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TELECOM ITALIA S P A  
Form 6-K  
May 13, 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 MAY 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  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

If "Yes" is marked, indicate below the file number assigned  
to the registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_

PRESS RELEASE

Telecom Italia: Board of Directors examines and approves the Interim Report on Operations as of 31 March 2014

REVENUES: 5,188 MILLION EUROS, -6.2% IN ORGANIC TERMS COMPARED WITH Q1 2013

EBITDA: 2,200 MILLION EUROS, -5.7% IN ORGANIC TERMS COMPARED WITH Q1 2013

EBIT: 1,167 MILLION EUROS, +2.7% IN ORGANIC TERMS COMPARED WITH Q1 2013

NET PROFIT: 222 MILLION EUROS COMPARED WITH 364 MILLION EUROS IN Q1 2013

ADJUSTED NET FINANCIAL DEBT: 27,529 MILLION EUROS, A REDUCTION OF OVER 1.2 BILLION EUROS COMPARED WITH 31 MARCH 2013. THE RESULT INCREASES BY 722 MILLION EUROS COMPARED WITH 31 DECEMBER 2013 (26,807 MILLION EUROS)

LIQUIDITY MARGIN AS OF 31 MARCH 2014: 11.7 BILLION EUROS, ALLOWS MATURITIES TO BE COVERED FOR A PERIOD EXCEEDING THE NEXT 24 MONTHS

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*The results of the first quarter of 2014 will be illustrated to the financial community during a conference call scheduled for 12 pm today (Italian time). Journalists may listen to the conference call, without asking questions, by calling: +39 06 33168.*

*Those unable to connect live may follow the presentation until Tuesday 20 May 2014 by calling: +39 06 334843 (access code 639652#).*

*The presentation Slides, with an opportunity to follow the event in audio streaming, will be available at: [www.telecomitalia.com/1Q2014/ita](http://www.telecomitalia.com/1Q2014/ita).*

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*The Interim Report on Operations of the Telecom Italia Group as of 31 March 2014 has been drawn up in accordance with article 154 ter (Financial Reports) of Legislative Decree No. 58/1998 (Consolidated Finance Law [Testo Unico della Finanza]- TUF), as subsequently amended and supplemented. This document also includes the Abbreviated Consolidated Financial Statements as of 31 March 2014 prepared in accordance with IFRS accounting principles issued by IASB and endorsed by the EU and, in particular, with IAS 34 Interim Financial Reporting. The Abbreviated Financial Statements as of 31 March 2014 is voluntarily submitted to a limited audit. This activity is currently taking place.*

*The accounting policies and consolidation principles adopted in preparing the Abbreviated consolidated Financial Statements as of 31 March 2014 are consistent with those adopted in the Telecom Italia Group Consolidated Financial Statements as of 31 December 2013, to which reference can be made, except for the application of new Standards/Interpretations adopted by the Group from 1 January 2014. Moreover, the new Standards/Interpretations have not had any effect on the Group's abbreviated consolidated Financial Statements as of 31 March 2014.*

*In addition to the conventional financial performance measures contemplated under IFRS, the Telecom Italia Group uses certain alternative performance measures in order to give a clearer picture of the trend of operations and the company's financial position. Specifically, the alternative performance measures refer to: EBITDA; EBIT; organic change in revenues, EBITDA and EBIT; net financial debt carrying amount and adjusted net financial debt. In particular, it should be noted that, as of the Interim Report on Operations as of 31 March 2014, Telecom Italia has revised the method for determining the Organic Change in Revenues, EBITDA and EBIT, no longer considering non-organic proceeds/expenses, including non-recurrent ones, in this calculation. The Organic Changes therefore only include the effects of changes in the consolidation scope and foreign exchange rate differences. The data for comparative periods have therefore been restated accordingly. Further details regarding these indicators are provided in the annex.*

*Note that the section "Business Outlook for the 2014 fiscal year", contains forward-looking statements about the Group's intentions, beliefs and current expectations with regard to its financial results and other aspects of the Group's operations and strategies. Readers of the present press release should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the above-mentioned forecasts owing to a number of factors, the majority of which are beyond the Group's control.*

*Milan, 13 May 2014*

The Telecom Italia Board of Directors, chaired yesterday by Giuseppe Recchi, examined and approved the Group's Interim Report on Operations as of 31 March 2014.

Q1 2014 saw confirmation of the telecommunications market's trend for innovative services to increase and prices and revenues from traditional services to fall.

In particular, on the domestic market, while competitive dynamics cooled, particularly in the mobile telephony sector, average revenue per customer continued to fall in traditional services, partly as an initial result of a repositioning

strategy towards bundle and/or combined fixed-mobile plans which against a decline in near term profitability will allow market share to be retained in the short term and expenditure and hence revenue to be gradually stabilised in the medium to long term. Results also continue to be affected negatively by a number of regulatory dynamics and aspects, particularly regarding the prices of wholesale services.

The Brazilian subsidiary continued to grow, albeit the mobile sector was slower compared to the same period in 2013, due primarily to greater competitive pressure. The result is also affected by the slow economic growth of the Country, and the almost 20% devaluation in the exchange rate compared to Q1 2013.

"We have accelerated our investments in new technology, strengthening our leadership in fixed and mobile ultrabroadband coverage", commented Chief Executive Officer Marco Patuano. "This has not meant a loss of focus on financial discipline, with major efficiency programmes on both costs and on traditional Capex.

Our offer is evolving from a price-based competitive rationale, relaunching competition based on quality and innovation. With this, we can leverage our distinctive infrastructures we are building, exploiting our long-term competitive advantage.

And while it is becoming fully operational gradually, the content agreement with Sky will allow us to immediately make premium offers available to our customers, starting with the broadcast of the FIFA World Cup on mobile devices.

In Brazil, too, our focus remains on quality and investment. Our result have to be read considering also the review of mobile termination rates, a phenomenon we are very familiar with, having faced the same thing in Italy. Net of this regulatory effect, the revenues from Mobile services grow by almost 5 percentage points, in a highly competitive market. An undoubtedly notable result.

So as a whole we are in line with our plans and targets, which see a progressive acceleration in year-on-year recovery."

## **MAIN VARIATIONS TO THE TELECOM ITALIA GROUP CONSOLIDATION AREA**

The following change occurred in Q1 2014:

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Trentino NGN S.r.l.: on 28 February 2014, the Telecom Italia Group acquired a controlling stake in the company.

The following changes to the consolidation area occurred during 2013:

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Sofora - Telecom Argentina group: on 13 November 2013 the Telecom Italia Group accepted the offer to purchase its entire controlling shareholding of the Sofora - Telecom Argentina Group. As a result the shareholding has been classified under Discontinued operations. Pursuant to IFRS 5 (Non-current assets held for sale and discontinued operations), the economic results of the Sofora - Telecom Argentina group for Q1 2014, and for the corresponding periods provided for comparison, are reported in a specific item of the separate income statement called "Profit (loss) from discontinued operations/Non-current assets held for sale", while the financial effects are reported in two separate items of the consolidated statement of financial position; completion of the sale is subject to the suspensive condition of the necessary local authorisations being obtained.

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MTV-Media Group: on 12 September 2013 Telecom Italia Media completed the sale of 51% of MTV Italia S.r.l. and its wholly owned subsidiary MTV Pubblicità S.r.l.. As a result, these companies have been excluded from the consolidation perimeter.

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La7 S.r.l. - Media: on 30 April 2013 Telecom Italia Media completed the sale of La7 S.r.l., consequently the company left the consolidation area.

## **TELECOM ITALIA GROUP**

**Revenues** in Q1 2014 amounted to **5,188 million euros**, down 11.9% from the 5,889 million euros recorded in Q1 2013 (-701 million euros). In terms of organic change, calculated by excluding the effect of changes in exchange rates and consolidation scope, consolidated revenues were down 6.2% (-340 million



euros).

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

(millions of euros)	Q1 2014		Q1 2013		Absolute	Changes	
		% of total		% of total		%	% organic
Domestic (*)	3,728	71.9	4,066	69.0	(338)	(8.3)	(8.3)
Core Domestic	3,469	66.9	3,832	65.1	(363)	(9.5)	(9.5)
International Wholesale	301	5.8	283	4.8	18	6.4	7.1
Olivetti	49	0.9	52	0.9	(3)	(5.8)	(5.8)
Brazil	1,451	28.0	1,786	30.3	(335)	(18.8)	(0.2)
Media and Other Assets(*)	15	0.3	48	0.8	(33)		
Adjustments and eliminations	(6)	(0.2)	(11)	(0.1)	5		
Consolidated Total	5,188	100.0	5,889	100.0	(701)	(11.9)	(6.2)

(\*) As of the Interim Management Report at 31 March 2014, in addition to Core Domestic and International Wholesale, the Domestic Business Unit also includes the Olivetti group; the comparative period has been amended accordingly.

**EBITDA** for the first three months of 2014 amounted to **2,200 million euros** down by 202 million euros (-8.4%) compared to the same period of the previous year, with an EBITDA margin of 42.4% (40.8% in the first three months of 2013). In organic terms, the EBITDA is down 134 million euros (-5.7%) compared with the same period of the previous year and the EBITDA margin is up 0.2 percentage points (42.4% in Q1 2014 compared with 42.2% in Q1 2013).

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

(million euros)	Q1 2014		Q1 2013		Absolute	Changes	
		% of total		% of total		%	% organic
Domestic (*)	1,792	81.5	1,953	81.3	(161)	(8.2)	(8.2)
% of Revenues	48.1		48.0			0.1 pp	0.1 pp
Brazil	406	18.5	463	19.3	(57)	(12.3)	7.8
% of Revenues	28.0		25.9			2.1 pp	2.1 pp
Media and Other Assets (*)	3	–	(13)	(0.6)	16		
Adjustments and deletions	(1)	–	(1)	–	–		
Consolidated Total	2,200	100.0	2,402	100.0	(202)	(8.4)	(5.7)
% of Revenues	42.4		40.8			1.6 pp	0.2 pp

(\*) As of the Interim Management Report at 31 March 2014, in addition to Core Domestic and International Wholesale, the Domestic Business Unit also includes the Olivetti group; the comparative period has been amended accordingly.

**EBIT** in Q1 2014 is **1,167 million euros**, up 13 million euros compared with Q1 2013, and an EBIT margin of 22.5% (19.6% in Q1 2013).

Organic EBIT increased by 31 million euros (+2.7%) compared with Q1 2013, with an EBIT margin up by 2.0 percentage points from 20.5% in Q1 2013 to 22.5% in Q1 2014.

**Consolidated net profit** attributable to Parent Company Shareholders amounted to **222 million euros** (364 million euros in the same period of 2013).

**Capex** in Q1 2014 was **684 million euros**, down 82 million euros on Q1 2013, and breaks down as follows by operational sector:

(million euros)	Q1 2014		Q1 2013		Change
		% of total		% of total	
Domestic (*)	493	72.1	579	75.6	(86)
Brazil	189	27.6	178	23.2	11
Media and Other Assets (*)	2	0.3	9	1.2	(7)
Adjustments and deletions	–	–	–	–	–
Consolidated Total	684	100.0	766	100.0	(82)
% of Revenues	13.2	13.0			0.2 pp

(\*) As of the Interim Management Report at 31 March 2014, in addition to Core Domestic and International Wholesale, the Domestic Business Unit also includes the Olivetti group; the comparative period has been amended accordingly.

Capital expenditure for the **Brazil Business Unit** recorded an increase of 11 million euros compared to Q1 2013. The change reflects a negative exchange rate effect of 33 million euros, without which the increase would have amounted to 44 million euros. The greater capital expenditure is attributable to the development of infrastructure, in accordance with the objective of improving the quality of service.

Capex for the **Domestic Business Unit** recorded a drop of 86 million euros compared with the same period of 2013. This reduction is entirely attributable to the more traditional investment components and led to certain platforms being abandoned and a number of industrial processes being simplified. These savings were partly redirected to developing next-generation networks (LTE and Fibre network, +42 million euros of investment compared with Q1 2013) which accounted for 33% of network investments (20% in Q1 2013). Furthermore, in Q1 2014, as a result of Telecom Italia's new market strategy for bundle mobile telephony plans, the 25 million euros spent on subsidising the purchase of handsets by customers were no longer recorded under intangible investments. In the corresponding period of 2013, 34 million euros were capitalised and amortised over the term of the contract (24 - 30 months).

The **cash flow from operations** is negative by **14 million euros** (positive by 64 million euros in Q1 2013) and is affected by the seasonal dynamics of disbursements related to liabilities accrued in the last quarter of the previous financial year and by the payment of telecommunication business operation contributions of over 300 million euros by the Brazil Business Unit.

**Adjusted net financial debt** as of 31 March 2014 amounted to **27,529 million euros**, a fall of 1,238 million euros compared to Q1 2013. The figure shows an increase of 722 million euros compared with 31 December 2013 (26,807 million euros) as it is affected by the usual dynamics of operational generation of cash flow.

**Accounting net financial debt** amounted to **28,810 million euros** (27,942 as of 31 December 2013).

**The liquidity margin** as of 31 March 2014 is **11.7 billion euros**, (13.6 billion euros as of 31 December 2013) net of 0.4 billion euros relating to Discontinued Operations and consists of 5.2 billion euros in cash (7.1 billion euros as of 31 December 2013) and unused committed credit lines totalling 6.5 billion euros (equal to those existing as of 31 December 2013). This margin covers the financial liabilities of the Group falling due over a period exceeding the next 24 months.

Group **headcount** for the Group as of 31 March 2014, excluding the 16,518 related to Discontinued Operations, was **65,613**, including 53,083 in Italy (65,623 as of 31 December 2013, including 53,155 in Italy).

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## **BUSINESS UNIT RESULTS**

*Figures for Telecom Italia Media as of 31 March 2014 can be found in the press release issued on 8 May, following the meeting of the Board of Directors of the Company.*

### **DOMESTIC**

Starting with the Interim Report on Operations at 31 March 2014, the Domestic Business Unit also includes the Olivetti group, in addition to Core Domestic and International Wholesale. This different representation reflects the commercial and business position of the Olivetti group and the process of integrating its products and services with those offered by Telecom Italia in the domestic market. The data relating to the corresponding period of the previous year was therefore restated accordingly.

**Domestic revenues**, totalling **3,728 million euros** (4,066 million euros in Q1 2013), fell by 8.3% both in reported and organic terms.

With an economic outlook that despite slight improvement continues to demonstrate structural weakness and in a market context still affected by the decrease due to falling prices, deriving from stiff competition which characterized the previous year (especially on Mobile early in the year), the performance of Q1 2014, in terms of change with respect to Q1 2013, shows a reduction of 8.3%, almost in line with the last quarter of 2013 (-8.1%) and in recovery with respect to the full year 2013 (-9.5%). The organic change in the revenues records a decrease of 8.3% (-336 million euros) and is calculated excluding the effect of the foreign exchange rate fluctuations for 2 million euros relative to International Wholesale.

These reduction dynamics are attributable in particular to the fall in revenues from traditional services (voice, messaging, circuit switched data) which was only marginally offset by the development of innovative services, particularly on Fixed-line Broadband, ICT and Mobile Internet.

Highlights:

#### **Core Domestic Revenues**

Core Domestic revenues amount to **3,469 million euros** and fell by 9.5% (3,832 million euros in the first three months of 2013).

The performance of the individual market segments as compared with the same period of 2013 is as follows:

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**Consumer:** the revenues of Q1 2014 for the Consumer segment amounted to 1,749 million euros in total, with a reduction of 231 million euros compared to Q1 of 2013 (-11.7%). The reduction in revenues can mainly be attributed to the revenues from Mobile services (-152 million euros, equal to -16.9%), in particular on traditional voice services

(-129 million euros) and messaging (-38 million euros), only partially offset by the constant growth of mobile Internet Browsing (+17 million euros equal to +11.4% compared to Q1 2013). This fall was recorded following the reduction of ARPU (driven by the strong pressure on prices that characterized the market in 2013), despite an improvement in the competitive performance with the gradual stabilization of the customer base and market share.

Fixed service revenues also fell compared to Q1 2013 (-63 million euros, -6.2%), entirely attributable to the contraction in voice revenues (-69 million euros, after the reduction in customers and the contraction in traffic usage) and only marginally offset by higher Broadband revenues for 6 million euros, thanks to the maintenance of our market share and the positive trend in ARPU, supported by the higher proportion of customers with bundle/flat rate plans or Internet Plus solutions, such as Superinternet or Fibra;

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**Business:** the revenues of the Business segment totalled 1,202 million euros, a fall of 103 million euros compared to Q1 2013 (-7.9%). The fall was due entirely to revenues from services (-122 million euros), including -42 million euros on Mobile (-12.1%) and -83 million euros on Fixed-line (-9.0%). In particular on Mobile, despite the efficiency of the defence actions and the development of the customer base (which in fact grew by 7.5%), a drop in turnover on traditional voice and messaging services was confirmed (-54 million euros compared to the same period of 2013), attributable to a dynamic of redirecting customers on bundle plan formulas with a lower overall level of ARPU.

Although there are signs of recovery, on Fixed-line, cooling demand due to the negative economic situation and the fall in the prices again of more traditional voice and data services continues to have a dampening effect;

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**National Wholesale:** the Wholesale segment records revenues for Q1 2014 amounting to 461 million euros, down by 38 million euros (-7.6%) on the corresponding period of 2013. The fall is mainly attributable to the regulatory changes which have cut the prices for LLU access, Bitstream, Wholesale Line Rental and termination.

### **International Wholesale Revenues**

International Wholesale revenues in Q1 2014 amounted to 301 million euros, up by 18 million euros (+6.4%) on the same period of 2013.

The increase, related to greater volumes of traffic collected, mainly concerns the Voice services (+22 million euros, +11.2%). Whereas revenues for the IP/Data services were down (-4 million euros, -5.9%) due to the effect of the increasingly competitive scenario and consequently the relative drop in prices, which characterizes this market. The multinational companies business segment was also slightly down (-2 million euros equal to -11.5%).

### **Olivetti Revenues**

The revenues of the Olivetti group in Q1 2014 amounted to 49 million euros, down by 3 million euros compared to the same period of 2013 (-5.8%).

Against the backdrop of a continuing economic crisis, however, the higher margin revenues of the Olivetti offer are substantially in line with the figures recorded in Q1 2013. The small and medium sized enterprises sector (primarily domestic) on the other hand suffered, recording a decrease in revenues of around 1.4 million euros in the traditional copying and printing sector.

**The EBITDA** of the Domestic Business Unit in Q1 2014 amounted to **1,792 million euros** and recorded a reduction of 161 million euros compared to the corresponding period of 2013 (-8.2%, of which -1.6 percentage points can be attributed to the aforementioned different classification of the costs of subsidizing customers for the purchase of handsets), with an EBITDA margin of 48.1%, in slight recovery compared to 2013 (+0.1 percentage point). The result was mainly affected by the reduction in revenues from services (-341 million euros compared to Q1 2013), only partially offset by the efficiency actions obtained through a selective control and containment of operating costs. As already mentioned with regard to the trend in revenues, the trend towards a recovery in operating performance already seen in the second half of 2013 is also confirmed for EBITDA in Q1 2014. The organic change of the EBITDA records a decrease of 8.2% (-160 million euros) and is calculated excluding the effect of the foreign exchange rate fluctuations for 1 million euros of International Wholesale.

The **EBIT** of the Domestic Business Unit in Q1 2014 amounted to 990 million euros, with a reduction of 83 million euros compared to the same period of 2013 (1,073 million euros), with an EBITDA margin of 26.6%, an improvement of 0.2 percentage points compared to the margin of 26.4% of the first quarter of 2013. The performance reflects the change in the EBITDA previously described, partially offset by the reduction of the depreciation and amortisation for 47 million euros and by the capital gains, amounting to around 38 million euros, deriving from the sale by Telecom Italia S.p.A. of a property it owned in Milan, for the amount of 75 million euros.

The organic EBIT of Q1 2014 - calculated excluding the effect of the foreign exchange rate fluctuations amounting to -1 million euros relative to International Wholesale - highlights a negative change of 82 million euros (-7.6%) compared to Q1 2013, with a margin of 26.6% (26.4% in Q1 2013).

The **headcount of 53,302** fell by 75 units compared to 31 December 2013.

## **BRAZIL**

(average real/euro exchange rate 3.23981)

The **revenues** of the **Tim Brasil group** in Q1 2014 amounted to **4,702 million reais**, substantially in line with the same period of 2013 (-0.2%). The revenues from services totalled 4,099 million reais, up by 12 million reais compared to the 4,087 million reais of the same period of 2013 (+0.3%); revenues from the sale of products reduced from 624 million reais in Q1 2013 to 603 million reais in Q1 2014 (-3.4%), with a reduction of 8.2% in the volumes sold compared to the same period of 2013.

Mobile ARPU in Q1 2014 was 18.0 reais compared to 18.5 reais in the same period of 2013 (-2,7%). The figure is affected by the reduction in termination rates that followed two regulatory manoeuvres (in April 2013 and at the end of February 2014 respectively). Net of said component, the ARPU for the period showed an upward trend, mainly supported by the development of innovative data services (browsing and VAS content).





The total number of **lines** as of 31 March 2014 was **73.9 million**, up by 0.6% compared to 31 December 2013, corresponding to a **market share** for the lines of **27%**.

**EBITDA** of **1,316 million reais** was 95 million reais higher than in the same period of 2013 financial year (**+7.8%**). The EBITDA increase was essentially sustained by the lower costs of materials and services, partly offset by the higher costs of personnel and other operating costs. The EBITDA margin was 28.0%, up 2.1 percentage points on Q1 2013.

**EBIT** amounted to **588 million reais** an improvement of 36 million reais on Q1 2013. This is explained by the higher contribution of EBITDA, partially offset by increased depreciation and amortisation of 60 million reais (728 million reais in Q1 2014 compared with 668 million reais in Q1 2013).

**Headcount** stood at **12,206 employees** (12,140 as of 31 December 2013).

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## **EVENTS SUBSEQUENT TO 31 MARCH 2014**

### **Agreement with Gruppo Editoriale L'Espresso**

On 9 April 2014 Telecom Italia Media and Gruppo Editoriale L'Espresso (Espresso Group) signed contracts that provide for the integration of network operator activities for DTTV - Digital Terrestrial Television respectively owned by Telecom Italia Media Broadcasting S.r.l. (TIMB) and Rete A S.p.A. (Rete A).

The integration of TIMB and Rete A, owners of three and two digital multiplexes respectively, will create the main independent network operator in Italy, with five digital multiplexes and an infrastructure with extensive national coverage, based on latest generation technologies. The group resulting from the operation will be the reference provider for the main non-integrated national and foreign television editors operating on the Italian market. The operation will also allow significant industrial synergies to be achieved.

The integration will be implemented through the Espresso Group's transfer of 100% of its shares in Rete A to TIMB. Once the transfer is complete, Telecom Italia Media and the Gruppo Espresso will respectively hold 70% and 30% of the shares of TIMB which will hold the entire share capital of Rete A; the shareholding in All Music S.p.A. will

remain the property of the Espresso Group.

The agreement signed also provides that once the integration is complete a valuation process shall begin, with a search for investors interested in the combined entity.

Given the uncertainty concerning the legislative developments on the use of frequencies, Telecom Italia Media also reserved an option to purchase the right of use (therefore excluding the infrastructure and the customers) of one of the five frequencies that will be owned by the combined entity.

The operation, conditional upon obtaining authorization from AGCom, is expected to be completed by June 2014.

## **Antitrust Procedure A428**

In May 2013, at the conclusion of procedure A428, the Italian antitrust authority (AGCM) imposed two fines totalling more than 103 million euros on Telecom Italia, for alleged abuse of its dominant position in the access services market. The order was challenged before the Lazio Regional Administrative Court (TAR).

On 8 May 2014 the judgement of the Lazio TAR was published, rejecting Telecom Italia's appeal and confirming in full the fines imposed in the original order challenged.

Telecom Italia has reiterated that its actions were correct with regards to equality of access to the network for alternative Operators and the Company will appeal the decision to the Council of State (Consiglio di Stato) for recognition of the absolute legality of its conduct towards its competitors. Finally, it should be noted that the liabilities already allocated in the consolidated Financial Statements at 31 December 2013 cover the full amount of the two fines imposed by the Authority.

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## **OUTLOOK FOR THE 2014 FINANCIAL YEAR**

The telecommunications market continues to be characterised by a fall in traditional services (access and voice) compared to an increase in innovative services (broadband and enabled broadband services); it is expected that the combined effect of these phenomena will determine a further overall fall in the domestic market, in any case more moderate than that seen in 2013, and the growth of the Brazil market.

In this context the Telecom Italia Group as announced in the 2014-2016 Plan will continue to defend its market shares, invest in the development of infrastructures, with a heavy increase in innovative investments destined in particular to Ultra Broadband, in order to maintain revenues from traditional services and promote the growth of revenues from innovative services, in compliance with its financial policies. At the same time the Telecom Italia Group will continue the path of transformation and increasing efficiency in industrial processes aiming for a structural reduction of the running costs even through the delayering and simplification of the platforms.

The initial results of 2014 confirm the cooling and improvement of the competitive dynamics in the Mobile sector and an increase in the development of ultra-broadband services. Nevertheless it should be pointed out that the first months of the year have seen greater dilution of ARPU on traditional services on the domestic market, both Mobile and Fixed, due to a dynamic involving the redirecting of the Customer Base towards bundle plans that will in any case allow with respect to a short-term reduction in profitability greater stabilisation of expenditure and churn in the medium to long term. On the Fixed market this dynamic is also dictated by the need to respond, with commercial pricing actions, to competitive pressure which is higher than expected.

Despite these dynamics, which resulted in uncertainty regarding the stability of the Revenues, gradual recovery of the operating performance also through the plans and actions to reduce and contain costs is expected for the current year

on the domestic market, in keeping with the forecasts and dynamics of the 2014-2016 three-year Plan of Telecom Italia.

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## **CORPORATE GOVERNANCE ISSUES**

The Board of Directors continued its definition of internal organisational structures, acknowledging the appointment of Ms. Calvosa as Chair of the Control and Risk Committee and Mr. Benello as Chair of the Nomination and Remuneration Committee. Further, at the Chairman's initiative, the Board updated the analysis of the independence requirements of its members.

In particular, in reiterating the absence of relations with significant shareholders, the external auditor and the management of the Company, or of economic and professional links with the Group other than those deriving from the Chairmanship of the Board of Directors of Telecom Italia, in light of the mandates received, the Chairman has ascertained that he did not fulfil the formal requirements of an "independent director".

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The Manager in charge of preparing the corporate accounting documents, Piergiorgio Peluso, hereby declares, pursuant to subsection 2, Art.154-bis of Italy's Consolidated Finance Law, that the accounting information contained herein corresponds to the company's documentation, accounting books and records.

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## ATTACHMENTS TO THE PRESS RELEASE

### ALTERNATIVE PERFORMANCE MEASURES

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

The alternative performance measures used are described below:

**EBITDA:** this financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) in addition to EBIT. These measures are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method
EBIT - Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA - Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

**Organic change in Revenues, EBITDA and EBIT:** these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation and exchange differences. In particular, please note that, starting from the Interim Report at March 31, 2014, Telecom Italia has changed the methods for determining the Organic change in Revenues, EBITDA and EBIT not considering more, as in the past, in this calculation the non-organic income/expenses, including those non-recurring; therefore, the Organic changes as described above - now include only the effects arising from the change in the scope of consolidation and exchange differences. Figures for the comparative periods have been restated accordingly.

Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level); the Organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors. In this press release, is also provided the reconciliation between the accounting or reported data and the comparable ones.

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

In order to better represent the actual change in net financial debt, in addition to the usual measure (renamed Net financial debt carrying amount ) is also shown the Adjusted net financial debt , which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.





Net financial debt is calculated as follows:

- +Non-current financial liabilities
- +Current financial liabilities
- +Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale

A)Gross Financial Debt

- +Non-current financial assets
- +Current financial assets
- +Financial assets included in Discontinued operations/Non-current assets held for sale

B)Financial Assets

C = (A - B)Net Financial Debt carrying amount

D)Reversal of fair value measurement of derivatives and related financial liabilities/assets

E= (C+D) Adjusted Net Financial Debt

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*The reclassified Separate Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows as well as the Consolidated Net Financial Debt of the Telecom Italia Group, herewith presented, are the same as those included in the Interim Management Report of the Interim Report at March 31, 2014 and are unaudited.*

*Such statements, as well as the Consolidated Net Financial Debt of the Telecom Italia Group, are however consistent with those included in the Telecom Italia Group Condensed Consolidated Financial Statements at March 31, 2014.*

*The accounting policies and consolidation principles adopted in the preparation of the Condensed Consolidated Financial Statements at March 31, 2014 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at December 31, 2013, to which reference can be made, except for the new standards and interpretations adopted by the Group starting from January 1, 2014, the adoption of which had no impact on the Telecom Italia Group Condensed Consolidated Financial Statements at March 31, 2014.*

*Furthermore, please note that the limited review work by our independent auditors on the Telecom Italia Group Condensed Consolidated Financial Statements at March 31, 2014 has not yet been completed.*

#### TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Quarter	1st Quarter	Change	
	2014	2013	(a-b)	
	(a)	(b)	amount	%
Revenues	5,188	5,889	(701)	(11.9)
Other income	84	54	30	55.6
Total operating revenues and other income	5,272	5,943	(671)	(11.3)
Acquisition of goods and services	(2,179)	(2,557)	378	14.8
Employee benefits expenses	(775)	(845)	70	8.3
Other operating expenses	(267)	(327)	60	18.3
Change in inventories	23	50	(27)	(54.0)
Internally generated assets	126	138	(12)	(8.7)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,200	2,402	(202)	(8.4)
Depreciation and amortization	(1,070)	(1,149)	79	6.9
Gains (losses) on disposals of non-current assets	37	6	31	-
Impairment reversals (losses) on non-current assets	-	(105)	105	-
Operating profit (loss) (EBIT)	1,167	1,154	13	1.1
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(5)	-	(5)	-
Other income (expenses) from investments	11	-	11	-
Finance income	366	732	(366)	(50.0)

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Finance expenses	(1,051)	(1,244)	193	15.5
Profit (loss) before tax from continuing operations	488	642	(154)	(24.0)
Income tax expense	(254)	(291)	37	12.7
Profit (loss) from continuing operations	234	351	(117)	(33.3)
Profit (loss) from Discontinued operations/Non-current assets held for sale	133	97	36	37.1
Profit (loss) for the period	367	448	(81)	(18.1)
Attributable to:				
Owners of the Parent	222	364	(142)	(39.0)
Non-controlling interests	145	84	61	72.6

## TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(millions of euros)		1st Quarter 2014	1st Quarter 2013
Profit (loss) for the period	(a)	367	448
Other components of the Consolidated Statement of Comprehensive Income:			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		-	-
Income tax effect		-	-
	(b)	-	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		-	-
Income tax effect		-	-
	(c)	-	-
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	(d=b+c)	-	-
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		24	(10)
Loss (profit) transferred to Separate Consolidated Income Statement		(6)	(1)
Income tax effect		(3)	1
	(e)	15	(10)
Hedging instruments:			
Profit (loss) from fair value adjustments		(26)	102
Loss (profit) transferred to Separate Consolidated Income Statement		2	(71)
Income tax effect		4	(8)
	(f)	(20)	23

Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(175)	276
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(g)	(175)	276
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	1
Loss (profit) transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	—	1
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	(i=e+f+g+h)	(180)	290
Total other components of the Consolidated Statement of Comprehensive Income	(k=d+i)	(180)	290
Total comprehensive income (loss) for the period	(a+k)	187	738
Attributable to:			
Owners of the Parent		280	587
Non-controlling interests		(93)	151

## TELECOM ITALIA GROUP CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	3/31/2014 (a)	12/31/2013 (b)	Change (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	29,984	29,932	52
Other intangible assets	6,180	6,280	(100)
	36,164	36,212	(48)
Tangible assets			
Property, plant and equipment owned	12,182	12,299	(117)
Assets held under finance leases	887	920	(33)
	13,069	13,219	(150)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	35	65	(30)
Other investments	46	42	4
Non-current financial assets	1,340	1,256	84
Miscellaneous receivables and other non-current assets	1,697	1,607	90
Deferred tax assets	983	1,039	(56)
	4,101	4,009	92
Total Non-current assets	(a) 53,334	53,440	(106)
Current assets			
Inventories	392	365	27
Trade and miscellaneous receivables and other current assets	5,921	5,389	532
Current income tax receivables	36	123	(87)
Current financial assets			
<i>Securities other than investments, financial receivables and other current financial assets</i>	<i>1,646</i>	<i>1,631</i>	<i>15</i>
<i>Cash and cash equivalents</i>	<i>3,945</i>	<i>5,744</i>	<i>(1,799)</i>
	5,591	7,375	(1,784)
Current assets sub-total	11,940	13,252	(1,312)
Discontinued operations/Non-current assets held for sale			
of a financial nature	508	657	(149)
of a non-financial nature	2,500	2,871	(371)
	3,008	3,528	(520)
Total Current assets	(b) 14,948	16,780	(1,832)
Total Assets	(a+b) 68,282	70,220	(1,938)

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(millions of euros)	3/31/2014 (a)	12/31/2013 (b)	Change (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	17,343	17,061	282
Non-controlling interests	3,038	3,125	(87)
Total Equity (c)	20,381	20,186	195
Non-current liabilities			
Non-current financial liabilities	31,040	31,084	(44)
Employee benefits	894	889	5
Deferred tax liabilities	281	234	47
Provisions	706	699	7
Miscellaneous payables and other non-current liabilities	766	779	(13)
Total Non-current liabilities (d)	33,687	33,685	2
Current liabilities			
Current financial liabilities	5,182	6,119	(937)
Trade and miscellaneous payables and other current liabilities	7,699	8,649	(950)
Current income tax payables	52	20	32
Current liabilities sub-total	12,933	14,788	(1,855)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale of a financial nature	27	27	-
of a non-financial nature	1,254	1,534	(280)
	1,281	1,561	(280)
Total Current Liabilities (e)	14,214	16,349	(2,135)
Total Liabilities (f=d+e)	47,901	50,034	(2,133)
Total Equity and liabilities (c+f)	68,282	70,220	(1,938)

## TELECOM ITALIA GROUP CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)	1st Quarter 2014	1st Quarter 2013
Cash flows from operating activities:		
Profit (loss) from continuing operations	234	351
Adjustments for:		
Depreciation and amortization	1,070	1,149
Impairment losses (reversals) on non-current assets (including investments)	–	105
Net change in deferred tax assets and liabilities		