazil (-28 million euros) and Argentina (-9 million euros) Business Units, which, however, included negative exchange rate effects of 50 million euros and 45 million euros. Net of this exchange rate effect, depreciation and amortization would have increased (+22 million euros for the Brazil Business Unit and +37 million euros for the Argentina Business Unit).

Gains (losses) on disposals of non-current assets

This item shows a loss of 81 million euros, mainly including the realized loss, which includes incidental costs of 105 million euros from the sale of La7 S.r.l.. On March 6, 2013, Telecom Italia Media and Cairo Communication signed an agreement for the sale of 100% of La7 S.r.l. The sale was completed on April 30, 2013, once authorization for the transaction was received, as required by law.

The overall impact of the sale, considering the performance of La7 S.r.l. up until the disposal date of the asset, will be approximately -130 million euros for 2013, inclusive of non-controlling interests. The final calculations of the exact amount of the specific equity and the resulting total charges to the income statement of the Telecom Italia Group are still under way, and are expected to be concluded by the end of 2013.

This charge was offset by net capital gains on non-current assets totaling 24 million euros, of which 18 million euros relating to the sale of a property by the Brazilian company Telecom Italia Latam Participações and Gestão Administrativa Ltda.

In the first half of 2012 the item recorded a positive 16 million euros.

Impairment reversals (losses) on non-current assets

In the first half of 2013, these amounted to 2,213 million euros, and mainly referred to the impairment loss of 2,187 million euros on the goodwill allocated to the Core Domestic Cash-Generating Unit (CGU) in the Domestic Business Unit.

Specifically, in the first half of 2013, the Group, as in previous years, repeated the impairment test on goodwill. The results of this testing led to an impairment loss of 2,187 million euros on the goodwill allocated to the Core Domestic Cash Generating Unit. This valuation, in compliance with the Group s specific procedures, considered the deterioration of the macroeconomic context, both in general terms, referring to the trend in the Italian economic outlook, and in specific terms, in relation to the management s expectations of the forecast impact, on the entire year 2013 and coming years, of the recent AGCom decisions on wholesale copper network access rates, as well as the commercial performance of the Domestic Business Unit Domestic in the first half of 2013. The valuation also considered analyst forecasts of the expected performance of the Business Unit, as well as the performance of financial indicators and interest rates.

Further details are provided in the Note Goodwill in the half-year condensed consolidated financial statements at June 30, 2013 of the Telecom Italia Group.

This item also includes impairment losses on non-current assets of 26 million euros for the Argentina Business Unit, relating to tangible assets and connected IT systems on several business projects and IT platforms which the company decided to abandon.

In the first half of 2012 the item amounted to zero.

EBIT

EBIT amounted to 353 million euros (3,199 million euros in the first half of 2012) and was impacted by the above-mentioned goodwill impairment loss of 2,187 million euros on the Domestic business.

Organic EBIT totaled 2,763 million euros, down 412 million euros (-13%) compared to the first half of 2012; the organic EBIT margin was 20.1% (22.5% in the first half of 2012).

Finance income (expenses)

Finance income (expenses) recorded net expenses of 949 million euros (net expenses of 917 million euros in the first half of 2012), an increase of 32 million euros year-on-year.

The increase in expenses was linked to the trend in the valuations of several hedging derivatives, attributable to market fluctuations linked to currency translation (unrealized accounting changes which do not result in any actual monetary settlement) which were offset by the positive effect, of approximately 30 million euros, resulting from the adoption of IFRS 13 starting from the first half of 2013. As this standard requires the reflection of the risk of default by Telecom Italia and its bank counterparts, its introduction generated a positive effect on the Group, as the debt positions in the derivatives portfolio, that are higher than the credit positions, are reduced in order to reflect this risk.

Starting from January 1, 2013, finance expenses incurred through the acquisition, by the Domestic Business Unit, of user licenses to LTE mobile frequencies were no longer capitalized as the assets to which they refer entered into operation during the period.

Income tax expense

The item totaled 633 million euros, down 189 million euros on the first half of 2012, largely due to the smaller taxable base of the Parent Telecom Italia**.**

Profit (loss) for the period

Profit (loss) for the period breaks down as follows:

(millions of euros)	1st Half 2013	1st Half 2012
Profit (loss) for the period	(1,224)	1,456
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(1,410)	1,242
Profit (loss) from Discontinued operations/non-current assets held for sale	3	–
Profit (loss) for the period attributable to owners of the Parent	(1,407)	1,242
Non-controlling interests:		
Profit (loss) from continuing operations	183	214
Profit (loss) from discontinued operations/non-current assets held for sale	–	–
Profit (loss) attributable to non-controlling interests	183	214

Key Operating and Financial Data
The Business Units of the Telecom Italia Group

Domestic

(millions of euros)	1st Half 2013	1st Half 2012	Change amount	Change %	Change % organic
Revenues	8,104	9,048	(944)	(10.4)	(10.5)
EBITDA	3,824	4,406	(582)	(13.2)	(10.9)
EBITDA Margin	*47.2*	*48.7*		*(1.5) pp*	*(0.1) pp*
EBIT	(147)	2,605	(2,752)		(17.0)
EBIT Margin	*(1.8)*	*28.8*		*(30.6)pp*	*(2.1) pp*
Headcount at period-end (number)	52,997	(*) 53,224	(227)	(0.4)	

(*) Headcount at December 31, 2012.

Fixed

	6/30/2013	12/31/2012	6/30/2012
Physical accesses at period-end (thousands) (1)	20,788	21,153	21,382
of which Retail physical accesses at period-end (thousands)	*13,555*	*13,978*	*14,277*
Domestic BU broadband accesses at period-end (thousands) (2)	8,794	8,967	9,022
of which Retail broadband accesses at period-end (thousands)	*6,933*	*7,020*	*7,037*
Network infrastructure in Italy:			
copper access network (millions of km pair, distribution and connection)	114.7	114.5	112.5
access and carrier network in optical fiber (millions of km - fiber)	6.1	5.7	4.8
Total traffic:			
Minutes of traffic on fixed-line network (billions)	47.3	101.8	53.4
Domestic traffic	40.0	85.9	45.5
International traffic	7.3	15.9	7.9
DownStream and UpStream traffic volumes (PBytes)	1,238	2,202	1,071

(1)

Excludes full-infrastructured OLOs and WIMAX.

(2)

Excludes LLU and NAKED, satellite and full-infrastructured OLOs, and WIMAX.

Mobile [1]

	6/30/2013	12/31/2012	6/30/2012
Number of lines at period-end (thousands)	31,706	32,159	32,225
Change in lines (%)	(1.4)	(0.2)	0.0
Churn rate (%) [2]	14.4	26.6	12.9
Total average outgoing traffic per month (millions of minutes)	3,544	3,664	3,076
Total average outgoing and incoming traffic per month (millions of minutes)	4,948	4,921	4,935
Mobile browsing volumes (PBytes) [3]	48.3	93.1	45.5
Average monthly revenues per line (in euros) [4]	13.2	15.5	16.0

(1)

Following checks on systems that manage our Mobile Customer base, the need to update technical configuration and clarify our corporate regulations on rechargeable SIM cards extension (beyond the initial timeline following first activation - 13 or 24 months according to the offering) was felt.

Therefore, new Guidelines were drafted listing after-sale marketing cases where the life of rechargeable SIM cards can be extended. Monitoring on management systems was concurrently started to eliminate cases of SIM card extension that are no longer within the scope of the above Guidelines.

To manage and rationalize extensions, a decision was taken to set up a working group with the following goals: a) update and finally validate Guidelines and corporate procedures for the listing of rechargeable SIM card extensions following after-sale deals; b) define exactly those SIM cards that may be extended except for a lack of compliance with the above Guideline; c) deactivate those SIM cards which result to be active only based on extension cases which are no longer part of the updated set of rules.

(2)

The data refers to total lines. The churn rate represents the number of mobile customers who discontinued service during the period expressed as a percentage of the average number of customers.

(3)

National traffic excluding roaming.

(4)

The values are calculated on the basis of revenues from services (including revenues from prepaid cards) as a percentage of the average number of lines.

The financial and operating highlights of the Domestic Business Unit are reported according to two Cash Generating Units (CGU):

•

Core Domestic: includes all telecommunications activities inherent to the Italian market. Revenues are broken down in the following tables according to the net contribution of each market segment to the CGU s results, excluding intrasegment transactions. The sales market segments defined on the basis of the customer centric organizational model are as follows:

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Consumer: comprises the aggregate of voice and Internet services and products managed and developed for persons and families in the Fixed and Mobile telecommunications markets and also public telephony;

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Business: expanded as of the beginning of 2013 to include Top customers, the segment consists of voice, data, and Internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets;

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National Wholesale: consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed and Mobile telecommunications operators in the domestic market;

–

Other (Support Structures): includes:

–

Technology & IT: constitutes services related to the development, building and operation of network infrastructures, real estate properties and plant engineering, delivery processes and assurance regarding customer services in addition to the development and operation of information services;

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Staff & Other: services carried out by Staff functions and other support activities performed by minor companies of the Group also offered to the market and other Business Units.

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International Wholesale: includes the activities of the Telecom Italia Sparkle group which operates in the international voice, data and Internet services market aimed at fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

Main financial data

Key results for the first half of 2013 for the Domestic Business Unit are presented in the following tables, broken down by market/business segment and compared to the first half of 2012.

Core Domestic

(millions of euros)	1st Half 2013	1st Half 2012	Change		
			amount	%	% organic
Revenues	7,687	8,570	(883)	(10.3)	(10.4)
Consumer	*4,012*	*4,432*	*(420)*	*(9.5)*	*(9.5)*
Business (1)	*2,627*	*3,013*	*(386)*	*(12.8)*	*(12.8)*
National Wholesale	*964*	*1,035*	*(71)*	*(6.9)*	*(7.7)*
Other	*84*	*90*	*(6)*	*(6.7)*	*(6.7)*
EBITDA	3,731	4,309	(578)	(13.4)	(11.0)
EBITDA Margin	*48.5*	*50.3*		*(1.8) pp*	*(0.3) pp*
EBIT	(193)	2,556	(2,749)		(17.3)
EBIT Margin	*(2.5)*	*29.8*		*(32.3) pp*	*(2.3) pp*
Headcount at period-end (number)	52,048	(*) 52,289	(241)	(0.5)	

(*)

Headcount at December 31, 2012.

(1)

Includes Top customers as of January 1, 2013. Figures for the periods under comparison have been restated accordingly.

International Wholesale

(millions of euros)	1st Half 2013	1st Half 2012	Change		
			amount	%	% organic
Revenues	596	709	(113)	(15.9)	(15.7)
of which third party	*425*	*500*	*(75)*	*(15.0)*	*(14.7)*
EBITDA	96	103	(7)	(6.8)	(4.9)
EBITDA Margin	*16.1*	*14.5*		*1.6 pp*	*1.9 pp*
EBIT	45	50	(5)	(10.0)	(8.0)

EBIT Margin	*7.6*	*7.1*		*0.5 pp* *0.6 pp*
Headcount at period-end (number)	949	(*) 935	14	1.5

(*)

Headcount at December 31, 2012.

Revenues

In a negative economic scenario worse than expectations, which forecasted a recovery during the year and a market environment of stiff competition with accelerating price reductions (particularly in the Mobile business and traditional services), the decline in revenues was also significantly influenced by several additional regulatory changes.

Specifically, revenues were affected by the entry into force as of January 1, 2013 of new mobile termination rates (MTR), which are a further 40% lower than the rates applicable in the second half of 2012 and 72% lower than those applicable in the first half of 2012 (1.5 euro cents per minute versus 5.3 euro cents in the first half of 2012, and 2.5 euro cents in the second half of 2012). Revenues were also affected by recent decisions of the AGCom regarding copper network access rates. In the final figures of the first half of 2013, Telecom Italia applied with retroactive effect as of January 1, 2013 the values contained in the two draft measures on rates for 2013 relating to wholesale access fees for the copper network (Local Loop Unbundling, naked bitstream, shared bitstream), recently notified by

AGCom to the European Commission, which has a term of thirty days to make any comments. Moreover, Telecom Italia believes that those decisions on 2013 rates have aspects that conflict with the European regulatory framework, and has thus reserved the right to provide the European Commission with its comments. If these decisions are confirmed, Telecom Italia will lodge an appeal with the competent legal forums.

The performance of revenues was also impacted by the introduction of a price cap on roaming traffic at European level in July 2012.

In this scenario, revenues in the first half of 2013 fell by 10.5% in organic terms year-on-year, showing a slightly downward trend with respect to the first quarter of 2013, (when the figure declined by 10.1% year-on-year). Excluding the impact of the reduction in the new mobile termination rates (MTR), of 247 million euros, and the aforementioned change in rates for wholesale access to the copper network, amounting to 58 million euros, the performance in the first half 2013 would have been -7.1% on the same period of the previous year, with a trend more or less in line with the first part of 2013.

Falling revenues were primarily attributable to the decline in revenues from traditional services, which were only marginally offset by the growth in innovative services, especially Fixed-line Broadband, ICT and Mobile Internet in the Consumer segment.

In detail:

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Consumer: revenues for the Consumer segment amounted to 4,012 million euros, decreasing 420 million euros compared to the first half of 2012 (-9.5%). This performance continued the decline compared to previous periods

(-8.9% in the first quarter of 2013), specifically attributable to the sharp erosion of revenues in the Mobile business (-16.4% compared to -14.7% in the first quarter of 2013), due to strong competition, the resulting loss of Customer Base (approximately -5% compared to June 30, 2012 and -3% compared to December 31, 2012) and the negative impact of the reduction in termination rates (-216 million euros on Mobile business in the first half). The fall in revenues was entirely attributable to lower revenues from services (-383 million euros or -17.5%), especially revenues from traditional Mobile Voice services (-350 million euros, partly affected by the aforementioned introduction of the new termination rates MTR, amounting to -186 million euros on the Consumer segment), Fixed-line Voice services (-91 million euros) and Messaging (-44 million euros), which were only partially offset by growth in Mobile Internet revenues (+22 million euros) and Fixed-line Broadband revenues (+18 million euros).

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Business: revenues for the Business segment in the first half of 2013 totaled 2,627 million euros, representing a fall of 386 million euros (-12.8%) compared to the corresponding period of 2012. The decline was largely due to revenues from services (-367 million euros), which fell by -202 million euros in the Mobile segment (-22.5%) and by -182 million euros (-9.1%) in the Fixed-line segment. Lower Mobile revenues were partly due to the drop in revenues from voice traffic, affected by the introduction of new mobile termination rates (-61 million euros on the Business segment), but also by a reduction in ARPU and, to a lesser extent, by the erosion of the human customer base (-2% versus June 30, 2012) in the SOHO and SME segments in particular. The Fixed-line business continued to feel the effect of the cooling of demand, due to the economic recession and the contraction in prices on the more traditional voice and data services.

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National Wholesale: revenues for the Wholesale segment in the first half of 2013 totaled 964 million euros, down 71 million euros (-6.9%) compared to the same period of 2012, entirely attributable to the above-mentioned regulatory price reductions on LLU, Bitstream, Wholesale Line Rental access and termination.

International Wholesale Revenues

International Wholesale revenues in the first half of 2013 totaled 596 million euros, down 113 million euros (-15.9%) year-on-year. The decline involved Voice services in particular (-90 million euros; -18%), following the annual review of bilateral accords and transit arrangements, which resulted in the decision to focus on renewing agreements offering higher margins. Revenues from IP/Data services were down (-10 million euros, -7%) mainly in the capital market segment. Despite the overall increase in total bandwidth sold, the market suffered from an increasingly competitive scenario and the resulting fall in prices. Also down, particularly in the Domestic component, was the business MNC s segment (-11 million euros, -27%). Against these reductions, the greater focus on higher margin international traffic and the continuous cost-cutting attention and actions, generated an EBITDA in the half year of

96 million euros, with an increase in profitability of approximately 2 percentage points compared to the same period of 2012, though slightly down in actual amount.

EBITDA

EBITDA of the Domestic Business Unit was 3,824 million euros in the first half of 2013, down 582 million euros compared to the first half of 2012 (-13.2%). The EBITDA margin stood at 47.2%, down slightly by -1.5 percentage points year-on-year. The result reflects the contraction in revenues from services (-921 million euros compared to the corresponding period of 2012) and the impact of the Antitrust penalty relating to the A428 proceedings (84 million euros), which were only partly offset by the lower revenues due to other TLC operators (mainly attributable to lower termination rates) and by efficiencies achieved through the selective control and containment of operating expenses.

Organic EBITDA in the first half of 2013 amounted to 3,943 million euros (-480 million euros or -10.9% compared with the first half of 2012), with an organic EBITDA margin of 48.7%, substantially in line with the same period of the previous year (-0.1 percentage points). Without the reduction in fees for wholesale access to the network, EBITDA would have been down 9.6%.

With regard to the change in the main costs, the following is noted:

(millions of euros)	1st Half 2013	1st Half 2012	Change
Acquisition of goods and services	2,869	3,236	(367)
Employee benefits expenses	1,429	1,472	(43)
Other operating expenses	365	301	64

In particular:

- acquisition of goods and services fell by 367 million euros (-11.3%) compared to the same period of 2012. This reduction was mainly due to a decline in revenues due to other TLC operators, owing principally to the reduction in Mobile termination rates, but also to efficiency measures and containment of fixed costs;

- employee benefits expenses fell by 43 million euros, from 1,472 million euros in the first half of 2012 to 1,429 million euros in the first half of 2013. The drop was mainly due to lower ordinary personnel costs, which were offset by expenses for mobility under Law 223/91, totaling 21 million euros, recognized after a framework agreement was reached by the Parent Telecom Italia with Trade Unions on March 27, 2013;

- other operating expenses increased by 64 million euros compared to the same period of 2012. These included 84 million euros relating to the estimate of the charges for the fine imposed by the Italian Antitrust Authority (AGCM) on conclusion of the A428 proceedings; Telecom Italia has lodged an appeal against the fine before the Administrative Court (TAR) for Lazio. However, this effect was partly offset by the reduction in expenses in connection with credit management (-20 million euros compared to the first half of 2012), mainly attributable to the reduction in credits sold.

Details of other operating expenses are shown in the table below:

(millions of euros)	1st Half 2013	1st Half 2012	Change
	154	174	(20)

Write-downs and expenses in connection with credit management			
Provision charges	8	13	(5)
Telecommunications operating fees and charges	30	30	-
Indirect duties and taxes	54	51	3
Sundry expenses	119	33	86
Total	365	301	64

EBIT

EBIT came to -147 million euros, down 2,752 million euros compared to the first half of 2012 (2,605 million euros). This figure was driven down specifically by the goodwill impairment loss on the Domestic Cash Generating Unit of 2,187 million euros, recorded based on the results of the impairment testing.

In organic terms, calculated excluding in particular the aforementioned goodwill impairment loss, EBIT came to 2,159 million euros, down 443 million euros (-17%) compared to the first half of 2012 (2,602 million euros); with an organic EBIT margin of 26.6% in the first half of 2013, down from the 28.7% recorded for the first half of 2012.

Brazil

	(millions of euros)		(millions of Brazilian reais)			
	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	Change	
					amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
Revenues	3,620	3,733	9,655	9,016	639	7.1
EBITDA	919	987	2,452	2,385	67	2.8
EBITDA Margin	*25.4*	*26.5*	*25.4*	*26.5*		*(1.1) pp*
EBIT	420	460	1,121	1,110	11	1.0
EBIT Margin	*11.6*	*12.3*	*11.6*	*12.3*		*(0.7) pp*
Headcount at period-end (number)			11,494	(*) 11,622	(128)	(1.1)

(*)

Headcount at December 31, 2012.

	1st Half 2013	1st Half 2012
Number of lines at period-end (thousands)	72,181	(1)70,362
MOU (minutes/month)(2)	146.0	126.9
ARPU (reais)	18.3	18.7

(1) Number at December 31, 2012.

(2) Net of visitors.

Main financial data

Revenues

Revenues for the first half of 2013 amounted to 9,655 million reais, up 639 million reais on the same period of 2012 (+7.1%). Service revenues totaled 8,152 million reais, up from 8,000 million reais for the same period of 2012 (+1.9%). Revenues from product sales were up from 1,016 million reais in the first half of 2012 to 1,503 million reais in the first half of 2013 (+47.9%), reflecting the Company s strategy of market penetration with high-end handsets (smartphones/web phones) and tablets as an important lever for the expansion of revenues from data services.

Mobile Average Revenue Per User (ARPU) was 18.3 reais in the first half of 2013 compared with 18.7 reais in the same period of 2012 (-2.1%). The performance of ARPU and revenues from services not only reflected competitive pressures that have led to a decline in revenue per user in the voice business, but also the lower mobile operator network interconnection rate.

The total number of lines at June 30, 2013 was 72.2 million, 2.6% higher than at December 31, 2012, representing a 27.2% market share in terms of lines.

EBITDA

EBITDA in the first half of 2013 amounted to 2,452 million reais, an improvement of 67 million reais (+2.8%) year-on-year. Growth in EBITDA was driven by higher revenues, mainly from value-added

services, which were partially offset by higher termination costs due to increased traffic volumes and by industrial costs and employee benefits expenses. The EBITDA margin came to 25.4%, 1.1 percentage points lower than in the first half of 2012.

With regard to the change in the main costs, the following is noted:

	(millions of euros)		(millions of Brazilian reais)		
	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	Change
	(a)	(b)	(c)	(d)	(c-d)
Acquisition of goods and services	2,274	2,255	6,066	5,447	619
Employee benefits expenses	179	177	479	427	52
Other operating expenses	341	373	908	900	8
Change in inventories	(42)	(17)	(113)	(41)	(72)

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acquisition of goods and services: totaled 6,066 million reais (5,447 million reais in the first half of 2012). The 11.4% increase year-on-year (+619 million reais) breaks down as follows:

+471 million reais for purchases referring primarily to product cost;
+ 54 million reais for rent and lease costs;
+ 94 million reais for external service costs;

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employee benefits expenses, amounting to 479 million reais, were up 52 million reais compared with the first half of 2012 (+12.2%). The average workforce grew from 9,795 employees in the first half of 2012 to 10,506 employees in the first half of 2013. The percentage of employee benefits expenses to revenues was 5%, increasing 0.3 percentage points compared to the first half of 2012;

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other operating expenses amounted to 908 million reais, an increase of 0.9% (900 million reais in the first half of 2012). The expenses break down as follows:

(millions of Brazilian reais)	1st Half 2013	1st Half 2012	Change

Write-downs and expenses in connection with credit management	141	118	23
Provision charges	103	85	18
Telecommunications operating fees and charges	602	656	(54)
Indirect duties and taxes	28	17	11
Sundry expenses	34	24	10
Total	908	900	8

EBIT

EBIT was 1,121 million reais, increasing 11 million reais compared to the first half of 2012. This increase was due to higher EBITDA, partially offset by higher depreciation and amortization charges of 59 million reais (1,330 million reais in the first half of 2013, compared to 1,271 million reais in the first half of 2012).

Argentina

	(millions of euros)		(millions of Argentine pesos)			
	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	Change	
					amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
Revenues	1,890	1,823	12,712	10,379	2,333	22.5
EBITDA	537	550	3,615	3,131	484	15.5
EBITDA Margin	*28.4*	*30.2*	*28.4*	*30.2*		*(1.8) pp*
EBIT	226	255	1,524	1,452	72	5.0
EBIT Margin	*12.0*	*14.0*	*12.0*	*14.0*		*(2.0) pp*
Headcount at period-end (number)(*)			16,713	(**) 16,803	(90)	(0.5)

(*) Includes employees with temp work contracts: 1 at June 30, 2013, and 3 at December 31, 2012.

(**) Headcount at December 31, 2012.

	6/30/2013	12/31/2012	Change	
			amount	%
Fixed-line				
Lines at period-end (thousands)	4,114	4,128	(14)	(0.3)
ARBU (Average Revenue Billed per User) (Argentine pesos)	51.2	47.2 (1)	4.0	8.5
Mobile				
Lines at period-end (thousands)	21,688	21,276	412	1.9
Telecom Personal lines (thousands)	19,307	18,975	332	1.7
% postpaid lines (2)	*33%*	*33%*	-	

MOU Telecom Personal (minutes/month)	95	96 (1)	(1)	(1.0)
ARPU Telecom Personal (Argentine pesos)	63.8	54.6 (1)	9.2	16.8
Núcleo mobile lines (thousands) (3)	2,381	2,301	80	3.5
% postpaid lines (2)	*20%*	*19%*	*+1pp*	
Broadband				
Broadband accesses at period-end (thousands)	1,634	1,629	5	0.3
ARPU (Argentine pesos)	119.3	96.1 (1)	23.2	24.1

(1) Figures for the first half of 2012.

(2)

Includes lines with a ceiling invoiced at the end of the month which can be topped-up with prepaid refills.

(3)

Includes WiMAX lines.

Revenues

Revenues for the first half of 2013 amounted to 12,712 million pesos, up by 2,333 million pesos (+22.5%) compared to the first half of 2012 (10,379 million pesos), mainly due to the growth in the mobile customer base compared to the first half of 2012, and the increase in Average Revenue Per User (ARPU). The main source of revenues was mobile telephony, which accounted for about 74% of the consolidated revenues of the Business Unit, an increase of 25% year-on-year.

Fixed-line telephony service**:** the number of fixed lines at June 30, 2013 decreased slightly compared to the end of 2012. Even though regulated fixed-line services in Argentina continued to be influenced by the rate freeze imposed by the Emergency Economic Law of January 2002, ARBU rose by 8.5% compared to the first half of 2012, thanks to the sale of additional services and the spread of traffic plans.

Mobile telephony service**:** Telecom Personal mobile lines in Argentina increased by 332 thousand compared to the end of 2012, arriving at a total of 19,307 thousand lines, 33% of which were postpaid. At the same time, thanks to high-value customer acquisitions and leadership in the smartphone segment, ARPU grew by 16.8% to 63.8 pesos (54.6 pesos in the first half of 2012). A large part of this growth was attributable to value-added services (including SMS messaging and Internet) which together accounted for 56% of revenues from mobile telephony services in the first half of 2013.

In Paraguay, the Núcleo customer base grew about 3.5% compared to December 31, 2012, reaching 2,381 thousand lines, 20% of which are postpaid.

Broadband**:** Telecom Argentina s portfolio of broadband lines totaled 1,634 thousand accesses at June 30, 2013, showing substantially no change on the end 2012 figure. ARPU rose by 24.1% to 119.3 pesos (96.1 pesos in the first half of 2012), largely thanks to up-selling strategies and price adjustments.

EBITDA

EBITDA showed an increase of 484 million pesos (+15.5%) compared to the first half of 2012, reaching 3,615 million pesos. The EBITDA margin stood at 28.4%, down 1.8 percentage points compared to the first half of 2012, mainly due to higher employee benefits expenses, and other operating expenses, particularly as a result of the higher indirect tax charges resulting from the increased tax on gross revenues.

With regard to the change in the main costs, the following is noted:

	(millions of euros)		(millions of Argentine pesos)		
	1st Half 2013 (a)	1st Half 2012 (b)	1st Half 2013 (c)	1st Half 2012 (d)	Change (c-d)
Acquisition of goods and services	873	839	5,870	4,773	1,097
Employee benefits expenses	280	267	1,883	1,519	364
Other operating expenses	223	197	1,496	1,122	374
Change in inventories	(21)	(28)	(139)	(157)	18

- acquisition of goods and services: totaled 5,870 million pesos (4,773 million pesos in the first half of 2012). The increase of 23.0% compared to the first half of 2012 (+1,097 million pesos) was mainly due to higher external service costs of 496 million pesos and higher purchases of raw materials, auxiliaries, consumables and merchandise of 391 million pesos;

- employee benefits expenses: came to 1,883 million pesos, increasing 364 million pesos compared to the first half of 2012 (+24.0%). The increase was driven by salary rises, connected with the periodical review of union agreements, largely linked to inflation, which were only partially offset by the reduction in other employee benefits expenses of a total of approximately 18 million pesos. In addition, the average number of employees working in mobile telephony rose over the period, compared to the first half of 2012. The ratio of employee benefits expenses to total revenues rose to 14.8%, up 0.2 percentage points over the first half of 2012;

- other operating expenses: amounted to 1,496 million pesos, increasing 33.3% (1,122 million pesos in the first half of 2012). These expenses consisted of the following:

(millions of Argentine pesos)	1st Half 2013	1st Half 2012	Change
Write-downs and expenses in connection with credit management	165	148	17
Provision charges	81	35	46
Telecommunications operating fees and charges	243	196	47
Indirect duties and taxes	1,002	741	261

Sundry expenses	5	2	3
Total	1,496	1,122	374

EBIT

EBIT for the first half of 2013 came to 1,524 million pesos compared to 1,452 million pesos recorded for the same period of last year. The increase of 72 million pesos was substantially due to the improvement in EBITDA, partly offset by increased amortization and depreciation of 247 million pesos, also resulting from the reduction in the useful lives of Customer Relationships at the end of 2012, and impairment losses on non-current assets of 172 million pesos, mainly relating to several business projects and IT platforms which the company decided to abandon.

The EBIT margin stood at 12.0% of revenues (-2.0 percentage points compared to the first half of 2012).

Media

(millions of euros)	1st Half 2013	1st Half 2012	Change		
			amount	%	% organic
Revenues	88	119	(31)	(26.1)	(13.7)
EBITDA	(11)	(16)	5	31.2	(57.1)
EBITDA Margin	*(12.5)*	*(13.4)*		*0.9 pp*	*(5.6) pp*
EBIT	(1) (134)	(46)	(88)	-	6.5
EBIT Margin	-	*(38.7)*		-	*(2.6) pp*
Headcount at period-end (number) (°)	208	(*) 735	(527)	(71.7)	

(1)

EBIT of the Media Business Unit was driven down by 105 million euros deriving from the loss realized on the sale of La7 S.r.l. on April 30, 2013.

(°) Includes employees with temp work contracts: 9 employees at 6/30/2013 and 36 at 12/31/2012

(*) Headcount at December 31, 2012.

At June 30, 2013, the three digital multiplexes of Telecom Italia Media Broadcasting reached 95% of the Italian population.

Sale of La7 S.r.l.

On April 30, 2013, after authorization for the sale was received, as required by law, Telecom Italia Media completed the sale of La7 S.r.l. to Cairo Communication, on the terms and conditions announced to the market in March 2013.

The agreement followed the transfer, effective as of September 1, 2012, of a business area consisting of television assets held by Telecom Italia Media S.p.A. to La7 S.r.l., which at the time was a wholly-owned subsidiary of Telecom Italia Media S.p.A.

The broadcaster was sold at a price of approximately 1 million euros. Prior to the transfer of the investment, La7 S.r.l. was recapitalized by Telecom Italia Media S.p.A. in order to ensure that at the date of the sale the company had a positive net financial position of no less than 88 million euros. The recapitalization also contributed to giving La7 S.r.l. an agreed equity of 138 million euros.

As a result of the transaction, Telecom Italia S.p.A. has waived financial receivables due from Telecom Italia Media S.p.A. for a total amount of 100 million euros. Based on the agreements entered into and also taking account of the expected performance of La7 S.r.l. up to the date of disposal, negative income statement impacts are expected for the entire year 2013 of around 130 million euros, before amounts due to non-controlling interests. The final calculations of the exact amount of the related equity are still under way and are expected to be concluded by the end of 2013.

The sale was part of a broader plan for the corporate restructuring of the Telecom Italia Media Group, begun in 2012.

Sale of MTV Italia S.r.l.

On July 4, 2013 the agreement was signed for the sale of 51% of MTV Italia S.r.l. to Viacom International Media Networks (VIMN).

According to the main terms of the agreement, Viacom International Media Networks shall pay Telecom Italia Media a price of 10 million euros, which will be subject to adjustment on the closing date, based on the change in working capital.

Under the agreement, Telecom Italia Media has committed to waiving financial receivables due from MTV Italia at the signing date, amounting to approximately 9.3 million euros, on completion of the transaction. Completion of the transaction, subject to the authorizations prescribed in the applicable regulations, is expected by September 2013.

Lastly, the parties agreed on the long-term renewal of the supply of transmission capacity and services by Telecom Italia Media Broadcasting S.r.l. to MTV Italia S.r.l.

The operation will have a positive impact on the Telecom Italia Media Group s results, both in terms of increased earnings and reduced debt.

In light of the sale of La7 S.r.l. and the planned sale of MTV, the table below shows figures for the first half of 2013 and the first half of 2012, restated to exclude the results of both companies.

(millions of euros)	1st Half 2013	1st Half 2012	Change	
			amount	%

Revenues	39	38	1	2.6
EBITDA	18	20	(2)	(10.0)
EBITDA Margin	*46.2*	*52.6*		*(6.4) pp*
EBIT	4	7	(3)	(42.9)
EBIT Margin	*10.3*	*18.4*		*(8.1) pp*
Headcount at period-end (number)	85	(*) 88	*(3)*	*(3.4)*

(*) Headcount at December 31, 2012.

Revenues

Revenues amounted to 39 million euros in the first half of 2013, increasing 1 million euros compared to 38 million euros in the first half of 2012. The increase of 1 million euros was entirely attributable to the network operator (TIMB), which consequently strengthened the customer base acquired in 2012.

EBITDA

EBITDA was a positive 18 million euros in the first half of 2013, down 2 million euros compared to the first half of 2012. This change was mainly attributable to higher operating expenses of Telecom Italia Media S.p.A., whereas the EBITDA of the network operator (TIMB), amounting to 22 million euros, was substantially in line with the first half of 2012 and reflected the above-mentioned increase in revenues, essentially offset by several provisions charges relating to trade receivables and future expenses allocated during the period.

EBIT

EBIT was a positive 4 million euros, compared to 7 million euros in the first half of 2012, representing a drop of 3 million euros. The figure was driven down essentially by lower EBITDA, as described above, and higher depreciation and amortization charges of the network operator (TIMB) of 1 million euros.

Olivetti

On June 13, 2012 the shareholders meeting of the subsidiary Olivetti I-Jet S.p.A. approved the wind-up of the company. Moreover, on July 2, 2013 the start of the winding up of the Swiss subsidiary Olivetti Engineering S.A. was approved.

(millions of euros)	1st Half 2013	1st Half 2012	Change		
			amount	%	% organic
Revenues	124	130	(6)	(4.6)	(4.6)
EBITDA	(23)	(38)	15	39.5	(4.5)
EBITDA Margin	*(18.5)*	*(29.2)*		*10.7 pp*	*(1.6) pp*
EBIT	(25)	(41)	16	39.0	0.0
EBIT Margin	*(20.2)*	*(31.5)*		*11.3 pp*	*(1.0) pp*
Headcount at period-end (number)	*729*	(*) 778	(49)	(6.3)	

(*)

Headcount at December 31, 2012.

Revenues

Revenues amounted to 124 million euros in the first half of 2013, a decrease of 6 million euros year-on-year (130 million euros in the first half of 2012; -4.6%).

The decrease in revenues was largely linked to lower sales of copying and printing on the Italian market, where customers of SMEs and independent professionals are more exposed to the current market crisis, recording a drop of approximately 9 million euros, including 4 million euros relating to lower sales of photocopiers and related consumables and 5 million euros relating to the decrease in equipment rental. This downturn was offset by the performance of systems and specialized applications, which recorded higher revenues of 4 million euros in the half year (including 3 million euros in Italy and 1 million euros in Europe) and, on the Italian market, the increase in revenues of new services and cloud solutions (+1 million euros).

EBITDA

The item recorded a negative 23 million euros, improving by 15 million euros on the first half of the prior year. Specifically, in the first half of 2012, EBITDA was driven down by provisions for restructuring expenses of 16.5 million euros, made in June 2012 following the start of the winding up of Olivetti I-Jet S.p.A. Excluding those provisions, the organic change would have been -4.5%. The figure for the first half of 2013 was also affected by charges totaling 9 million euros, resulting from a fire which completely destroyed the spare parts warehouse on March 19, 2013. The goods were adequately insured and the Company expects to receive an insurance payout by the end of the current year equal to at least the total damages. Net of this item, the change in EBITDA would have been a positive 8 million euros (+36.4%), thanks to margins substantially holding strong in terms of percentage of sales, and to lower fixed costs (which benefited from the closure of Olivetti s ink-jet business in 2012). These two factors more than offset the lower absolute margins resulting from the decline in sales.

EBIT

EBIT recorded a negative 25 million euros, an increase of 16 million euros compared to the first half of 2012, when it stood at a negative 41 million euros. The figure was affected by the same factors driving the drop in EBITDA, described above. If the figures had been calculated excluding the aforementioned provisions for restructuring expenses in the first half of 2012 the organic change would have been zero. Excluding the losses for the first half of 2013, deriving from the destruction of the spare parts warehouse, EBIT would have improved by 9 million euros (+36.0%).

Consolidated Financial Position and Cash Flows Performance

Non-current assets

•

Goodwill: decreased 2,309 million euros, from 32,410 million euros at the end of 2012 to 30,101 million euros at June 30, 2013, as a result of the aforementioned goodwill impairment loss of 2,187 million euros for the Domestic-Core Domestic Business Unit and the exchange rate effect of the Brazilian companies. Further details are provided in the Note Goodwill in the half-year condensed consolidated financial statements at June 30, 2013 of the Telecom Italia Group.

•

Other intangible assets: decreased 342 million euros, from 7,927 million euros at the end of 2012 to 7,585 million euros at June 30, 2013, as the balance of the following:

–

additions (+1,000 million euros);

–

amortization charge for the period (-1,124 million euros);

–

disposals, exchange differences, reclassifications and other movements (for a net negative.

balance of 218 million euros).

At June 30, 2013, all the user licenses to LTE frequencies acquired by Telecom Italia S.p.A. at the end of 2011 were in use and subject to amortization. Accordingly, no finance expenses remain to be capitalized.

•

Tangible assets: decreased 632 million euros from 15,479 million euros at the end of 2012 to 14,847 million euros at June 30, 2013, as the balance of the following:

–

additions (+1,193 million euros);

–

depreciation charge for the period (-1,465 million euros);

–

disposals, impairment losses, exchange differences, reclassifications and other movements

(for a net negative balance of 360 million euros).

Consolidated equity

Consolidated equity amounted to 20,478 million euros (23,012 million euros at December 31, 2012), of which 16,692 million euros was attributable to owners of the Parent (19,378 million euros at December 31, 2012) and 3,516 million euros was attributable to non-controlling interests (3,634 million euros at December 31, 2012).

In greater detail, the changes in equity were the following:

(millions of euros)	6/30/2013	12/31/2012
At the beginning of the period	23,012	26,694
Total comprehensive income (loss) for the period	(2,006)	(2,649)
Dividends approved by:	(507)	(1,038)
Telecom Italia S.p.A.	*(452)*	*(895)*
Other Group companies	*(55)*	*(143)*
Issue of equity instruments	–	2
Telecom Argentina group buy-back of treasury shares	(12)	–
Other changes	(9)	3
At the end of the period	20,478	23,012

Cash flows

Adjusted Net Financial Debt came to 28,813 million euros, an increase of 539 million euros compared to the end of 2012, down by 1.5 billion euros compared to June 30, 2012. Cash flow in the first half of 2013, which is usually lower than in the second half of the year, was impacted to a greater extent, in the first six months, by the seasonal trend in bills payable in the last half of the previous year. Dividends and taxes were also paid totaling 0.7 billion euros, a decrease of approximately 0.5 billion euros compared to June 30, 2012.

Adjusted net financial debt during the first half of 2013 was mainly impacted by the following:

Change in adjusted net financial debt

(millions of euros)	1st Half 2013	1st Half 2012	Change
EBITDA	5,236	5,859	(623)
Capital expenditures on an accrual basis	(2,193)	(2,269)	76
Change in net operating working capital:	(1,728)	(1,329)	(399)
Change in inventories	*(96)*	*(57)*	*(39)*
Change in trade receivables and net amounts due from customers on construction contracts	*87*	*235*	*(148)*
Change in trade payables (*)	*(1,504)*	*(1,336)*	*(168)*
Other changes in operating receivables/payables	*(215)*	*(171)*	*(44)*
Change in provisions for employees benefits	(6)	(6)	–
	(32)	(12)	(20)

Change in operating provisions and Other changes			
Net operating free cash flow	1,277	2,243	(966)
% of Revenues	*9.3*	*15.2*	*(5.9) pp*
Sale of investments and other disposals flow	(72)	25	(97)
Financial investments flow	(13)	(7)	(6)
Dividend payment	(498)	(1,027)	529
Finance expenses, income taxes and other net non-operating requirements flow	(1,233)	(1,180)	(53)
Reduction/(Increase) in adjusted net financial debt	(539)	54	(593)

(*)

Includes the change in trade payables for amounts due to fixed asset suppliers.

In addition to what has already been described with reference to EBITDA, net financial debt during the first half of 2013 was particularly impacted by the following items:

Capital expenditures on an accrual basis

The breakdown of capital expenditures by operating segment is as follows:

(millions of euros)	1st Half 2013		1st Half 2012		Change
		% of total		% of total	
Domestic	1,345	61.3	1,333	58.7	12
Brazil	597	27.2	662	29.2	(65)
Argentina	231	10.5	236	10.4	(5)
Media, Olivetti and Other Operations	20	1.0	38	1.7	(18)
Adjustments and Eliminations	–	–	–	–	–
Consolidated Total	2,193	100.0	2,269	100.0	(76)
% of Revenues	*15.9*		15.3		*0.6 pp*

Capital expenditures totaled 2,193 million euros in the first half of 2013, decreasing by 76 million euros compared to the first half of 2012. In particular:

- the **Domestic Business Unit** reported substantially no change in capex year-on-year; the increase related to the progress of the plans for the creation of next generation networks (LTE and fiber) was offset by less demand for deliveries of new installations due to a slowdown in Fixed-line access sales;

- the **Brazil Business Unit** recorded a decrease in capex of 65 million euros compared to the same period of 2012 (inclusive of a negative exchange rate effect of 62 million euros). The reduction was mainly attributable to the trend in new network investments and the establishment of new contracts with key suppliers;

•

the **Argentina Business Unit** recorded a decrease in capex of 5 million euros, inclusive of a negative exchange rate effect of 36 million euros; net of that effect, capex would have increased. In addition to customer acquisition costs, capital expenditure was aimed at enlarging and upgrading broadband services on the fixed-line network, and at 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.

Change in net operating working capital

The change over the period was -1,728 million euros. In particular:

•

the change in trade payables (-1,504 million euros) was linked to a seasonal peak in payments of bills payable. Investment spending and external costs generally peak in the final half of the year, however the related cash flows are largely postponed to the following half due to the normal payment terms and contractually applicable conditions. Specifically, in May 2013, the Brazil Business Unit made a payment of approximately 146 million euros, for the user licenses for fourth generation (4G) mobile telephony frequency bands, purchased at the end of 2012, and for second generation (2G) frequency bands. In addition, in the last quarter of 2012 payments to suppliers slowed down temporarily, by an estimated 300 million euros, due to compliance requirements of new Italian regulations introduced in the second half of the year;

•

the change in other operating receivables/payables (215 million euros) includes a negative amount of around 200 million euros, mainly resulting from the advance payment of taxes on telecommunications operations by the Brazil Business Unit. The taxes are normally paid in the first quarter of every year, and are recognized in the income statement on an accrual basis during the year;

•

the management of trade receivables generated an inflow of 87 million euros in the half year, whereas inventory management produced a net outflow of 96 million euros in the half year, primarily attributable to the Brazil and Domestic Business Units, as a result of mobile handset procurement policies designed to sustain revenues from their sale.

Sale of investments and other disposals flow

This item generated a net requirement of 72 million euros in the first half of 2013, mainly relating to the sale of La7 S.r.l. to Cairo Communication, finalized on April 30, 2013, which generated a net requirement of approximately 114 million euros. This impact was partially offset by the collection of the installments for the sale of the EtecSA Cuba investment, at the end of January 2011, and the proceeds from other sales of tangible and intangible assets.

In the first half of 2012 the item recorded net inflows of 25 million euros, and consisted primarily of the collection of installments on the sale of the EtecSA Cuba investment.

Financial investments flow

This item mainly refers to the buy-back of treasury shares by the Argentina Business Unit for an amount of 12 million euros.

In the first half of 2012 the item consisted mainly of the payment of incidental costs and other payables in connection with the acquisition of investments during the last part of 2011.

Finance expenses, income taxes and other net non-operating requirements flow

Finance expenses, income taxes and other net non-operating requirements flow mainly includes the payment, during the first half of 2013, of net finance expenses (1,050 million euros) and income taxes (229 million euros), as well as the change in non-operating receivables and payables.

Net financial debt

Net financial debt is composed as follows:

(millions of euros)	6/30/2013 (a)	12/31/2012 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	21,705	23,956	(2,251)
Amounts due to banks, other financial payables and liabilities	8,645	8,976	(331)
Finance lease liabilities	1,085	1,159	(74)
	31,435	34,091	(2,656)
Current financial liabilities (*)			
Bonds	3,655	3,593	62
Amounts due to banks, other financial payables and liabilities	2,677	2,338	339
Finance lease liabilities	199	219	(20)
	6,531	6,150	381
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	–	–	–
Total Gross financial debt	37,966	40,241	(2,275)
Non-current financial assets			
Securities other than investments	(13)	(22)	9
Financial receivables and other current financial assets	(1,540)	(2,474)	934
	(1,553)	(2,496)	943
Current financial assets			

Securities other than investments	(1,311)	(754)	(557)
Financial receivables and other current financial assets	(523)	(502)	(21)
Cash and cash equivalents	(4,793)	(7,436)	2,643
	(6,627)	(8,692)	2,065
Financial assets relating to Discontinued operations/Non-current assets held for sale	–	–	–
Total financial assets	(8,180)	(11,188)	3,008
Net financial debt carrying amount	29,786	29,053	733
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(973)*	*(779)*	*(194)*
Adjusted net financial debt	28,813	28,274	539
Breakdown as follows:			
Total adjusted gross financial debt	36,007	37,681	(1,674)
Total adjusted financial assets	(7,194)	(9,407)	2,213
(*) of which current portion of medium/long-term debt:			
Bonds	*3,655*	*3,593*	*62*
Amounts due to banks, other financial payables and liabilities	*2,020*	*1,681*	*339*
Finance lease liabilities	*199*	*219*	*(20)*

The financial risk management policies of the Telecom Italia Group are directed towards diversifying market risks, hedging exchange rate risk in full and optimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments. Such instruments, it should be stressed, are not used for speculative purposes and all have an underlying, which is hedged.

Furthermore, in order to determine its exposure to interest rates, the Group defines an optimum composition for the fixed-rate and variable-rate debt structure and uses derivative financial instruments to achieve that prefixed composition. Taking into account the Group s operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, in a range of 65% - 75% for the fixed-rate component and 25% - 35% for the variable-rate component.

In managing market risks, the Group has adopted Guidelines for the Management and control of financial risk and mainly uses IRS and CCIRS derivative financial instruments.

The volatility of interest rates and exchange rates, which has been a prominent feature in financial markets since the fourth quarter of 2008, has significantly impacted the fair value measurement of derivative positions and the related financial assets and liabilities. Having said this and in order to present a more realistic analysis of net financial debt, starting from the Half-Year Financial Report at June 30, 2009, in addition to the usual indicator (renamed Net financial debt carrying amount), a new indicator has also been presented called Adjusted net financial debt which excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives (also including the effects of the introduction of IFRS 13 from January 1, 2013) and related financial assets and liabilities. The measurement of derivative financial instruments, which also has the objective of pre-setting the exchange rate and the interest rate of future variable contractual flows, does not, in fact, require an actual cash settlement.

Sales of receivables to factoring companies

Sales of receivables to factoring companies finalized during the first six months of 2013 resulted in a positive effect on net financial debt at June 30, 2013 of 943 million euros (1,233 million euros at December 31, 2012).

Gross financial debt

Bonds

Bonds at June 30, 2013 were recorded for a total of 25,360 million euros (27,549 million euros at December 31, 2012). Their nominal repayment amount is 24,652 million euros, down 1,671 million euros compared to December 31, 2012 (26,323 million euros).

Changes in bonds over the first half of 2013 are shown below:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. subordinated bonds, 750 million euros at 7.750%, maturing 3/20/2073 (1)	Euro	750	3/20/2013

(1)

The hybrid debt securities are Telecom Italia s first subordinated issue on the euros market. The bond has a tenor of 60 years, with final maturity in 2073 and a first call date for the issuer in 2018. The call schedule begins on March 20, 2018 at par, and then continues every five years thereafter. The coupon will step up by 25 bps in 2023, and by a further 75 bps in 2038. The effective yield at the first call date will be 7.875%. The notes are listed on the Luxembourg Stock Exchange.

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia Finance S.A. 678 million euros 6.875% (1)	Euro	678	1/24/2013
Telecom Italia S.p.A. 432 million euros at 6.750% (2)	Euro	432	3/21/2013

(1)

Net of buybacks by the Company for 172 million euros during 2011 and 2012.

(2)

Net of buybacks by the Company for 218 million euros during 2011 and 2012.

On June 3, 2013, Telecom Italia S.p.A. successfully concluded the buyback offer on three bond issues of Telecom Italia Capital S.A. in USD, maturing between June 2014 and October 2015, buying back a total nominal amount of USD 1,577 million (equal to approximately 1.2 billion euros). The repurchased bonds are in the portfolio of the buyer Telecom Italia S.p.A., while at consolidated level the bonds have been eliminated from the liabilities.

Details of the bond issues of Telecom Italia Capital S.A. bought back by Telecom Italia S.p.A. are provided below:

Bond Name	Outstanding nominal amount prior to the tender offer	Repurchased nominal amount	Repurchase price
Telecom Italia Capital S.A. USD 1,000 million 6.175%	USD 1,000,000,000	USD 220,528,000	105.382%
Telecom Italia Capital S.A. USD 1,250 million 4.950%	USD 1,250,000,000	USD 721,695,000	105.462%
Telecom Italia Capital S.A. USD 1,400 million 5.250%	USD 1,400,000,000	USD 634,797,000	108.523%

In reference to the Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, at June 30, 2013, the nominal amount was 217 million euros and decreased by 13 million euros compared to December 31, 2012 (230 million euros).

Revolving Credit Facility and term loan

The following table shows the composition and the drawdown of the committed credit lines available at June 30, 2013:

(billions of euros)	6/30/2013		12/31/2012	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility expiring February 2013	-	-	1.25	-
Revolving Credit Facility expiring August 2014	8.0	1.5	8.0	1.5
Revolving Credit Facility expiring December 2013	0.2	-	0.2	-
Total	8.2	1.5	9.45	1.5

On May 24, 2012, Telecom Italia entered into an agreement for a Forward Start Facility of 4 billion euros, extending half the Revolving Credit Facility (RCF) of 8 billion euros expiring August 2014. The new facility will come into effect as of August 2014 (or at an earlier date should Telecom Italia extinguish its commitments under the current RCF 2014 in advance) and expire in May 2017.

On March 25, 2013, Telecom Italia signed a new agreement to extend the Revolving Credit Facility (RCF) expiring August 2014, which had already been extended in part in 2012, by an additional 3 billion euros. The extension was obtained through a Forward Start Facility of 3 billion euros which will come into effect in August 2014 (or at an earlier date should Telecom Italia extinguish its commitments under the current RCF 2014 in advance) and will expire in March 2018.

Telecom Italia also has a bilateral stand-by credit line expiring August 3, 2016 for 100 million euros from Banca Regionale Europea, drawn down for the full amount.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) was 7.03 years.

The average cost of the Group s debt, considered as the annualized cost for the period and resulting from the ratio of debt-related expenses to average exposure, was approximately 5.4%.

For details of the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, reference should be made to the Notes Financial liabilities (non current and current) and Financial risk management in the Telecom Italia Group Half-year condensed consolidated financial statements at June 30, 2013.

Current financial assets and liquidity margin

The Telecom Italia Group s available liquidity margin amounted to 12,804 million euros at June 30, 2013, corresponding to the sum of cash and cash equivalents and current securities other than investments, totaling 6,104 million euros (8,190 million euros at December 31, 2012), and the committed credit lines, mentioned above, of which a total of 6,700 million euros has not been drawn down. This margin will cover Group Financial Liabilities due beyond the next 24 months. As already noted, the reduction in Cash and cash equivalents compared to December 31, 2012 reflected the use of liquidity to repurchase Group obligations.

In particular:

Cash and cash equivalents amounted to 4,793 million euros (7,436 million euros at December 31, 2012). The different technical forms of investing available cash at June 30, 2013, which include Euro Commercial Papers for 100 million euros, may be broken down as follows:

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Maturities: investments have a maximum maturity of three months;

- Counterpart risk: investments by the European companies are made with leading banking, financial and industrial institutions with high-credit-quality. Investments by the companies in South America are made with leading local counterparts;

- Country risk: investments are made mainly in major European financial markets.

Securities other than investments amounted to 1,311 million euros (754 million euros at December 31, 2012). Such forms of investment represent alternatives to the investment of liquidity with the aim of raising the return. They consist of: Italian treasury bonds (BTPs) purchased by Telecom Italia S.p.A. and Telecom Italia Finance S.A., amounting respectively to 357 million euros and 671 million euros; 5 million euros of Italian Treasury Certificates (CCTs) (assigned to Telecom Italia S.p.A. as the holder of trade receivables, as per Italian Ministry of the Economy and Finance Decree of December 3, 2012); and 268 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. The purchases of BTPs and CCTs, which, pursuant to Consob Communication DEM/11070007 of August 5, 2011, represent investments in Sovereign debt securities , have been made in accordance with the Guidelines for the Management and control of financial risk adopted by the Telecom Italia Group in August 2012, in replacement of the previous policy in force since July 2009.

In the second quarter of 2013, adjusted net financial debt remained substantially stable compared to March 31, 2013. The positive cash flows from operations in the quarter (approximately 1.1 billion euros) were fully absorbed by requirements for the payment of dividends, finance expenses and taxes, the effects of the sale of La7, at the end of April, and the above-mentioned payment for user licenses for mobile telephony frequencies in Brazil.

(millions of euros)	6/30/2013	**3/31/2013**	**Change**
Net financial debt carrying amount	29,786	29,516	270
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(973)*	*(749)*	(224)
Adjusted net financial debt	28,813	28,767	46
Breakdown as follows:			
Total adjusted gross financial debt	36,007	37,222	(1,215)
Total adjusted financial assets	(7,194)	(8,455)	1,261

The Half-Year Financial Report at June 30, 2013 of the Telecom Italia Group has been prepared as set out in art. 154-ter (Financial Reports) of Legislative Decree 58/1998 (Consolidated Law on Finance TUF), with subsequent amendments and additions, and drawn up in accordance with international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union (denominated IFRS), as well as the measures enacted implementing art. 9 of Legislative Decree 38/2005.

The Half-year Financial Report includes:

- *the Interim Management Report;*
- *the Half-year Condensed Consolidated Financial Statements;*
- *the Certification of the Half-year Condensed Consolidated Financial Statements pursuant to art. 81-ter of Consob Regulation 11971 dated May 14, 1999, with amendments and additions.*

The accounting policies and principles of consolidation adopted in the preparation of the half-year condensed consolidated financial statements at June 30, 2013 have been applied on a basis consistent with those used for the consolidated financial statements at December 31, 2012, to which reference should be made, except for the new principles and interpretations adopted by the Group starting from January 1, 2013. The impacts of these new principles and interpretations are described in the notes to the half-year condensed consolidated financial statements at June 30, 2013, to which reference should be made.

The Telecom Italia Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA; EBIT; the organic change in revenues, EBITDA and EBIT; net financial debt carrying amount and adjusted net financial debt. Further details on such measures are presented under Alternative performance measures .

Moreover, the part entitled Business Outlook for the Year 2013 contains forward-looking statements in relation to the Group s intentions, beliefs or current expectations regarding financial performance and other aspects of the Group s operations and strategies. Readers of the present Half-year Financial Report are reminded not to place undue reliance on forward-looking statements; actual results may differ significantly from forecasts owing to numerous factors, the majority of which is beyond the scope of the Group s control.

Principal changes in the scope of consolidation

In the first half of 2013, the following changes occurred in the scope of consolidation:

- *La7 S.r.l. - Media: on April 30, 2013, after authorization for the sale was received, as required by law, Telecom Italia Media completed the sale of La7 S.r.l. to Cairo Communication. As a result, the company was excluded from the scope of consolidation.*

The following changes occurred during 2012:

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Matrix Other Operations: the company was sold on October 31, 2012, and consequently excluded from the scope of consolidation.

Separate Consolidated Income Statements

(millions of euros)	1st Half 2013 (a)	1st Half 2012 (b)	Change (a-b) amount	%
Revenues	13,760	14,793	(1,033)	(7.0)
Other income	110	108	2	1.9
Total operating revenues and other income	13,870	14,901	(1,031)	(6.9)
Acquisition of goods and services	(6,154)	(6,500)	346	5.3
Employee benefits expenses	(1,931)	(2,006)	75	3.7
Other operating expenses	(941)	(897)	(44)	(4.9)
Change in inventories	114	62	52	83.9
Internally generated assets	278	299	(21)	(7.0)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	5,236	5,859	(623)	(10.6)
Depreciation and amortization	(2,589)	(2,676)	87	3.3
Gains (losses) on disposals of non-current assets	(81)	16	(97)	
Impairment reversals (losses) on non-current assets	(2,213)	–	(2,213)	-
Operating profit (loss) (EBIT)	353	3,199	(2,846)	(89.0)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	–	(4)	4	-
Other income (expenses) from investments	2	–	2	-
Finance income	1,487	1,272	215	16.9
Finance expenses	(2,436)	(2,189)	(247)	(11.3)
Profit (loss) before tax from continuing operations	(594)	2,278	(2,872)	
Income tax expense	(633)	(822)	189	23.0
Profit (loss) from continuing operations	(1,227)	1,456	(2,683)	
Profit (loss) from discontinued operations/non-current assets held for sale	3	–	3	-
Profit (loss) for the period	(1,224)	1,456	(2,680)	
Attributable to:				
Owners of the Parent	(1,407)	1,242	(2,649)	

Non-controlling interests	183	214	(31)	(14.5)

Consolidated Statements of Comprehensive Income

In accordance with IAS 1 *(Presentation of Financial Statements)*, the following statements of consolidated comprehensive income include 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 Half 2013	1st Half 2012
Profit (loss) for the period	(a)	(1,224)	1,456
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)		3	4
Net fiscal impact		(2)	(1)
	(b)	1	3
Share of other profits (losses) 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)	1	3
Other components that subsequently will be reclassified in the separate consolidated income statements			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		(31)	31
Loss (profit) transferred to the Separate Consolidated Income Statement		1	1
Net fiscal impact		6	(7)
	(e)	(24)	25
Hedging instruments:			
Profit (loss) from fair value adjustments		(472)	(76)
Loss (profit) transferred to the Separate Consolidated Income Statement		277	39
Net fiscal impact		55	10
	(f)	(140)	(27)

Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(620)	(337)
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		–	–
Net fiscal impact		–	–
	(g)	(620)	(337)
Share of other profits (losses) 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 subsequently will be reclassified in the separate consolidated income statements	(i=e+f+g+h)	(783)	(339)
	–	–	
Total other components of the consolidated statements of comprehensive income	(k=d+i)	(782)	(336)
Total comprehensive income (loss) for the period	(a+k)	(2,006)	1,120
Attributable to:			
Owners of the Parent		(1,925)	1,018
Non-controlling interests		(81)	102

Consolidated Statements of Financial Position

(millions of euros)	6/30/2013 (a)	12/31/2012 (b)	Change (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	30,101	32,410	(2,309)
Other intangible assets	7,585	7,927	(342)
	37,686	40,337	(2,651)
Tangible assets			
Property, plant and equipment owned	13,884	14,465	(581)
Assets held under finance leases	963	1,014	(51)
	14,847	15,479	(632)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	65	65	–
Other investments	42	39	3
Non-current financial assets	1,553	2,496	(943)
	1,603	1,496	107

Miscellaneous receivables and other non-current assets				
Deferred tax assets		945	1,432	(487)
		4,208	5,528	(1,320)
Total Non-current assets	(a)	56,741	61,344	(4,603)
Current assets				
Inventories		536	436	100
Trade and miscellaneous receivables and other current assets		7,095	7,006	89
Current income tax receivables		50	77	(27)
Current financial assets				
Securities other than investments, financial receivables and other current financial assets		*1,834*	*1,256*	*578*
Cash and cash equivalents		*4,793*	*7,436*	*(2,643)*
		6,627	8,692	(2,065)
Current assets sub-total		14,308	16,211	(1,903)
Discontinued operations/Non-current assets held for sale				
of a financial nature		–	–	–
of a non-financial nature		–	–	–
		–	–	–
Total Current assets	(b)	14,308	16,211	(1,903)
Total Assets	(a+b)	71,049	77,555	(6,506)

(millions of euros)		6/30/2013	12/31/2012	Change
		(a)	(b)	(a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		16,962	19,378	(2,416)
Equity attributable to non-controlling interests		3,516	3,634	(118)
Total Equity	(c)	20,478	23,012	(2,534)
Non-current liabilities				
Non-current financial liabilities				