TELECOM ITALIA S P A
Form 6-K
February 21, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

FOR THE MONTH OF FEBRUARY 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- _______

Interim Report at September 30, 2013

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Interim Management Report

Contents

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

Interim Management Report

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, the Mediterranean and 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 through 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 and accessory services of television broadcasting platforms.	Telecom Italia Media S.p.A. • TI Media Broadcasting S.r.l. (network operator)
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. Its 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

Deputy Chairman	Aldo Minucci
Chief Executive Officer	Marco Patuano
Directors	César Alierta Izuel
	Tarak Ben Ammar
	Lucia Calvosa (independent)
	Massimo Egidi (independent)
	Jean Paul Fitoussi (independent)
	Gabriele Galateri di Genola
	Julio Linares López
	Gaetano Micciché
	Renato Pagliaro
	Angelo Provasoli (independent)
	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

Highlights First Nine Months of 2013

As previously noted in the first half of 2013, the third quarter also continued to be affected by the fragility of the domestic economic framework and by a reduction in economic growth in Latin American countries. Along with the unfavorable economic scenario, in Italy the competitive scenario worsened (with sharp pressure on prices), particularly in the Mobile Consumer market, which showed initial signs of cooling off only in the last period. In that period, also to defend its customer base, the Company positioned itself on the market 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. Results were also affected by the adverse impact of several regulatory trends and factors, specifically concerning rates for wholesale access to the network.

Although the overall conditions for the remainder 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, including long-term actions, to increase operating efficiency and safeguard the deleverage objective, without, however, impacting the level of innovative capital expenditure, both in the fixed and mobile markets. This will also be achieved by developing an industrial plan which, as a result of careful selection of investment projects and structural actions on the Group's organization, will lead the Group towards greater economic-financial stability. In this context, the business outlook for the entire year 2013 is confirmed as previously announced in the Half-Year Financial Report at June 30, 2013.

Specifically, in terms of the final results of the first nine months of 2013, the following is noted:

- Consolidated revenues dropped year-on-year (-2.1% in organic terms) to 20.4 billion euros, while EBITDA fell to 7.9 billion euros, down 10.5% (-6.9% in organic terms). Organic revenues for the third quarter 2013 decreased by 1.1% compared to the same period of 2012.

- In organic terms, Operating Profit (EBIT) decreased by 12.8% compared to the first nine months of 2012. In reported terms, EBIT in the first nine months of 2013 came to 1.8 billion euros, also as a result of a goodwill impairment loss for Core Domestic totaling 2.2 billion euros, already recognized in the Half-Year Financial Report at June 30, 2013. In organic terms, operating profit for the third quarter 2013 decreased by 12.5% compared to the same period of 2012.

- Profit (loss) for the period attributable to Owners of the Parent showed a loss of 0.9 billion euros. Excluding the impact of the aforementioned goodwill impairment loss, profit for the period would have been 1.3 billion euros (profit of 1.9 billion euros in the first nine months of 2012).

- Adjusted Net Financial Debt came to 28.2 billion euros at the end of September 2013, substantially in line with the figure at the end of 2012, and down by 584 million euros in the third quarter of 2013 alone and by 1.26 billion euros compared to September 30, 2012.

Financial Highlights

(millions of euros)		3rd Quarter 2013	3rd Quarter 2012	1/1 - 9/30 2013 (a)	1/1 - 9/30 2012 (b)	% Change Reported (a/b)	% Change Organic
Revenues		6,629	7,268	20,389	22,061	(7.6)	(2.1)
EBITDA	(1)	2,697	3,001	7,933	8,860	(10.5)	(6.9)
EBITDA Margin		*40.7%*	*41.3%*	*38.9%*	*40.2%*	*(1.3) pp*	
Organic EBITDA Margin		*40.7%*	*43.3%*	*39.5%*	*41.5%*	*(2.0) pp*	
EBIT before goodwill impairment loss		1,481	1,691	4,021	4,890	(17.8)	
Goodwill impairment loss		–	–	*(2,187)*	–	-	
EBIT	(1)	1,481	1,691	1,834	4,890	(62.5)	(12.8)
EBIT Margin		*22.3%*	*23.3%*	*9.0%*	*22.2%*	*(13.2) pp*	
Organic EBIT Margin		*22.3%*	*25.2%*	*20.8%*	*23.3%*	*(2.5) pp*	
Profit (loss) for the period attributable to owners of the Parent		505	696	(902)	1,938		
Capital expenditures (CAPEX)		1,260	1,111	3,453	3,380	2.2	
				9/30/2013	9/30/2012	12/31/2012	
Adjusted net financial debt	(1)			28,229	29,485	28,274	
Change on 9/30/2013					(1,256)	(45)	

(1)

Details are provided under Alternative Performance Measures .

Consolidated Operating Performance

Revenues

Revenues amounted to 20,389 million euros for the first nine months of 2013, down by 7.6% on the first nine months of 2012 (22,061 million euros). The drop of 1,672 million euros was substantially attributable to the Domestic (-1,344 million euros) and Brazil (-315 million euros) Business Units, whereas the Argentina Business Unit recorded growth (+48 million euros). The Latin American Business Units were particularly impacted by the weakness in exchange rates, which resulted in a reduction in terms of average rates of approximately 14% for the Brazilian real and approximately 22% for the Argentine peso over 12 months. The organic change in consolidated revenues showed a decrease of 2.1% (-446 million euros).

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

- the effect of the change in exchange rates[1], totaling -1,178 million euros, mainly relating to the Brazil Business Unit (-673 million euros) and the Argentina Business Unit (-499 million euros);

- the effect of the change in the scope of consolidation (-57 million euros) resulting from the sale of the company Matrix S.p.A. (Other Operations) on October 31, 2012, of La7 S.r.l. (Media) on April 30, 2013 and of MTV Italia S.r.l. with its wholly-owned subsidiary MTV Pubblicità S.r.l. (Media) on September 12, 2013;

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the effect of lower revenues, down by 9 million euros, recorded in the first nine months of 2012, following the closing of commercial disputes with other operators.

The breakdown of revenues by operating segment is the following:

(millions of euros)	1/1 - 9/30/2013		1/1 - 9/30/2012		Change		
		% of total		% of total	amount	%	% organic
Domestic	12,069	59.2	13,413	60.8	(1,344)	(10.0)	(10.0)
Core Domestic	*11,403*	*55.9*	*12,701*	*57.6*	*(1,298)*	*(10.2)*	*(10.3)*
International Wholesale	*935*	*4.6*	*1,050*	*4.8*	*(115)*	*(11.0)*	*(10.4)*
Brazil	5,280	25.9	5,595	25.4	(315)	(5.6)	7.3
Argentina	2,852	14.0	2,804	12.7	48	1.7	23.7
Media, Olivetti and Other Operations	282	1.4	402	1.8	(120)		
Adjustments and Eliminations	*(94)*	*(0.5)*	*(153)*	*(0.7)*	*59*		
Consolidated Total	20,389	100.0	22,061	100.0	(1,672)	(7.6)	(2.1)

The Domestic Business Unit (divided into Core Domestic and International Wholesale) recorded a decline of 1,347 million euros (-10.0%) in organic Revenues for the first nine months of 2013, compared to the corresponding period of 2012.

This performance was impacted by several significant regulatory factors, such as the entry into force of the new mobile termination rates (MTR), which, from July 2013, entail an additional 61% reduction to 0.98 euro cents from the 2.5 euro cents in force in the same period of the previous year. This impact, added to the decrease in the first half of 2013 (1.5 euro cents compared to 5.3 euro cents in the same period of 2012), generated a negative impact on the income statement of -303 million euros (-358 million euros just on Mobile revenues). Furthermore, the decisions of AGCom in July 2013 regarding copper network access rates resulted in an additional negative impact of -85 million euros compared to the same period of 2012. Indeed, Telecom Italia, with retroactive effect as of January 1, 2013, has applied the values contained in the two tables in the measures on rates for 2013 relating to wholesale access fees for the copper network (Local Loop Unbundling, naked bitstream and shared bitstream services). Telecom Italia believes that those decisions on 2013 rates have aspects that conflict with the European regulatory framework, and has provided the European Commission with its comments. If these decisions are confirmed, Telecom Italia will lodge an appeal with the competent legal forums.

The performance and results of the domestic market were also affected by the worsening of the macroeconomic scenario and a much more competitive scenario, especially in Mobile services.

In detail:

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Organic revenues from services amounted to 11,612 million euros, down 10.2% compared to the corresponding period of 2012. Specifically, revenues from services in the Mobile business came to 3,884 million euros (4,681 million euros in the same period of 2012) a decrease of 797 million euros (-17.0% compared to 2012). Revenues from services in the Fixed-line business came to 8,684 million euros (9,399 million euros in the same period of 2012), and were down 715 million euros (-7.6% compared to 2012);

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Products recorded revenues of 457 million euros, in decline compared to the same period of 2012 (486 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.

With regard to the Brazil Business Unit, revenues grew 7.3% in the first nine months of 2013 (in organic terms) compared to the corresponding period of the prior year. Revenues from services continued the positive trend (+2.1% compared to the first nine months of 2012), driven by the growth of the customer base (reaching approximately 72.9 million lines at September 30, 2013, an increase of 3.6% compared to December 31, 2012). Handset revenues also showed a positive trend (+45.2% compared to the first nine months of 2012).

As for the Argentina Business Unit, organic revenues gained 23.7% compared to the first nine months of 2012 (+547 million euros). In particular, mobile business revenues recorded growth of 26.7%, while the fixed-line segment, which is coming out of a decade of partially blocked regulated rates, grew by 15.8% year-on-year.

A detailed analysis of revenue performance by individual Business Unit is provided in the section Financial and Operating Highlights - The Business Units of the Telecom Italia Group .

EBITDA

EBITDA came to 7,933 million euros, down 927 million euros (-10.5%) compared to the first nine months of 2012, with an EBITDA margin of 38.9% (40.2% in the first nine months of 2012). In organic terms, EBITDA fell by 596 million euros (-6.9%) year-on-year, while the EBITDA margin was down 2 percentage points, from 41.5% in the first nine months of 2012 to 39.5% in the first nine months of 2013. The drop in the margin was due to a higher percentage of revenues from South America, where margins are lower than those of the Domestic Business Unit.

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

(millions of euros)	1/1 - 9/30/2013		1/1 - 9/30/2012		Change		
		% of total		% of total	amount	%	% organic
Domestic	5,861	73.9	6,696	75.6	(835)	(12.5)	(10.9)
EBITDA Margin	*48.6*		*49.9*			*(1.3) pp*	*(0.4) pp*
Brazil	1,326	16.7	1,460	16.5	(134)	(9.2)	2.0
EBITDA Margin	*25.1*		*26.1*			*(1.0) pp*	*(1.3) pp*
Argentina	796	10,0	825	9.3	(29)	(3.5)	17.5
EBITDA Margin	*27.9*		*29.4*			*(1.5) pp*	*(1.5) pp*
Media, Olivetti and Other Operations	(43)	(0.5)	(118)	(1.4)	75		
Adjustments and Eliminations	*(7)*	*(0.1)*	*(3)*	–	*(4)*		
Consolidated Total	7,933	100.0	8,860	100.0	(927)	(10.5)	(6.9)
EBITDA Margin	*38.9*		*40.2*			*(1.3) pp*	*(2.0) pp*

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

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Acquisition of goods and services (9,080 million euros; 9,676 million euros in the first nine months of 2012). The reduction of 596 million euros was mainly due to the Domestic Business Unit, which saw a decrease of 488 million euros compared to the first nine months of 2012, largely attributable to lower amounts payable to other operators and to the Brazil Business Unit (-85 million euros, including a negative exchange rate effect of 410 million euros), while the Argentina Business Unit grew (+26 million euros, including a negative exchange rate effect of 230 million euros).

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Employee benefits expenses (2,769 million euros; 2,901 million euros in the first nine months of 2012).

These decreased by 132 million euros. The change was influenced by:

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a 149 million euros decrease in employee benefits expenses in Italy, primarily due to lower ordinary personnel costs and charges, which fell by 114 million euros, and the exit of Matrix, La7, MTV Italia and MTV Pubblicità from the Group's scope of consolidation, which resulted in a decrease of 40 million euros in costs.

This decrease was offset by higher restructuring expenses for a total of 5 million euros. At September 30, 2013 these expenses amounted to a total of 21 million euros, and were recognized as a result of the framework agreement signed by the Parent with the trade unions on March 27, 2013. Of these expenses, 18 million euros pertain to the Parent, 2 million euros to TI Information Technology and 1 million euros to TI Sparkle. At September 30, 2012 these expenses amounted to 16 million euros and were recognized following the agreements signed with the trade unions of Olivetti I-Jet and its subsidiary Olivetti Engineering SA aimed at managing excess staff of the company placed in liquidation;

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a 17 million euros increase in employee benefits expenses in our businesses outside Italy, connected with the growth in the average workforce, which rose by 685 employees mainly due to the Brazil and Argentina Business Units.

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Other operating expenses (1,359 million euros; 1,339 million euros in the first nine months of 2012).

These increased by 20 million euros compared to the first nine months of 2012.

This increase was primarily attributable to the Domestic Business Unit (+54 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 (+63 million euros, including a negative exchange rate effect of 54 million euros), only partly offset by the reduction in other operating expenses of the Brazil Business Unit (-70 million euros, including a negative exchange rate effect of 67 million euros).

In detail:

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writedowns and expenses in connection with credit management (324 million euros; 393 million euros in the first nine months of 2012) include 215 million euros relating to the Domestic Business Unit (249 million euros in the first nine months of 2012), 70 million euros to the Brazil Business Unit (81 million euros for the first nine months of 2012) and 32 million euros to the Argentina Business Unit (38 million euros in the first nine months of 2012);

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provision charges (100 million euros; 107 million euros in the first nine months of 2012) include 61 million euros relating to the Brazil Business Unit (67 million euros in the first nine months of 2012), 27 million euros to the Argentina Business Unit (13 million euros in the first nine months of 2012) and 11 million euros to the Domestic Business Unit (15 million euros in the first nine months of 2012);

–

telecommunications operating fees and charges (427 million euros; 480 million euros in the first nine months of 2012) include 326 million euros relating to the Brazil Business Unit (380 million euros for the first nine months of 2012), 55 million euros to the Argentina Business Unit (54 million euros in the first nine months of 2012) and 44 million euros relating to the Domestic Business Unit (45 million euros in the first nine months of 2012);

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sundry expenses, amounting to 143 million euros (34 million euros in the first nine months of 2012) mainly relate to the Domestic Business Unit and include 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) of Lazio.

Depreciation and amortization

Details are as follows:

(millions of euros)	1/1 - 9/30 2013	1/1 - 9/30 2012	Change

Amortization of intangible assets with a finite useful life	1,663	1,611	52
Depreciation of property, plant and equipment owned and leased	2,150	2,366	(216)
Total	3,813	3,977	(164)

The reduction in overall depreciation and amortization was attributable to the Domestic Business Unit (-49 million euros) as a result of the decrease in depreciation of tangible assets, 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 (+50 million euros). The overall reduction was also impacted by the Brazil (-56 million euros) and Argentina (-27 million euros) Business Units, which, however, included negative exchange rate effects of 94 million euros and 80 million euros respectively. Net of this exchange rate effect, depreciation and amortization would have increased by +38 million euros for the Brazil Business Unit and +53 million euros for the Argentina Business Unit.

Gains (losses) on disposals of non-current assets

This item shows a loss of 74 million euros, mainly consisting of the realized loss, including incidental costs, of 100 million euros from the sale of La7 S.r.l. to the Cairo Communication group on April 30, 2013, after authorization for the sale was received, as required by law.

The overall impact of the sale, considering the performance of La7 S.r.l. up until the transaction date, is approximately -125 million euros for 2013, inclusive of non-controlling interests. This amount already considers the post closing price adjustment of 4.8 million euros, paid to Telecom Italia Media by the Cairo Communication group on October 25, 2013.

This charge was offset by net capital gains on non-current assets totaling 26 million euros, mainly relating to the sale of a property by the Brazilian company Telecom Italia Latam Participações e Gestão Administrativa Ltda for 48 million reais (approximately 17 million euros) and 3 million euros (including incidental costs) relating to the finalization of the sale of the controlling stake (51%) held in MTV Italia S.r.l to Viacom International Media Networks (VIMN) on September 12, 2013.

In the first nine months of 2012 the item amounted to a positive 10 million euros and was represented by net gains on disposals of non-current assets, principally referring to the Domestic Business Unit.

Impairment reversals (losses) on non-current assets

In the first nine months of 2013, these amounted to 2,212 million euros, and mainly referred to the impairment loss of 2,187 million euros on goodwill allocated to the Core Domestic Cash-Generating Unit (CGU) in the Domestic Business Unit.

During the third quarter of 2013, there were no events, circumstances or changes in key variables such as to require updating of the impairment test. Moreover, in the first half of 2013 the Group performed a goodwill impairment test and the results of that test are reflected in the above-mentioned goodwill impairment loss allocated to the Core Domestic CGU.

In the third quarter of 2013 the negative difference between the stock market capitalization and equity did not constitute a new indicator for prompting an impairment test. This was also the case for the other internal indicators, consisting of performance of the Telecom Italia Group's ordinary operations for the third quarter of 2013, which was substantially in line with the targets announced to the market and used as the basis for the impairment test at June 30, 2013.

The impairment test will be conducted for the annual financial statements at December 31, 2013, on the basis of the flows anticipated from the new 2014 - 2016 Industrial Plan and the information available from the market.

This item also includes impairment losses on non-current assets of 172 million pesos (approximately 25 million euros) for the Argentina Business Unit, relating to tangible assets and connected IT systems in several business projects and IT platforms that the company decided to abandon.

In the first nine months of 2012 this item amounted to 3 million euros and was mainly attributable to the Olivetti Business Unit.

EBIT

EBIT amounted to 1,834 million euros (4,890 million euros in the first nine months of 2012) and was impacted by the above-mentioned goodwill impairment loss of 2,187 million euros on the Domestic business.

Organic EBIT came to 4,238 million euros, down 623 million euros (-12.8%) compared to the first nine months of 2012, with an EBIT margin of 20.8% (23.3% in the first nine months of 2012).

Finance income (expenses)

Finance income (expenses) shows net expenses of 1,461 million euros (net expenses of 1,400 million euros in the first nine months of 2012), an increase of 61 million euros year-on-year.

The increase in expenses is 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 45 million euros, resulting from the application of the new accounting standard IFRS 13. As this standard requires the reflection of the risk of failure by Telecom Italia and its bank counterparts in measuring certain financial items at fair value, 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.

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

Income tax expense

The item totaled 980 million euros, down 241 million euros on the first nine months of 2012, largely due to the smaller taxable base of the Parent Telecom Italia**.**

Profit (loss) from discontinued operations/non-current assets held for sale

This item reported a loss of 6 million euros, referring to net charges for transactions in prior years.

Profit (loss) for the period

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

(millions of euros)	1/1 - 9/30 2013	1/1 - 9/30 2012
Profit (loss) for the period	(611)	2,263
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(896)	1,938
Profit (loss) from discontinued operations/non-current assets held for sale	(6)	–
Profit (loss) for the period attributable to owners of the Parent	(902)	1,938
Non-controlling interests:		
Profit (loss) from continuing operations	291	325
Profit (loss) from discontinued operations/non-current assets held for sale	–	–
Profit (loss) for the period attributable to non-controlling interests	291	325

Consolidated Operating Performance for the Third Quarter of 2013

(millions of euros)	3rd Quarter 2013	3rd Quarter 2012	Change (a-b)		
	(a)	(b)	amount	%	% organic
Revenues	6,629	7,268	(639)	(8.8)	(1.1)
EBITDA	2,697	3,001	(304)	(10.1)	(7.1)
EBITDA Margin	40.7%	41.3%	(0.6) pp		
Organic EBITDA Margin	40.7%	43.3%	(2.6) pp		
EBIT	1,481	1,691	(210)	(12.4)	(12.5)
EBIT margin	22.3%	23.3%	(1.0) pp		
Organic EBIT margin	22.3%	25.2%	(2.9) pp		
Profit (loss) before tax from continuing operations	969	1,206	(237)	(19.7)	
Profit (loss) from continuing operations	622	807	(185)	(22.9)	
Profit (loss) from discontinued operations/non-current assets held for sale	(9)	–	(9)		
Profit (loss) for the period	613	807	(194)	(24.0)	
Profit (loss) for the period attributable to owners of the Parent	505	696	(191)	(27.4)	

Revenues

Consolidated revenues for the third quarter of 2013 decreased by 639 million euros compared with the third quarter of 2012 (-8.8%). In organic terms, the decrease was 1.1%. This change was the result of the shrinkage in the domestic area (-9.1% in organic terms compared to the same period of the prior year), only partly offset by the positive performance of the Brazil and Argentina Business Units, which generated increases in organic terms of 7.6% and 26% respectively.

EBITDA

Consolidated EBITDA for the third quarter of 2013 was down 304 million euros (-10.1%) year-on-year. In organic terms, the decrease was 7.1%, essentially attributable to the Domestic Business Unit. The Reported EBITDA margin was 40.7%, 0.6 percentage points lower than the third quarter of 2012 (41.3%). The organic EBITDA margin, instead, was down 2.6 percentage points to 40.7% (43.3% in the third quarter of 2012).

EBIT

Consolidated EBIT for the third quarter of 2013 came to 1,481 million euros, down 210 million euros compared with the same three months in the prior year (-12.4%). Organic Consolidated EBIT decreased 12.5%. The Reported EBIT margin was 22.3% in the third quarter of 2013, one percentage point lower than the third quarter of 2012 (23.3%). The organic EBIT margin, amounting to 22.3% (25.2% in the third quarter of 2012), instead, was 2.9 percentage points lower.

Profit (loss) for the period attributable to owners of the Parent

The profit for the third quarter of 2013 attributable to owners of the Parent was 505 million euros, down 191 million euros (-27.4%) compared with the third quarter of 2012.

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

Domestic

(millions of euros)	3rd Quarter 2013	3rd Quarter 2012	1/1 9/30 2013	1/1 9/30 2012	% Change		
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	Organic (c/d)
Revenues	3,965	4,365	12,069	13,413	(9.2)	(10.0)	(10.0)
EBITDA	2,037	2,290	5,861	6,696	(11.0)	(12.5)	(10.9)
EBITDA Margin	*51.4*	*52.5*	*48.6*	*49.9*	*(1.1)pp*	*(1.3)pp*	*(0.4)pp*
EBIT	1,179	1,407	1,032	4,012	(16.2)	(74.3)	(16.6)
EBIT Margin	*29.7*	*32.2*	*8.6*	*29.9*	*(2.5)pp*	*(21.3)pp*	*(2.2)pp*
Headcount at period-end (number)			52,903	(*) 53,224		(0.6)	

(*) Headcount at December 31, 2012.

Fixed

	9/30/2013	12/31/2012	9/30/2012
Physical accesses at period-end (thousands)(1)	20,536	21,153	21,195
of which Retail physical accesses at period-end (thousands)	*13,372*	*13,978*	*14,133*
Domestic BU broadband accesses at period-end (thousands) (2)	8,732	8,967	8,992
of which Retail broadband accesses at period-end (thousands)	*6,892*	*7,020*	*7,030*
Network infrastructure in Italy:			
copper access network (millions of km pair, distribution and connection)	114.8	114.5	112.6
access and carrier network in optical fiber (millions of km - fiber)	6.3	5.7	4.9
Total traffic:			
Minutes of traffic on fixed-line network (billions)	67.1	101.8	76.4
Domestic traffic	57.0	85.9	64.5
International traffic	10.1	15.9	11.9
DownStream and UpStream traffic volumes (PBytes)	1,842	2,202	1,598

(1)

Excludes full-infrastructured OLOs and WIMAX.

(2)

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

Mobile (1)

	9/30/2013	12/31/2012	9/30/2012
Number of lines at period-end (thousands)	31,554	32,159	32,123
Change in lines (%, compared with 12/31 prev. year)	(1.9)	(0.2)	(0.3)
Churn rate (%) (2)	23.1	26.6	19.5
Total average outgoing traffic per month (millions of minutes)	3,549	3,664	3,667
Total average outgoing and incoming traffic per month (millions of minutes)	5,003	4,921	4,904
Mobile browsing volumes (PBytes) (3)	72.3	93.1	69.2
Average monthly revenues per line (in euros) (4)	13.1	15.5	15.7

(1)

As announced in the Half-Year Financial Report at June 30, 2013, the Company set up a specific working group to verify and update the framework of rules (Guidelines) that govern the reasons for rechargeable SIM card extensions, with specific regard to additional reasons with respect to the top-up. The working group established that the only general criterion that could result in the extension of the life of SIM cards concern sales or after-sales marketing cases, explicitly requested by the customer (free of charge or for-pay), or events resulting in charges to the cards. In application of this criterion, the Guidelines and internal procedures relating to the SIM card extensions were updated.

Based on this general criterion, approximately 470,000 rechargeable SIM cards were identified that were still valid at September 30, 2013 because they had been extended as a result of cases not compliant with the new Guidelines. The Company defined the methods and timeframes for the regularization of these cards (including deactivation), which will be completed by the end of the first quarter of 2014.

Specific monitoring activities will also be set up to check if there are additional rechargeable SIM cards that may be subject to automatic extensions that do not comply with the new Guidelines.

(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:

–

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;

–

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;

–

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;

–

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.

•

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 of the Domestic Business Unit for the third quarter and first nine months of 2013, overall and by customer segment/business area, compared with the corresponding periods of 2012 are shown in the following tables.

Core Domestic

(millions of euros)	3rd Quarter 2013	3rd Quarter 2012	1/1 9/30 2013	1/1 9/30 2012	% Change		
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	Organic (c/d)
Revenues	3,716	4,131	11,403	12,701	(10.0)	(10.2)	(10.3)
Consumer	*1,948*	*2,153*	*5,960*	*6,585*	*(9.5)*	*(9.5)*	*(9.5)*
Business (1)	*1,258*	*1,408*	*3,885*	*4,421*	*(10.7)*	*(12.1)*	*(12.1)*
National Wholesale	*467*	*521*	*1,430*	*1,556*	*(10.4)*	*(8.1)*	*(8.6)*
Other	*43*	*49*	*128*	*139*	*(12.2)*	*(7.9)*	*(7.9)*
EBITDA	1,984	2,235	5,715	6,544	(11.2)	(12.7)	(11.1)
EBITDA Margin	*53.4*	*54.1*	*50.1*	*51.5*	*(0.7) pp*	*(1.4) pp*	*(0.4) pp*
EBIT	1,148	1,376	955	3,932	(16.6)	(75.7)	(17.0)
EBIT Margin	*30.9*	*33.3*	*8.4*	*31.0*	*(2.4) pp*	*(22.6) pp*	*(2.3) pp*
Headcount at period-end (number) (*)			52,148	(*) 52,289		(0.3)	

Headcount at December 31, 2012.

(1)

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

International Wholesale

(millions of euros)	3rd Quarter 2013	3rd Quarter 2012	1/1 - 9/30 2013	1/1 9/30 2012	% Change		
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	Organic (c/d)
Revenues	339	341	935	1,050	(0.6)	(11.0)	(10.4)
of which third party	*254*	*241*	*679*	*741*	*5.4*	*(8.4)*	*(7.6)*
EBITDA	55	58	151	161	(5.2)	(6.2)	(3.2)
EBITDA Margin	*16.2*	*17.0*	*16.1*	*15.3*	*(0.8) pp*	*0.8 pp*	*1.3 pp*

EBIT	29	31	74	81	(6.5)	(8.6)	(3.8)
EBIT Margin	*8.6*	*9.1*	*7.9*	*7.7*	*(0.5) pp*	*0.2 pp*	*0.5 pp*
Headcount at period-end (number)			755	(*) 935		(19.3)	

(*)

Headcount at December 31, 2012.

Revenues

In a negative economic scenario worse than expectations, which forecast a recovery during the year and a market environment, especially in the first few months of the year, 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 July 1, 2013 of new mobile termination rates (MTR), which are 35% lower than the rates applicable in the first half of 2013 and 61% lower than those applicable in the same period of 2012 (0.98 euro cents per minute versus 2.5 euro cents in the second half of 2012, and 1.5 euro cents in the first half of 2013), with an overall negative impact of 303 million euros (-358 million euros in the Mobile business). Furthermore, the recent decisions of AGCom regarding copper network access rates resulted in an additional negative impact of 85 million euros compared to the first nine months of 2012. In the actual figures of the first nine months of 2013, Telecom Italia applied, with retroactive effect as of January 1, 2013, the values set forth in the two tables of the measures on rates for 2013 (published in July 2013) to wholesale access rates for the copper network (Local Loop Unbundling, naked bitstream and shared bitstream services). Telecom Italia also believes that those decisions on 2013 rates have aspects that conflict with the European regulatory framework, and has provided the European Commission with its comments. If these decisions are confirmed, Telecom Italia will lodge an appeal with the competent legal forums.

Excluding the aforementioned impact of the reduction in mobile termination rates and the change in rates for wholesale access to the network, the performance would have been -7.1% on the first nine months of 2012, with a more or less stable trend in the third quarter (-7.2% compared with -7.3 % in the first half of 2013).

In this context, the organic change in the first nine months of 2013 on the same period of the prior year saw a decrease of 10.0%, with a slight improvement in the last quarter (-9.1% in the third quarter compared with -10.5% in the first half of 2013), mainly attributable to the lessening of the impact of the above-mentioned reduction in termination rates (MTR).

The trend of falling revenues was primarily due to the decline in revenues from traditional services, which were only marginally offset by the growth in innovative services, particularly Fixed-line Broadband, ICT and Mobile Internet in the Consumer segment.

In detail:

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Consumer: revenues for the Consumer segment for the first nine months of 2013 amounted to a total of 5,960 million euros, decreasing 625 million euros compared with the same period of 2012 (-9.5%). Nonetheless, the decline compared with the previous periods slowed in the third quarter (-8.9% in the first quarter of 2013, -10.1% in the second quarter of 2013), mainly due to the weaker impact of the reduction in mobile termination rates revenues (MTR) and - to a lesser extent - the improvement in the commercial and competitive performance in the Mobile segment. However, the latter still showed a sharp decline in revenues due to strong competition and the resulting pressure on prices and churn rates, which were particularly strong in the first half of 2013. The decrease in revenues for the first nine months of the year was mainly attributable to revenues from Mobile services (-546 million euros, -16.8%), particularly traditional voice services (-503 million euros, comprising 266 million euros also attributable to the reduction in MTR) and Messaging services (-67 million euros), only partially offset by the development of Mobile Internet revenues (+43 million euros). The Fixed-line business also decreased, by -123 million euros (-3.9%) on the first nine months of 2012, again due to traditional voice services (-147 million euros), as a result of the decline in the number of accesses and the reduction in traffic usage, only slightly offset by the growth in Broadband services (+25 million euros);

•

Business: revenues for the Business segment in the first nine months of 2013 totaled 3,885 million euros, representing a fall of 536 million euros (-12.1%) compared to the corresponding period of 2012. The decline was largely due to revenues from services (-517 million euros, -12.3%), which fell by -266 million euros in the Mobile segment (-20.4%) and by -273 million euros (-9.2%) in the Fixed-line segment. Specifically, in the Mobile segment this decline was attributable to the downturn in revenues from voice traffic, as a result of the dilution of ARPU revenues, of the above-mentioned reduction in mobile termination rates (-93 million euros) and, only very slightly, of the loss of human customer base (-0.2% compared with the same period of 2012). On the other hand, the Fixed-line business continued to feel the effects of the cooling of demand, due to the economic recession and the contraction in prices on the more traditional voice and data services. Both in the Mobile and Fixed-line segments, this trend showed initial signs of easing in the last quarter, which saw a recovery (-10.7% compared with -12.8% in the first half of 2013);

•

National Wholesale: revenues for the Wholesale segment in the first nine months of 2013 totaled 1,430 million euros, down 126 million euros (-8.1%) compared to the same period of 2012, entirely attributable to the regulatory price reductions on LLU, Bitstream, Wholesale Line Rental access and termination.

International Wholesale Revenues

International Wholesale revenues in the first nine months of 2013 totaled 935 million euros, down 115 million euros (-11%) year-on-year. The decline involved Voice services in particular (-84 million euros, -11%), 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 (-18 million euros, -8%) mainly in the captive market segment. Despite the overall increase in total bandwidth sold, the market also suffered from an increasingly competitive scenario and the resulting fall in prices. Also down, particularly in the Domestic component, was the Multinational Companies business segment (-16 million euros, -26%). However, it should be noted that, compared to previous periods, revenues for the third quarter of 2013 showed a significant recovery over the corresponding period of 2012 (-0.6% compared with -13.5% in the second quarter of 2013 and -18.4% in the first quarter of 2013).

The continuous attention to traffic margins, as well as the cost-cutting measures generated an EBITDA in the first nine months of 2013 of 151 million euros. Though this figure was down in absolute value (-10 million euros), it showed an increase in profitability of 0.8 percentage points compared with the first nine months of 2012.

EBITDA

EBITDA of the Domestic Business Unit was 5,861 million euros for the first nine months of 2013, down 835 million euros compared with the first nine months of 2012 (-12.5%). The EBITDA margin came to 48.6%, down slightly by -1.3 percentage points year-on-year. EBITDA was impacted by the contraction in revenues from services (-1,315 million euros, -394 million euros in the third quarter) and by the Antitrust penalty under the A428 proceedings (84 million euros), offset only in part by the reduction in the portion of revenues due to other operators (primarily attributable to the reduction in termination rates) and efficiency improvements achieved by selective control and containment of operating expenses.

Organic EBITDA in the first nine months of 2013 amounted to 5,982 million euros (-729 million euros or -10.9% compared with the first nine months of 2012), with an organic EBITDA margin of 49.6%, substantially in line with the same period of the previous year (-0.4 percentage points). Without the reduction in rates for wholesale access to the network, EBITDA would have been down 9.6% (-9.7% in the third quarter).

EBITDA for the third quarter of 2013 was 2,037 million euros, down 253 million euros compared with the corresponding period of 2012 (-11%). In organic terms, the reduction was 249 million euros (-10.9%).

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

(millions of euros)	1/1 9/30/2013	1/1 - 9/30/2012	Change
Acquisition of goods and services	4,250	4,739	(489)
Employee benefits expenses	2,016	2,103	(87)
Other operating expenses	486	431	55

In particular:

- acquisition of goods and services fell by 489 million euros (-10.3%) compared to the first nine months 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 cost containment;

- employee benefits expenses decreased by 87 million euros, from 2,103 million euros in the first nine months of 2012 to 2,016 million euros in the first nine months 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 55 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) of Lazio. This effect was however partly offset by the reduction in expenses in connection with credit management (-34 million euros compared to the first nine months of 2012), mainly attributable to the reduction in credits sold.

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

(millions of euros)	1/1 9/30/2013	1/1 - 9/30/2012	Change
Write-downs and expenses in connection with credit management	215	249	(34)
Provision charges	11	15	(4)
Telecommunications operating fees and charges	44	45	(1)
Indirect duties and taxes	80	76	4
Sundry expenses	136	46	90
Total	486	431	55

EBIT

EBIT amounted to 1,032 million euros in the first nine months of 2013, down 2,980 million euros compared to the same period of 2012 (4,012 million euros). This figure was driven down in particular by the goodwill impairment loss on the Domestic Cash Generating Unit of 2,187 million euros, recognized in the Half-Year Financial Report at June 30, 2013, recognized on the basis of the impairment test results.

In organic terms, calculated excluding in particular the aforementioned goodwill impairment loss, EBIT came to 3,340 million euros in the first nine months of 2013, down 667 million euros (-16.6%) compared to the same period of 2012 (4,007 million euros). The EBIT margin decreased from 29.9% in the first nine months of 2012 to 27.7% in the first nine months of 2013.

EBIT for the third quarter of 2013 was 1,179 million euros, down 228 million euros compared with the corresponding period of 2012 (-16.2%). In organic terms, the reduction was 224 million euros (-15.9%).

Brazil

	(millions of euros)				(millions of Brazilian reais)				% Change		
	3rd Quarter 2013	3rd Quarter 2012	1/1-9/30 2013	1/1 9/30 2012	3rd Quarter 2013 (a)	3rd Quarter 2012 (b)	1/1 - 9/30 2013 (c)	1/1 - 9/30 2012 (d)	(a/b)	(c/d)	Organic (c/d)
Revenues	1,660	1,862	5,280	5,595	5,083	4,722	14,738	13,738	7.6	7.3	7.3
EBITDA	407	473	1,326	1,460	1,249	1,201	3,701	3,586	4.0	3.2	2.0
EBITDA Margin	*24.6*	*25.4*	*25.1*	*26.1*	*24.6*	*25.4*	*25.1*	*26.1*	*(0.8) pp*	*(1.0) pp*	*(1.3) pp*
EBIT	183	220	603	680	561	560	1,682	1,670	0.2	0.7	(1.8)
EBIT Margin	*11.0*	*11.9*	*11.4*	*12.2*	*11.0*	*11.9*	*11.4*	*12.2*	*(0.9) pp*	*(0.8) pp*	*(1.1) pp*
Headcount at period-end (number)							11,796 (*)	11,622		1.5	

(*)

Headcount at December 31, 2012.

	9/30/2013	9/30/2012
Number of lines at period-end (thousands)	72,878	(1) 70,362
MOU (minutes/month)(2)	147.4	130.8
ARPU (reais)	18.4	18.8

(1) Number at December 31, 2012.

(2) Net of visitors.

Main financial data

Revenues

Revenues for the first nine months of 2013 amounted to 14,738 million reais, up 1,000 million reais on the same period of 2012 (+7.3%). Revenues from services totaled 12,359 million reais, up 2.1% on 12,100 million reais for the same period of 2012. Revenues from product sales were up from 1,638 million reais in the first nine months of 2012 to 2,379 million reais in the first nine months of 2013 (+45.2%), reflecting the Company s market penetration with high-end handsets (smartphones/web phones) and tablets as an important lever for the expansion of revenues from data services.

Average Revenues Per User (ARPU) for the first nine months of 2013 fell to 18.4 reais, compared with 18.8 reais in the same period of 2012 (-2.1%). The performance of ARPU and revenues from services not only reflects 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 September 30, 2013 was 72.9 million, an increase of 3.6% compared with December 31, 2012.

Revenues for the third quarter of 2013 amounted to 5,083 million reais, up 361 million reais on the same period of the prior year (+7.6%). Services grew by 107 million reais (+2.6%) compared with the third quarter of 2012, and growth in revenues from the sale of handsets was 254 million reais (+40.8%) compared with the third quarter of 2012.

EBITDA

EBITDA in the first nine months of 2013 amounted to 3,701 million reais, an improvement of 115 million reais (+3.2%) year-on-year. The increase in EBITDA was driven by higher revenues, mainly relating to VAS, partially offset by higher costs for the acquisition of goods and services and employee benefits expenses. The EBITDA margin was 25.1%, down 1 percentage point compared with the first nine months of 2012. The first nine months of 2012 included non-organic expenses of 42 million reais. Organic EBITDA in the first nine months of 2013 was up 73 million reais on the same period of 2012 (+2.0%). The organic EBITDA margin was 25.1%, down 1.3 percentage points compared to the same period of 2012.

EBITDA in the third quarter of 2013 came to 1,249 million reais, up 48 million reais compared to the same period of 2012 (+4.0%). Organic EBITDA increased by 6 million reais (+0.5%).

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

	(millions of euros)		(millions of Brazilian reais)		
	1/1 9/30/2013	1/1 - 9/30/2012	1/1 - 9/30/2013	1/1 - 9/30/2012	Change
	(a)	(b)	(c)	(d)	(c-d)
Acquisition of goods and services	3,321	3,405	9,269	8,362	907
Employee benefits expenses	263	257	734	630	104
Other operating expenses	490	560	1,367	1,375	(8)
Change in inventories	(46)	(21)	(127)	(52)	(75)

•

acquisition of goods and services: totaled 9,269 million reais (8,362 million reais for the first nine months of 2012). The 10.8% increase year-on-year (+907 million reais) breaks down as follows:

+687 million reais for purchases referring primarily to product cost;
+181 million reais for external service costs;
+105 million reais for rent and lease costs;
- 66 million reais for the revenues due to other TLC operators;

•

employee benefits expenses: amounted to 734 million reais, increasing 104 million reais compared with the first nine months of 2012 (+16.5%). The average workforce grew from 9,917 employees in the first nine months of 2012 to 10,561 employees in the first nine months of 2013. The percentage of employee benefits expenses to revenues was 5.0%, increasing 0.4 percentage points compared with the first nine months of 2012;

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other operating expenses amounted to 1,367 million reais, decreasing 0.6% (1,375 million reais over the first nine months of 2012). These expenses consisted of the following:

(millions of Brazilian reais)	1/1 - 9/30/2013	1/1 - 9/30/2012	Change
Write-downs and expenses in connection with credit management	196	199	(3)
Provision charges	170	166	4
Telecommunications operating fees and charges	910	933	(23)
Indirect duties and taxes	44	22	22
Sundry expenses	47	55	(8)
Total	1,367	1,375	(8)

EBIT

EBIT was 1,682 million reais, increasing 12 million reais compared with the first nine months of 2012. This increase was due to a higher contribution by EBITDA partially offset by higher depreciation and amortization charges of 104 million reais (2,017 million reais in the first nine months of 2013, compared with 1,913 million reais in the first nine months of 2012).

Organic EBIT in the first nine months of 2013 was 1,682 million reais, down 30 million reais on the same period of 2012 (-1.8%).

EBIT for the third quarter of 2013 was 561 million reais, up 1 million reais compared with the corresponding period of 2012 (+0.2%). Organic Consolidated EBIT decreased by 6.8%.

Argentina

	(millions of euros)				(millions of Argentine pesos)					
	3rd Quarter 2013	3rd Quarter 2012	1/1 - 9/30 2013	1/1 9/30 2012	3rd Quarter 2013 (a)	3rd Quarter 2012 (b)	1/1 - 9/30 2013 (c)	1/1 9/30 2012 (d)	% Change (a/b)	(c/d)
Revenues	962	981	2,852	2,804	7,114	5,645	19,826	16,024	26.0	23.7
EBITDA	259	275	796	825	1,922	1,583	5,537	4,714	21.4	17.5
EBITDA Margin	*27.0*	*28.0*	*27.9*	*29.4*	*27.0*	*28.0*	*27.9*	*29.4*	*(1.0) pp*	*(1.5) pp*
EBIT	127	123	353	378	928	710	2,452	2,162	30.7	13.4
EBIT Margin	*13.0*	*12.6*	*12.4*	*13.5*	*13.0*	*12.6*	*12.4*	*13.5*	*0.4 pp*	*(1.1) pp*
Headcount at period-end (number)(*)							16,654 (**)	16,803		(0.9)

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

(**) Headcount at December 31, 2012.

	9/30/2013	12/31/2012	Change amount	%
Fixed-line				
Lines at period-end (thousands)	4,124	4,128	(4)	(0.1)
ARBU (Average Revenue Billed per User) (Argentine pesos)	51.8	47.7 (1)	4.1	8.6
Mobile				
Lines at period-end (thousands)	22,262	21,276	986	4.6
Telecom Personal lines (thousands)	19,855	18,975	880	4.6
% postpaid lines (2)	*32%*	*33%*	*(1) pp*	
MOU Telecom Personal (minutes/month)	95	98 (1)	(3)	(3.1)
ARPU Telecom Personal (Argentine pesos)	66.1	55.8 (1)	10.3	18.5
Núcleo mobile lines (thousands) (3)	2,407	2,301	106	4.6
% postpaid lines (2)	*20%*	*19%*	*1 pp*	
Broadband				
Broadband accesses at period-end (thousands)	1,669	1,629	40	2.5
ARPU (Argentine pesos)	121.4	99.2 (1)	22.2	22.4

(1)

Data relating to the first nine months 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 nine months of 2013 amounted to 19,826 million pesos, increasing 3,802 million pesos (+23.7%) compared with the corresponding period of 2012 (16,024 million pesos), mainly thanks to the growth of the mobile customer base and the increase in the relative average revenue per user (ARPU). The main source of revenues was mobile telephony, which accounted for 74% of the consolidated revenues of the Business Unit, an increase of approximately 26.7% year-on-year.

Revenues for the third quarter of 2013 totaled 7,114 million pesos, increasing 1,469 million pesos compared with the corresponding period of 2012 (5,645 million pesos).

Fixed-line telephony service**:** the number of fixed lines at September 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 8.6% compared to the first nine months 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 880 thousand compared to the end of 2012, arriving at a total of 19,855 thousand lines, 32% of which were postpaid. At the same time, thanks to high-value customer acquisitions and leadership in the smartphone segment, ARPU grew by 18.5% to 66.1 pesos (55.8 pesos in the first nine months of 2012). A large part of this growth was attributable to value-added services (including SMS messaging and Internet) which together accounted for 58% of revenues from mobile telephony services in the first nine months of 2013.

In Paraguay, the Núcleo customer base grew about 4.6% compared to December 31, 2012, reaching 2,407 thousand lines, 20% of which are postpaid.

Broadband**:** Telecom Argentina s portfolio of broadband lines totaled 1,669 thousand accesses at September 30, 2013, an increase of 40,000 on the end 2012 figure. ARPU rose by 22.4% to 121.4 pesos (99.2 pesos in the first nine months of 2012), largely thanks to up-selling strategies and price adjustments.

EBITDA

EBITDA showed an increase of 823 million pesos (+17.5%) on the first nine months of 2012, reaching 5,537 million pesos. The EBITDA margin came to 27.9%, down 1.5 percentage points compared to the same period of 2012, mainly due to higher employee benefits expenses, and other operating expenses, particularly as a result of the increased tax on gross revenues and higher provision charges for regulatory risks. EBITDA for the third quarter of 2013 was 1,922 million pesos, up 339 million pesos compared with the corresponding period of 2012 (1,583 million pesos).

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

(millions of euros)

	(millions of Argentine pesos)				
	1/1 - 9/30 2013	1/1 9/30 2012	1/1 - 9/30 2013	1/1 9/30 2012	Change
	(a)	(b)	(c)	(d)	(c-d)
Acquisition of goods and services	1,320	1,294	9,176	7,396	1,780
Employee benefits expenses	436	421	3,028	2,408	620
Other operating expenses	368	306	2,561	1,746	815
Change in inventories	(64)	(39)	(450)	(224)	(226)

- acquisition of goods and services: totaled 9,176 million pesos (7,396 million pesos for the first nine months of 2012). The increase of 24.1% compared to the same period of the prior year (+1,780 million pesos) was mainly due to higher external service costs for 598 million pesos and greater purchases of goods of 995 million pesos;

- employee benefits expenses amounted to 3,028 million pesos, up 620 million pesos compared with the first nine months of 2012 (+25.7%). The change was due to salary increases as a result of periodic revisions in union agreements, primarily linked to inflation. The percentage of employee benefits expenses to revenues was 15.3%, up 0.3 percentage points compared with the first nine months of 2012;

- other operating expenses amounted to 2,561 million pesos, up 46.7% (1,746 million pesos over the first nine months of 2012). These expenses consisted of the following:

(millions of Argentine pesos)	1/1 9/30 2013	1/1 9/30 2012	Change
Write-downs and expenses in connection with credit management	221	218	3
Provision charges	187	76	111
Telecommunications operating fees and charges	380	306	74
Indirect duties and taxes	1,572	1,144	428
Sundry expenses	201	2	199
Total	2,561	1,746	815

Note that the change in Sundry expenses was essentially due to the presence of costs previously classified under acquisition of goods and services.

EBIT

EBIT for the first nine months of 2013 came to 2,452 million pesos compared with 2,162 million pesos recorded for the same period of last year. The increase of 290 million pesos was substantially due to the improvement in EBITDA, partly offset by increased amortization and depreciation of 368 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 that the company decided to abandon.

The EBIT margin was 12.4% (-1.1 percentage points compared to the same period of the prior year). EBIT for the third quarter of 2013 was 928 million pesos, up 218 million pesos compared with the corresponding period of 2012.

Media

(millions of euros)	3rd Quarter 2013	3rd Quarter 2012	1/1 - 9/30 2013	1/1 9/30 2012	% Change		
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	Organic (c/d)
Revenues	20	41	108	161	(51.2)	(32.9)	(12.9)
EBITDA	5	(10)	(6)	(26)		76.9	
EBITDA Margin	*25.0*	(24.9)	*(5.6)*	*(16.4)*		*10.8 pp*	*(5.6) pp*
EBIT(1)	5	(26)	(129)	(72)		(79.2)	0.0
EBIT Margin	*25.0*	*(63.4)*		(44.8)			*(3.8) pp*
Headcount at period-end (number) (°)			84	(*) 735		(88.6)	

(1)

EBIT of the Media Business Unit was driven down by 100 million euros deriving from the loss realized on the sale of La7 S.r.l. on April 30, 2013 and driven up by 3 million euros from the gain realized on the sale of MTV Italia on September 12, 2013.

(°) The figure includes personnel with temp work contracts: 0 at September 30, 2013 and 36 at December 31, 2012.

(*)

Headcount at December 31, 2012.

At September 30, 2013, Telecom Italia Media Broadcasting's three Digital Multiplexes cover 95.2% 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.

The review of the Statement of Accounts on the Execution Date was concluded on October 25, 2013. As a result of this, considering that the equity of La7 recognized at that date was higher than the value provided in the agreement, Telecom Italia Media and Cairo Communication agreed that the Cairo Communication group will pay Telecom Italia Media a price adjustment of 4.8 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 have been recognized for the entire year 2013, including the profit (loss) for the period of La7 of around 125 million euros, before amounts due to non-controlling interests.

Sale of the MTV group

Telecom Italia Media's sale of the entire stake in the MTV group to Viacom was finalized on September 12, 2013. This stake was composed of the 51% investment held in MTV Italia S.r.l. and its subsidiary, MTV Pubblicità S.r.l. The consideration for the sale was 13.4 million euros, an amount that also includes the adjustment made based on the changes in working capital. As a result of this transaction, Telecom Italia Media waived financial receivables of approximately 9 million euros, due from MTV Italia at the signing date of the agreement.

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 transaction had a positive impact of approximately 3 million euros on the consolidated income statement. Including the losses realized in the period by the MTV group, the total effect was negative by over 8 million euros.

In light of the above transactions, the table below shows figures for the third quarter and the first nine months of 2013 and of 2012, restated to exclude the results of both companies that have been sold.

(millions of euros)	3rd Quarter 2013	3rd Quarter 2012	1/1 - 9/30 2013	1/1 9/30 2012	% Change	
	(a)	(b)	(c)	(d)	(a/b)	(c/d)
Revenues	18	19	56	56	(5.3)	-
EBITDA	8	9	26	29	(11.1)	(10.3)
EBITDA Margin	*44.4*	*47.4*	*46.4*	*51.8*	*(3) pp*	*(5.4) pp*
EBIT	1	2	5	9	(50)	(44.4)
EBIT Margin	*5.6*	*10.5*	*8.9*	*16.1*	*(4.9) pp*	*(7.2) pp*
Headcount at period-end (number)			84	87(*)		(3.4)

(*)

Headcount at December 31, 2012.

Revenues

Revenues amounted to 56 million euros for the first nine months of 2013, substantially in line with the same period of 2012.

EBITDA

EBITDA was positive by 26 million euros in the first nine months of 2013, down about 3 million euros compared to the same period of 2012. This result mainly reflects the overall increase in other operating expenses of Telecom Italia Media Broadcasting by 4 million euros, relating to several provision charges for trade receivables and future expenses, only partially offset by the above-mentioned increase in revenues and a reduction in costs for acquisition of goods and services and in employee benefits expenses. Higher net costs were also recorded for Telecom Italia Media S.p.A. of 1 million euro (including costs incurred for the sales of La7 and MTV Italia).

EBIT

EBIT was positive by 5 million euros, compared to 9 million euros in the first nine months of 2012, representing a drop of 4 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).

Events Subsequent to September 30, 2013

On October 7, 2013, the Company signed a non-binding term sheet, following a resolution passed by the Board of Directors, which agreed its contents and approved continuation to formulate a definitive agreement, for the possible integration between the subsidiary Telecom Italia Media Broadcasting (TIMB) and the operations of the network operator Rete A (a subsidiary of Gruppo Editoriale L Espresso), with a view to enhancing the value of the assets of both companies also through industrial synergies.

As a result of the integration of five multiplexes with national coverage (three from TIMB and two from Rete A) into a single digital technological platform, the transaction subject to the authorizations required under the applicable regulations would create the leading independent network operator in Italy, under the control of Telecom Italia Media.

The Board of Directors of Telecom Italia Media also took note, as a partial improvement of the Company s financial position (which remains in the conditions envisaged in article 2446 of the Italian Civil Code), of Telecom Italia s waiver of financial receivables due from Telecom Italia Media in the amount of 10 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)	3rd Quarter 2013	3rd Quarter 2012	1/1 - 9/30 2013	1/1 9/30 2012	% Change		
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	Organic (c/d)
Revenues	50	55	174	185	(9.1)	(5.9)	(5.9)
EBITDA	(5)	(20)	(28)	(58)	75.0	51.7	0.0
EBITDA Margin	*(10.0)*	*(36.4)*	*(16.1)*	*(31.4)*			*(1.0) pp*
EBIT	(7)	(23)	(32)	(64)	69.6	50.0	0.0
EBIT Margin	*(14.0)*	*(41.8)*	*(18.4)*	*(34.6)*			*(1.1) pp*
Headcount at period-end (number)			724	(*) 778		(6.9)	

(*) Headcount at December 31, 2012.

Revenues

Revenues amounted to 174 million euros in the first nine months of 2013, a decrease of 11 million euros year-on-year (185 million euros; -5.9%).

The decrease in revenues was largely linked to the drop of 11 million euros in sales of copying and printing, including 10 million euros in the Italian market, where customers of SMEs and independent professionals are more exposed to the current market crisis, with falls in sales of photocopiers and related consumables and in equipment rental, as well as a reduction of 3 million euros from lower supplies of products to Telecom Italia. This downturn was offset by the increase of approximately 2 million euros in revenues from new cloud services and solutions (particularly in the Italian market), while the performance of systems and specialized applications remained substantially stable in the period in question.

For the third quarter of 2013, revenues amounted to 50 million euros (55 million euros for the third quarter of 2012), a decline of 5 million euros from the third quarter of 2012 (-9.1% quarter over quarter).

EBITDA

EBITDA was negative by 28 million euros, an improvement on the first nine months of 2012 by 30 million euros. Specifically, in the first nine months of 2012, EBITDA was driven down by provisions for restructuring expenses of

30 million euros, made following the start of the winding up of Olivetti I-Jet. Excluding those provisions, the organic change would have been zero. The figure for the first nine months of 2013 was also affected by costs totaling 9 million euros, resulting from a fire that completely destroyed the spare parts warehouse on March 19, 2013. The overall damage suffered by the group as a result of the fire was covered by adequate insurance and on October 31, 2013 the Olivetti group and the pool of insurance companies definitively agreed the settlement of the entire claim at 19 million euros; the related income and financial effects will arise in the forth quarter of 2013.

Excluding the costs resulting from the destruction of the spare parts warehouse, EBITDA would have been positive by 9 million euros (+32.1%), thanks to substantially stable margins in terms of percentage sales and lower fixed costs. These two factors more than offset the lower absolute margins resulting from the decline in sales.

For the third quarter of 2013, reported EBITDA was negative by 5 million euros (negative 20 million euros in the third quarter of 2012), an improvement of 15 million euros on the third quarter of 2012.

EBIT

EBIT was negative by 32 million euros, an improvement of 32 million euros compared to the first nine months of 2012, when it was negative by 64 million euros. The figure was essentially affected by the same factors driving the change in EBITDA, described above. If the figures had been calculated excluding the aforementioned provisions for restructuring expenses in the first nine months of 2012 the organic change would have been zero. Excluding the losses for the first nine months of 2013, deriving from the destruction of the spare parts warehouse, EBIT would have improved by 9 million euros (+28.1%).

For the third quarter of 2013, reported EBIT was negative by 7 million euros (negative 23 million euros in the third quarter of 2012), an improvement of 16 million euros on the third quarter of 2012.

Consolidated Financial Position and Cash Flows Performance

Non-current assets

•

Goodwill: fell by 2,371 million euros, from 32,410 million euros at the end of 2012 to 30,039 million euros at September 30, 2013, as a result of the goodwill impairment loss referred to above of 2,187 million euros for the Domestic-Core Domestic Business Unit, previously recognized in the Half-Year Financial Report at June 30, 2013, and the exchange rate effect of the Brazilian companies.

•

Other intangible assets: decreased by 581 million euros, from 7,927 million euros at the end of 2012 to 7,346 million euros at September 30, 2013, as the balance of the following:

–

additions (+1,468 million euros);

–

amortization charge for the period (-1,663 million euros);

–

disposals, exchange differences, reclassifications and other movements (for a net negative balance of 386 million euros).

At September 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 by 812 million euros, from 15,479 million euros at the end of 2012 to 14,667 million euros at September 30, 2013, as the balance of the following:

–

additions (+1,985 million euros);

–

depreciation charge for the period (-2,150 million euros);

–

disposals, impairment losses, exchange differences, reclassifications and other movements (for a net negative balance of 647 million euros).

Consolidated equity

Consolidated equity amounted to 20,597 million euros (23,012 million euros at December 31, 2012), of which 17,237 million euros was attributable to owners of the Parent (19,378 million euros at December 31, 2012) and 3,360 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)	9/30/2013	12/31/2012
At the beginning of the period	23,012	26,694
Total comprehensive income (loss) for the period	(1,848)	(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	(45)	–
Other changes	(15)	3
At the end of the period	20,597	23,012

Cash flows

Adjusted net financial debt came to 28,229 million euros, down 45 million euros compared to the end of 2012. Operating cash generation enabled the offset of payments of dividends and taxes made in the first nine months of 2013, for a total of 1.1 billion euros.

The main transactions which had an impact on the change in adjusted net financial debt during the first nine months of 2013 are the following:

Change in adjusted net financial debt

(millions of euros)	1/1 - 9/30 2013	1/1 - 9/30 2012	Change
EBITDA	7,933	8,860	(927)
Capital expenditures on an accrual basis	(3,453)	(3,380)	(73)
Change in net operating working capital:	(1,645)	(1,332)	(313)
Change in inventories	*(140)*	*(94)*	*(46)*
Change in trade receivables and net amounts due from customers on construction contracts	*487*	*674*	*(187)*
Change in trade payables (*)	*(1,447)*	*(1,460)*	*13*
Other changes in operating receivables/payables	*(545)*	*(452)*	*(93)*
Change in provisions for employees benefits	(13)	(14)	1
Change in operating provisions and Other changes	(45)	7	(52)
Net operating free cash flow	2,777	4,141	(1,364)
% on Revenues	*13.6*	*18.8*	*(5.2) pp*
Sale of investments and other disposals flow	(30)	41	(71)
Increases/decreases in share capital and other changes in equity, incidental costs	9	–	9
Financial investments flow	(53)	(9)	(44)
Dividend payment	(540)	(1,027)	487
Finance expenses, income taxes and other net non-operating requirements flow	(2,118)	(2,217)	99
Reduction/(Increase) in adjusted net financial debt	45	929	(884)

(*)

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, the change in adjusted net financial debt during the first nine months of 2013 has been particularly impacted by the following:

Capital expenditures on an accrual basis

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

(millions of euros)	1/1 - 9/30/2013	% of total	1/1 - 9/30/2012	% of total	Change
Domestic	2,022	58.6	1,982	58.6	40
Brazil	992	28.7	966	28.6	26
Argentina	417	12.1	383	11.3	34
Media, Olivetti and Other Operations	22	0.6	49	1.5	(27)
Adjustments and Eliminations	–	–	–	–	–
Consolidated Total	3,453	100.0	3,380	100.0	73
% on Revenues	*16.9*		15.3		*1.6 pp*

Capital expenditures in the first nine months of 2013 total 3,453 million euros, an increase of 73 million euros compared with the first nine months 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 an increase in capex of 26 million euros compared to the same period of 2012 (inclusive of a negative exchange rate effect of 116 million euros). This increase was mainly attributable to the trend in new network investments;

- the **Argentina Business Unit** reported an increase of 34 million euros in capital expenditures compared with the first nine months of 2012, already including a negative exchange rate effect of 68 million euros. 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 -1,645 million euros. In particular:

- the change in trade payables was a negative 1,447 million euros. 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 2012;

- the management of trade receivables generated an inflow of 487 million euros in the first nine months of 2013, whereas inventory management produced a net outflow of 140 million euros, primarily attributable to the Domestic, Argentina and Brazil Business Units, as a result of mobile internet handset procurement policies designed to sustain revenues from their sale.

Sale of investments and other disposals flow

This generated a net requirement of 30 million euros in the first nine months of 2013, mainly relating to the sale of La7 S.r.l. to Cairo Communication on April 30, 2013, which generated a net requirement of approximately 114 million euros. This impact was partially offset by the proceeds deriving from the sale of the MTV Group to Viacom International Media Networks (VIMN) on September 12, 2013 for an amount of 11 million euros, by the proceeds from the sale of the EtecSA Cuba investment, at the end of January 2011, and by the proceeds from other sales of tangible and intangible assets.

In the first nine months of 2012 the item showed net inflows of 41 million euros and consisted primarily of the collection of installments on the sale of the EtecSA Cuba investment.

Financial investments flow

This mainly refers to the buy-back of treasury shares by Telecom Argentina S.A. for an amount of 45 million euros. As a result, the Telecom Italia Group's economic interest in Telecom Argentina is now 22.97%.

In the first nine months 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 include the payment, during the first nine months of 2013, of net finance expenses (1,318 million euros) and income taxes (609 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)	9/30/2013 (a)	12/31/2012 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	22,194	23,956	(1,762)
Amounts due to banks, other financial payables and liabilities	6,891	8,976	(2,085)
Finance lease liabilities	1,125	1,159	(34)
	30,210	34,091	(3,881)
Current financial liabilities (*)			
Bonds	3,976	3,593	383
Amounts due to banks, other financial payables and liabilities	3,521	2,338	1,183
Finance lease liabilities	194	219	(25)
	7,691	6,150	1,541
Financial liabilities directly associated with discontinued operations/non-current assets held for sale	–	–	–
Total Gross financial debt	37,901	40,241	(2,340)
Non-current financial assets			
Securities other than investments	(20)	(22)	2
Financial receivables and other current financial assets	(1,365)	(2,474)	1,109
	(1,385)	(2,496)	1,111
Current financial assets			
Securities other than investments	(1,297)	(754)	(543)
Financial receivables and other current financial assets	(576)	(502)	(74)
Cash and cash equivalents	(5,456)	(7,436)	1,980
	(7,329)	(8,692)	1,363
Financial assets relating to discontinued operations/non-current assets held for sale	–	–	–
Total financial assets	(8,714)	(11,188)	2,474
Net financial debt carrying amount	29,187	29,053	134
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(958)*	*(779)*	*(179)*
Adjusted net financial debt	28,229	28,274	(45)
Breakdown as follows:			

Total adjusted gross financial debt	36,066	37,681	(1,615)
Total adjusted financial assets	(7,837)	(9,407)	1,570
(*) of which current portion of medium/long-term debt:			
Bonds	*3,976*	*3,593*	*383*
Amounts due to banks, other financial payables and liabilities	*3,012*	*1,681*	*1,331*
Finance lease liabilities	*194*	*219*	*(25)*

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 through 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 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, at 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. In view of 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 purely accounting and non-monetary effects 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

The sales of receivables to factoring companies finalized during the first nine months of 2013 resulted in a positive effect on net financial debt at September 30, 2013 of 885 million euros (1,233 million euros at December 31, 2012).

Gross financial debt

Bonds

Bonds at September 30, 2013 were recognized for 26,170 million euros (27,549 million euros at December 31, 2012). Their nominal repayment amount was 25,202 million euros, down 1,121 million euros compared to December 31, 2012 (26,323 million euros).

The change in bonds during the first nine months of 2013 was as follows:

(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
Telecom Italia S.p.A. 1,000 million euros 4.875% maturing 09/25/2020	Euro	1,000	9/25/2013

(1)

The hybrid debt securities are Telecom Italia s first subordinated issue on the euro 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
Telecom Italia S.p.A. 268 million euros, variable-rate (3)	Euro	268	7/19/2013

(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.

(3)

Net of buybacks by the Company for 232 million euros during 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 in June 2014, September 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 recognized in the financial statements in the portfolio of the buyer Telecom Italia S.p.A., while in the consolidated financial statements those 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 purchase offer	Repurchased nominal amount	Buyback 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, the amount at September 30, 2013 was 206 million euros (nominal amount), 24 million euros lower than on 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 September 30, 2013:

(billions of euros)	9/30/2013		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, see the Notes Financial liabilities (non-current and current) in the condensed consolidated financial statements at September 30, 2013 of the Telecom Italia Group.

Current financial assets and liquidity margin

The Telecom Italia Group s available liquidity margin amounted to 13,453 million euros at September 30, 2013, corresponding to the sum of cash and cash equivalents and current securities other than investments, totaling 6,753 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 5,456 million euros (7,436 million euros at December 31, 2012). The different technical forms of investing available cash at September 30, 2013, which include Euro Commercial Papers for 100 million euros, can be analyzed as follows:

•

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: deposits have been made mainly in major European financial markets.

Securities other than investments amounted to 1,297 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 360 million euros and 701 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 12/03/2012); and 221 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 third quarter of 2013 adjusted net financial debt decreased by 584 million euros compared to June 30, 2013. Operating cash inflows in the quarter (1.5 billion euros) guaranteed coverage of the requirements for the payment of finance expenses and taxes.

(millions of euros)	9/30/2013	6/30/2013	**Change**
Net financial debt carrying amount	29,187	29,786	(599)
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(958)*	*(973)*	15
Adjusted net financial debt	28,229	28,813	(584)
Breakdown as follows:			
Total adjusted gross financial debt	36,066	36,007	59
Total adjusted financial assets	(7,837)	(7,194)	(643)

Interim Condensed Consolidated Financial Statements   Telecom Italia Group

The Interim Report at September 30, 2013 of the Telecom Italia Group has been prepared in accordance with article 154 ter (Financial Reports) of Legislative Decree no. 58/1998 (Consolidated Law on Finance - TUF) as amended. This document also includes the condensed consolidated financial statements at September 30, 2013, prepared in compliance with the international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union (defined as the IFRS), and with reference to the Consob Communication DEM/8041082 dated April 30, 2008 (Quarterly Corporate Reports issued by Companies whose Shares are Listed in Italy as the Original Member State).

The accounting policies and consolidation principles adopted in the preparation of the condensed consolidated financial statements at September 30, 2013 are the same as those adopted in the Telecom Italia Group annual consolidated financial statements at December 31, 2012, to which reference can be made, except for:

- *the use of the new standards and interpretations adopted by the Group since January 1, 2013, whose effects are described in the notes to the condensed consolidated financial statements at September 30, 2013, to which the reader is referred;*

- *the measurement of goodwill for which it was not considered necessary to perform an update of the verification of its recoverability, already performed as of June 30, 2013, and which will be performed again for the annual report as of December 31, 2013, on the basis of the flows envisaged in the new Industrial Plan and information available from the market.*

The condensed consolidated financial statements at September 30, 2013 have undergone a limited scope audit, on a voluntary basis.

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 Interim 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 are beyond the scope of the Group s control.

The reclassified Separate Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows of the Telecom Italia Group, set forth below, are consistent with those included in the Condensed Consolidated Financial Statements at September

30, 2013 of the Telecom Italia Group.

Principal changes in the scope of consolidation

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

•

MTV Group - Media: on September 12, 2013 Telecom Italia Media and Viacom International Media Networks (VIMN) finalized the sale of 51% of MTV Italia S.r.l. and of its wholly-owned subsidiary MTV Pubblicità S.r.l. As a result, these companies are no longer consolidated;

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:

•

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)	3rd Quarter 2013	3rd Quarter 2012	1/1 - 9/30 2013	1/1 - 9/30 2012	Change (a-b)	
			(a)	(b)	amount	%
Revenues	6,629	7,268	20,389	22,061	(1,672)	(7.6)
Other income	58	61	168	169	(1)	(0.6)
Total operating revenues and other income	6,687	7,329	20,557	22,230	(1,673)	(7.5)
Acquisition of goods and services	(2,926)	(3,176)	(9,080)	(9,676)	596	6.2
Employee benefits expenses	(838)	(895)	(2,769)	(2,901)	132	4.6
Other operating expenses	(418)	(442)	(1,359)	(1,339)	(20)	(1.5)
Change in inventories	60	50	174	112	62	55.4
Internally generated assets	132	135	410	434	(24)	(5.5)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,697	3,001	7,933	8,860	(927)	(10.5)
Depreciation and amortization	(1,223)	(1,301)	(3,813)	(3,977)	164	4.1
Gains (losses) on disposals of non-current assets	7	(6)	(74)	10	(84)	
Impairment reversals (losses) on non-current assets	–	(3)	(2,212)	(3)	(2,209)	-
Operating profit (loss) (EBIT)	1,481	1,691	1,834	4,890	(3,056)	(62.5)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	–	–	–	(4)	4	-
Other income (expenses) from investments	–	(2)	2	(2)	4	
Finance income	200	203	1,687	1,475	212	14.4
Finance expenses	(712)	(686)	(3,148)	(2,875)	(273)	(9.5)
Profit (loss) before tax from continuing operations	969	1,206	375	3,484	(3,109)	
Income tax expense	(347)	(399)	(980)	(1,221)	241	19.7
Profit (loss) from continuing operations	622	807	(605)	2,263	(2,868)	
Profit (loss) from discontinued operations/non-current assets held for sale	(9)	–	(6)	–	(6)	-
Profit (loss) for the period	613	807	(611)	2,263	(2,874)	
Attributable to:						
Owners of the Parent	505	696	(902)	1,938	(2,840)	
Non-controlling interests	108	111	291	325	(34)	(10.5)

Consolidated Statements of Comprehensive Income

In accordance with IAS 1 *(Presentation of Financial Statements)*, the following consolidated statements of 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)		3rd Quarter 2013	3rd Quarter 2012	1/1 - 9/30 2013	1/1 - 9/30 2012
Profit (loss) for the period	(a)	613	807	(611)	2,263
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		10	15	(21)	46
Loss (profit) transferred to the Separate Consolidated Income Statement		(9)	–	(8)	1
Net fiscal impact		2	(3)	8	(10)
	(e)	3	12	(21)	37
Hedging instruments:					
Profit (loss) from fair value adjustments		(56)	36	(528)	(40)
		41	(138)	318	(99)

Loss (profit) transferred to the Separate Consolidated Income Statement					
Net fiscal impact		5	30	60	40
	(f)	(10)	(72)	(150)	(99)
Exchange differences on translating foreign operations:					
Profit (loss) on translating foreign operations		(448)	(407)	(1,068)	(744)
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		–	–	–	–
Net fiscal impact		–	–	–	–
	(g)	(448)	(407)	(1,068)	(744)
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)	(455)	(467)	(1,238)	(806)
Total other components of the consolidated statements of comprehensive income	(k=d+i)	(455)	(467)	(1,237)	(803)
Total comprehensive income (loss) for the period	(a+k)	158	340	(1,848)	1,460
Attributable to:					
Owners of the Parent		304	433	(1,621)	1,451
Non-controlling interests		(146)	(93)	(227)	9

Consolidated Statements of Financial Position

(millions of euros)		9/30/2013 (a)	12/31/2012 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		30,039	32,410	(2,371)
Other intangible assets		7,346	7,927	(581)
		37,385	40,337	(2,952)
Tangible assets				
Property, plant and equipment owned		13,730	14,465	(735)
Assets held under finance leases		937	1,014	(77)
		14,667	15,479	(812)
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		65	65	–
Other investments		44	39	5
Non-current financial assets		1,385	2,496	(1,111)
Miscellaneous receivables and other non-current assets		1,504	1,496	8
Deferred tax assets		961	1,432	(471)
		3,959	5,528	(1,569)
Total Non-current assets	(a)	56,011	61,344	(5,333)
Current assets				
Inventories		580	436	144
Trade and miscellaneous receivables and other current assets		6,628	7,006	(378)
Current income tax receivables		28	77	(49)
Current financial assets				
Securities other than investments, financial receivables and other current financial assets		*1,873*	*1,256*	*617*
Cash and cash equivalents		*5,456*	*7,436*	*(1,980)*
		7,329	8,692	(1,363)
Current assets sub-total		14,565	16,211	(1,646)
Discontinued operations/Non-current assets held for sale				
of a financial nature		–	–	–
of a non-financial nature		–	–	–
		–	–	–
Total Current assets	(b)	14,565	16,211	(1,646)
Total Assets	(a+b)	70,576	77,555	(6,979)

(millions of euros)		9/30/2013 (a)	12/31/2012 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		17,237	19,378	(2,141)
Equity attributable to non-controlling interests		3,360	3,634	(274)
Total Equity	(c)	20,597	23,012	(2,415)
Non-current liabilities				
Non-current financial liabilities		30,210	34,091	(3,881)
Employee benefits		867	872	(5)
Deferred tax liabilities		576	848	(272)
Provisions		848	863	(15)
Miscellaneous payables and other non-current liabilities		843	1,053	(210)
Total Non-current liabilities	(d)	33,344	37,727	(4,383)
Current liabilities				
Current financial liabilities		7,691	6,150	1,541
Trade and miscellaneous payables and other current liabilities		8,827	10,542	(1,715)
Current income tax payables		117	124	(7)
Current liabilities sub-total		16,635	16,816	(181)
Liabilities directly associated with discontinued operations/non-current assets held for sale				
of a financial nature		–	–	–
of a non-financial nature		–	–	–
		–	–	–
Total Current Liabilities	(e)	16,635	16,816	(181)
Total Liabilities	(f=d+e)	49,979	54,543	(4,564)
Total Equity and Liabilities	(c+f)	70,576	77,555	(6,979)

Consolidated Statements of Cash Flows