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TELECOM ITALIA S P A
Form 6-K
June 11, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

FOR THE MONTH OF JUNE 2013

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

Piazza degli Affari 2
20123 Milan, Italy
(Address of principal executive offices)

Indicate by check mark whether the registrant files
or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F 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- _____

Interim Report at
March 31, 2013

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This document has been translated into English solely for the convenience of the readers.

In the event of a discrepancy, the Italian version prevails.

The Telecom Italia Group

The Business Units

DOMESTIC

The Domestic Business Unit operates as the consolidated CORE DOMESTIC 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 Consumer customers (in Europe, in the Mediterranean and in South America).

Business

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National Wholesale

•

Other (Support Structures)
INTERNATIONAL WHOLESale

Telecom Italia Sparkle Group

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Telecom Italia Sparkle S.p.A.

•

Lan Med Nautilus Group

BRAZIL

The Brazil Business Unit (Tim Brasil group) offers Tim Brasil Serviços e Participações S.A. 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 Tim Participações S.A. offering fiber optic data transmission using full IP technology such as DWDM and MPLS and by offering residential broadband services.

Intelig Telecomunicações Ltda

–

Tim Celular S.A.

ARGENTINA

The Argentina Business Unit (Sofora - Telecom Argentina Sofora Telecomunicaciones S.A. (Sofora) 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 Nortel Inversora S.A. Personal (with the Personal brand), and in Paraguay it operates in mobile telecommunications with the company Nucleo.

Telecom Argentina S.A.

–

Telecom Argentina USA Inc.

–

Telecom Personal S.A.

–

Nucleo S.A. (Paraguay)

MEDIA

Media operates in the business segments of television broadcasting through La7, La7d and the MTV group, the production of multimedia music platforms and satellite channels and also the management of analog and digital broadcasting networks, as well as accessory services and television broadcasting platforms.

•

MTV group

•

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. The reference market is focused mainly in Europe, Asia and South

America.

•

Olivetti I-Jet

•

European Affiliates

Board of Directors

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

Board of Statutory Auditors

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

Key Operating and Financial Data - Telecom Italia Group

First Quarter 2013 Highlights

The first quarter of 2013 continued to be affected by recessionary pressures in the domestic market and the slowdown in the economies of Latin American countries. As economic trends worsened and the macroeconomic scenario became more volatile in the first quarter of 2013, the domestic market, and the mobile segment in particular, suffered as pressure from the competition became steeper and prices were forced down. All this was reflected in the lower revenues and margins recorded in the first quarter of 2013.

More specifically:

•

Consolidated revenues dropped year-on-year (-3.2% in organic terms) to 6.8 billion euros, while EBITDA fell to 2.7 billion euros, down 10.1% (-6.4% in organic terms).

•

Operating profit (EBIT) decreased by 21.1% compared to the first quarter of 2012 (-11.4% in organic terms).

•

Profit for the period attributable to the owners of the Parent totaled 364 million euros (versus 605 million euros in the first quarter of 2012).

•

Cash flow was adversely affected in the first quarter of 2013, more so than in the corresponding period of 2012, by the seasonal peak in bills payable for the fourth quarter of last year, resulting in an increase in Adjusted Net Financial Debt of 0.5 billion euros compared to the end of 2012, bringing the figure up to 28.8 billion euros at March 31, 2013.

Financial Highlights

(millions of euros)		1st Quarter	1st Quarter	% Change	
		2013	2012	Reported	Organic
Revenues		6,796	7,392	(8.1)	(3.2)
EBITDA	(1)	2,672	2,973	(10.1)	(6.4)
EBITDA Margin		39.3%	40.2%	(0.9)pp	
Organic EBITDA Margin		39.7%	41.1%	(1.4)pp	
EBIT	(1)	1,282	1,625	(21.1)	(11.4)
EBIT Margin		18.9%	22.0%	(3.1)pp	
Organic EBIT Margin		20.8%	22.7%	(1.9)pp	
		364	605	(39.8)	

Profit (loss) for the period attributable to owners of the Parent			
Capital expenditures (CAPEX)		878	954
			(8.0)
		3/31/2013	12/31/2012
Adjusted net financial debt	(1)	28,767	28,274
(1)			493
			Change

Details are provided under Alternative Performance Measures .

Starting from the first half of 2012 the Telecom Italia Group has early adopted and retrospectively applied revised IAS 19 (Employee Benefits). As a result, the comparative figures for 2012 have been restated on a consistent basis.

Consolidated Operating Performance

Revenues

Revenues amounted to 6,796 million euros in the first quarter of 2013, down 8.1% from 7,392 million euros in the first quarter of 2012. The drop of 596 million euros was mainly driven by falling revenues for the Domestic (-453 million euros) and Brazil (-142 million euros) Business Units, whereas the Argentina Business Unit recorded growth (+16 million euros). In terms of organic variation, consolidated revenues fell by 3.2% (-227 million euros).

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

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the effect of the change in exchange rates,⁽¹⁾ totaling -360 million euros; the figure includes the Brazil Business Unit (-234 million euros), the Argentina Business Unit (-126 million euros);

•

the effect of changes in the scope of consolidation (-9 million euros), resulting from the sale of the company Matrix (Other Operations) on October 31, 2012.

The breakdown of revenues by operating segment is the following:

(millions of euros)	1st Quarter 2013		1st Quarter 2012		amount	Change	
		% of total		% of total		%	% organic
Domestic	4,024	59.2	4,477	60.6	(453)	(10.1)	(10.1)

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<i>Core Domestic</i>	3,832	56.4	4,244	57.4	(412)	(9.7)	(9.7)
<i>International Wholesale</i>	283	4.2	347	4.7	(64)	(18.4)	(18.4)
Brazil	1,786	26.3	1,928	26.1	(142)	(7.4)	5.4
Argentina	917	13.5	901	12.2	16	1.8	18.3
Media, Olivetti and Other Operations	100	1.5	137	1.9	(37)		
<i>Adjustments and Eliminations</i>	(31)	(0.5)	(51)	(0.8)	20		
Total consolidated revenues	6,796	100.0	7,392	100.0	(596)	(8.1)	(3.2)

The Domestic Business Unit (divided into Core Domestic and International Wholesale) recorded a decline of 453 million euros (-10.1%) in organic Revenues for the first quarter of 2013, compared to the corresponding period of 2012.

The trend was partly attributable to the entry into force, as mentioned earlier, of new mobile termination rates (MTR), which entail a sharp 72% reduction compared to the rates applicable in the corresponding period of 2012 (1.5 euro cents versus 5.3 euro cents in the first quarter of 2012). The performance of the domestic market was also affected by the macroeconomic environment and a much more competitive scenario.

In detail:

•

Organic revenues from services amounted to 3,886 million euros, down 10.4% compared to the first quarter of 2012. In particular, revenues from services in the Mobile business came to 1,292 million euros (1,573 million euros in the first quarter of 2012) and showed a decrease of 281 million euros (-17.9% versus the first quarter of 2012). The Fixed-line business recorded revenues from services of 2,924 million euros (3,161 million euros in the first quarter of 2012), representing a decrease of 237 million euros (-7.5% compared to the first quarter of 2012);

•

Products recorded revenues of 138 million euros, remaining substantially stable compared to the same period of 2012 (-2 million euros). The growth in Mobile devices, driven by a greater commercial push on mobile internet-enabled devices was absorbed by the sharp drop in performance of Fixed-line products, attributable to a contraction of the market, but also to a more selective commercial strategy to defend the profit base.

For the Brazil Business Unit, organic revenues grew by 5.4% in the first quarter of 2013 year-on-year. Revenues from services continued their positive trend (+1.8% compared to the first quarter of 2012), driven by growth in the customer base (reaching approximately 71.2 million lines at March 31, 2013, up 1.2% compared to December 31, 2012). Handset revenues also showed a positive trend (+37.7% compared to the first quarter of 2012).

With regard to the Argentina Business Unit, organic revenues gained 18.3% compared to the first quarter of 2012 (+142 million euros). In particular, mobile business revenues recorded growth of over 20%, while the fixed-line segment, which is coming out of a decade of partially blocked regulated rates, grew by 13.7% year-on-year.

An in-depth analysis of revenue performance by individual Business Unit is provided under [Financial and Operating Highlights - The Business Units of the Telecom Italia Group](#) .

EBITDA

EBITDA totaled 2,672 million euros, down 301 million euros compared to the first quarter of 2012 (-10.1%); the EBITDA margin was 39.3% (40.2% in the first quarter of 2012). In organic terms, EBITDA fell by 186 million euros (-6.4%) year-on-year, while the EBITDA margin was down 1.4 percentage points (41.1% in the first quarter of 2013 versus 39.7% in the first quarter of 2012). The drop in the margin was due to a higher percentage of total revenues coming from South America, where margins are lower than those of the Domestic Business Unit, as well as higher mobile handset sales, aimed at a greater penetration of data services.

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

(millions of euros)	1st Quarter 2013		1st Quarter 2012		Change amount	Change	
	amount	% of total	amount	% of total		%	% organic
Domestic	1,973	73.8	2,215	74.5	(242)	(10.9)	(9.8)
<i>EBITDA margin</i>	<i>49.0</i>		<i>49.5</i>			<i>(0.5)pp</i>	<i>0.2 pp</i>
Brazil	463	17.3	505	17.0	(42)	(8.3)	4.4
<i>EBITDA margin</i>	<i>25.9</i>		<i>26.2</i>			<i>(0.3)pp</i>	<i>(0.3)pp</i>
Argentina	271	10.1	289	9.7	(18)	(6.2)	9.2
<i>EBITDA margin</i>	<i>29.6</i>		<i>32.1</i>			<i>(2.5)pp</i>	<i>(2.5)pp</i>
Media, Olivetti and Other Operations	(32)	(1.1)	(33)	(1.1)	1		
	(3)	(0.1)	(3)	(0.1)	-		

*Adjustments and
Eliminations*

Total consolidated EBITDA	2,672	100.0	2,973	100.0	(301)	(10.1)	(6.4)
<i>EBITDA margin</i>	<i>39.3</i>		<i>40.2</i>			<i>(0.9)pp</i>	<i>(1.4)pp</i>

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

•

Acquisition of goods and services (2,964 million euros; 3,231 million euros in the first quarter of 2012). The 267 million euro decrease was mainly driven by:

–

the Domestic Business Unit, where acquisitions decreased by 192 million euros compared to the first quarter of 2012, largely due to lower amounts payable to other operators;

–

the Brazil Business Unit, which recorded a reduction of 91 million euros, including a negative foreign exchange effect of 145 million euros; adjusted for the change in exchange rates, acquisitions would have risen by approximately 54 million euros;

–

the Argentina Business unit, which, in contrast, recorded an increase of 21 million euros, net of a negative foreign exchange effect of 55 million euros, without which the rise would have been around 76 million euros.

The higher acquisitions, excluding the effect of exchange rate changes, recorded by the Brazil and Argentina Business Units was essentially due to costs of a commercial and technical nature,

necessarily incurred to boost growth in the customer base, traffic volumes, and sales of mobile internet-enabled devices, and thus overall revenues in the Latam area.

•

Employee benefits expenses (976 million euros; 988 million euros in the first quarter of 2012).

These record a decrease of 12 million euros. The change was influenced by:

–

a 20 million euro decrease in employee benefits expenses in Italy, primarily due to lower ordinary personnel costs and charges, which fell by 41 million euros, offsetting a total of 21 million euros in expenses for mobility under Law 223/91, recognized after a framework agreement was reached by the Parent with trade unions on March 27, 2013. Specifically, a total of 18 million euros in expenses for mobility was recognized by the Parent itself, with a further 2 million euros recognized by TI Information Technology, and 1 million euros recognized by TI Sparkle;

–

an 8 million euro increase in employee benefits expenses in our foreign businesses, connected with the growth in the average workforce, which rose to 1,061 employees across the Brazil and Argentina Business Units.

•

Other operating expenses (440 million euros; 456 million euros in the first quarter of 2012).

These fell by 16 million euros compared to the first quarter of 2012.

The lower expenses recorded by the Brazil Business Unit (-29 million euros, including a negative foreign exchange effect of 25 million euros) were partially offset by higher expenses at the Argentina Business Unit (+14 million euros, including a negative foreign exchange effect of 14 million euros) and in the Domestic Business (+4 million euros). In particular:

–

Write-downs and expenses in connection with credit management (125 million euros; 128 million euros in the first quarter of 2012) consisted of 80 million euros (81 million euros in the first quarter of 2012) for the Domestic Business Unit, 28 million euros (24 million euros in the first quarter of 2012) for the Brazil Business Unit, and 14 million euros (12 million euros in the first quarter of 2012) for the Argentina Business Unit;

–

Provision charges (34 million euros; 25 million euros in the first quarter of 2012) consisted of 23 million euros (16 million euros in the first quarter of 2012) for the Brazil Business Unit, 7 million euros (4 million euros in the first quarter of 2012) for the Argentina Business Unit, and 4 million euros (5 million euros in the first quarter of 2012) for the Domestic Business Unit;

–

Telecommunications operating fees and charges (146 million euros; 185 million euros in the first quarter of 2012) consisted of 112 million euros (152 million euros in the first quarter of 2012) for the Brazil Business Unit, 18 million euros (17 million euros in the first quarter of 2012) for the Argentina Business Unit, and 16 million euros (16 million euros in the first quarter of 2012) for the Domestic Business Unit.

Depreciation and amortization

Details are as follows:

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change
Amortization of intangible assets with a finite useful life	546	544	2
Depreciation of property, plant and equipment owned and leased	746	800	(54)
Total	1,292	1,344	(52)

Lower depreciation and amortization was mainly driven by the Domestic Business Unit (-22 million euros), essentially due to a drop in depreciable and amortizable items, and the Brazil Business Unit (-18 million euros), where the figure includes a negative foreign exchange effect of 33 million euros, without which depreciation and amortization would have shown growth. The Argentina Business Unit recorded a 2 million euro decrease (inclusive of a negative foreign exchange effect of 20 million euros).

Gains (losses) on disposals of non-current assets

In the first quarter of 2013 the item amounted to 7 million euros, represented by net gains on disposals of non-current assets, essentially referring to the Domestic Business Unit.

In the first quarter of 2012 the item recorded a negative 4 million euros.

Impairment reversals (losses) on non-current assets

Net impairment losses on non-current assets for the first quarter of 2013 totaled 105 million euros and refer to the expected loss, including additional charges, from the sale of the entire La7 S.r.l. investment held by Telecom Italia Media S.p.A.

On March 6, 2013, Telecom Italia Media and Cairo Communication signed an agreement for the sale of 100% of La7 S.r.l. The sale was completed on April 30, 2013, once authorization for the transaction was received, as required by law.

The overall impact of the sale, considering the performance of La7 S.r.l. up until the disposal date of the asset, will be approximately -130 million euros for 2013, inclusive of non-controlling interests.

EBIT

EBIT totaled 1,282 million euros (1,625 million euros in the first quarter of 2012), showing a decrease of 343 million euros compared to the corresponding period of 2012 (-21.1%); the EBIT margin was 18.9% (22.0% in the first quarter of 2012).

Organic EBIT totaled 1,414 million euros, down 182 million euros (-11.4%) compared to the first quarter of 2012; the EBIT margin was 20.8% (22.7% in the first quarter of 2012).

Finance income (expenses)

Finance income (expenses) recorded a net expense of 491 million euros (net expense of 449 million euros in the first quarter of 2012), an increase of 42 million euros year-on-year. The increase was due to changes in the value of hedging derivatives, due to market fluctuations in foreign exchange rates. These changes, which are unrealized accounting changes, do not result in any actual monetary settlement. Other negative effects came from the non-capitalization of finance expenses incurred through the acquisition, by the Domestic Business Unit, of user licenses to LTE mobile frequencies: these expenses were no more capitalized as the assets to which they refer came into use during the period.

Income tax expense

The item totaled 343 million euros, down 112 million euros on the first quarter of 2012, largely due to the smaller taxable base of the Parent Telecom Italia.

Profit (loss) for the period

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

(millions of euros)	1st Quarter 2013	1st Quarter 2012
Profit (loss) for the period	448	718
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	364	605
Profit (loss) from discontinued operations/non-current assets held for sale	-	-
Profit (loss) for the period attributable to owners of the Parent	364	605
Non-controlling interests:		
Profit (loss) from continuing operations	84	113
Profit (loss) from discontinued operations/non-current assets held for sale	-	-
Profit (loss) attributable to non-controlling interests	84	113

Financial and Operating Highlights

The Business Units of the Telecom Italia Group

Starting from the Half-year Financial Report at June 30, 2012, the Telecom Italia Group has early adopted and retrospectively applied revised IAS 19 (Employee Benefits). As a result, the comparative first quarter 2012 figures of the Business Units have been restated on a consistent basis.

Domestic

The company Matrix, which was sold on October 31, 2012, was classified under Other Operations in 2012, and thus excluded from the Domestic Core Domestic Business Unit. Comparative figures for the first quarter of 2012 have been restated accordingly.

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change		
			amount	%	% organic
Revenues	4,024	4,477	(453)	(10.1)	(10.1)
EBITDA	1,973	2,215	(242)	(10.9)	(9.8)
<i>EBITDA margin</i>	<i>49.0</i>	<i>49.5</i>		<i>(0.5)pp</i>	<i>0.2pp</i>
EBIT	1,093	1,304	(211)	(16.2)	(14.3)
<i>EBIT margin</i>	<i>27.2</i>	<i>29.1</i>		<i>(1.9)pp</i>	<i>(1.4)pp</i>
Headcount at period-end (number) (*)	53,147	(*) 53,224	(77)	(0.1)	

Headcount at December 31, 2012.

Fixed

	3/31/2013	12/31/2012	3/31/2012
Physical accesses at period-end (thousands) ⁽¹⁾	21,016	21,153	21,562
<i>of which Retail physical accesses at period-end (thousands)</i>	<i>13,777</i>	<i>13,978</i>	<i>14,457</i>
Domestic BU broadband accesses at period-end (thousands) (2)	8,878	8,967	9,076
<i>of which Retail broadband accesses at period-end (thousands)</i>	<i>6,984</i>	<i>7,020</i>	<i>7,092</i>
Network infrastructure in Italy:			
access network in copper (millions of km pair, distribution and connection)	114.6	114.5	112.3
access and carrier network in optical fiber (millions of km - fiber)	5.9	5.7	4.6
Total traffic:			
Minutes of traffic on fixed-line network (billions)	24.2	101.8	27.2
Domestic traffic	20.7	85.9	23.4

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International traffic	3.5	15.9	3.8
DownStream and UpStream traffic volumes (PBytes)	629	2,202	540

(1)

Excludes full-infrastructured OLOs and WIMAX.

(2)

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

Mobile

	3/31/2013	12/31/2012	3/31/2012
Number of lines at period-end (thousands)	31,858	32,159	32,328
Change in lines (%)	(0.9)	(0.2)	0.3
Churn rate (%) ⁽¹⁾	7.1	26.6	6.3
Total average outgoing traffic per month (millions of minutes)	3,538	3,664	3,672
Total average outgoing and incoming traffic per month (millions of minutes)	4,879	4,921	4,879
Mobile browsing volumes (PBytes) ⁽²⁾	24.4	93.1	22.5
Average monthly revenues per line (in euros) ⁽³⁾	13.1	15.5	15.9

(1) 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.

(2)

National traffic excluding roaming.

(3)

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

Core Domestic

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change %		
			amount	%	% organic
Revenues	3,832	4,244	(412)	(9.7)	(9.7)
<i>Consumer</i> ⁽¹⁾	1,986	2,180	(194)	(8.9)	(8.9)
<i>Business</i> ⁽²⁾	1,305	1,502	(197)	(13.1)	(13.1)
<i>National Wholesale</i>	499	518	(19)	(3.7)	(3.7)
<i>Other</i>	42	44	(2)	(4.5)	(4.5)
EBITDA	1,928	2,170	(242)	(11.2)	(10.1)
<i>EBITDA margin</i>	50.3	51.1	(0.8)pp		(0.2)pp
EBIT	1,071	1,283	(212)	(16.5)	(14.7)
<i>EBIT margin</i>	27.9	30.2	(2.3)pp		(1.7)pp
Headcount at period-end (number)	52,211	(*) 52,289	(78)	(0.1)	
(*)					

Headcount at December 31, 2012.

(1)

The company Matrix, which was sold on October 31, 2012, was classified under Other Operations in 2012, and thus excluded from the Consumer segment of Core Domestic. Comparative figures for 2012 have been restated accordingly.

(2)

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

International Wholesale

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change %		
			amount	%	% organic
Revenues	283	347	(64)	(18.4)	(18.4)
<i>of which third party</i>	197	244	(47)	(19.3)	(19.3)
EBITDA	47	48	(1)	(2.1)	-
<i>EBITDA margin</i>	16.6	13.8	2.8 pp		3.2 pp

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EBIT	22	22	-	-	4.5
<i>EBIT margin</i>	7.8	6.3		<i>1.5 pp</i>	<i>1.8 pp</i>
Headcount at period-end (number)	936	(*) 935	1	0.1	
(*)					

Headcount at December 31, 2012.

Revenues

Revenues in the quarter were driven down by the worsening economic climate and a highly competitive market which is placing downward pressures on prices (especially in the mobile segment and for traditional services). In addition, revenues were also impacted by regulatory changes and calendar differences.

Specifically, revenues were affected by the entry into force as of January 1, 2013 of new mobile termination rates (MTR), which are 40% lower than the rates applicable in the second half of 2012 and 72% lower than those applicable in the first half of 2012 (1.5 euro cents per minute versus 5.3 euro cents in the first half of 2012, and 2.5 euro cents in the second half of 2012). The introduction in July 2012 of a Europe-wide cap on the price of roaming traffic also contributed to pushing revenues down, as did calendar differences, since 2012 was a leap year and so the first quarter of 2012 was longer than 2013.

In this scenario, revenues in the first quarter of 2013 fell by 10.1% in organic terms year-on-year, showing a downward trend with respect to the last quarter of 2012, when the figure declined by 9.0% year-on-year. Excluding the impact of the new mobile termination rates, calculated at 117 million euros,

the drop in revenues in the first quarter of 2013 would have come to -7.5% year-on-year, only slightly down on the 2012 trend (net of the impact of the MTR, the fourth quarter of 2012 showed a 7.3% drop year-on-year). Taking into account calendar differences and the new cap on roaming prices, the trend in revenues was largely in line with that of the final quarter of last year.

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

In detail:

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Consumer: revenues for the Consumer segment amounted to 1,986 million euros, decreasing 194 million euros compared to the first quarter of 2012 (-8.9%). The figure shows a declining trend compared to 2012, when revenues fell 3.6% versus 2011, and 4.5% in the fourth quarter alone. Lower revenues were largely due to the sharp fall in the Mobile segment (-14.7% versus -5.4% in 2012; -7.0% in the fourth quarter of 2012), driven down by competitive pressures which eroded the customer base (-4.1% compared to March 31, 2012; -1.8% compared to December 31, 2012) and by the adverse impact of lower termination rates (-104 million euros in the first quarter for the Mobile segment). The fall in revenues was entirely attributable to lower revenues from services (-201 million euros or -9.6%), especially revenues from traditional Mobile Voice services (-160 million euros), largely affected by the introduction of the new termination rates. Lower revenues were also recorded from Fixed-line Voice services (-53 million euros) and Messaging (-17 million euros), which were only partially offset by growth in Mobile Internet revenues (+9 million euros) and Fixed-line Broadband revenues (+8 million euros).

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Business: revenues for the Business segment in the first quarter of 2013 totaled 1,305 million euros, representing a fall of 197 million euros (-13.1%) compared to the corresponding period of 2012. The decline was largely due to revenues from services (-188 million euros), which fell by 109 million euros in the Mobile segment (-23.9%) and by 88 million euros (-8.7%) in the Fixed-line segment. Lower Mobile revenues were primarily due to the drop in revenues from voice traffic, affected by the introduction of new termination rates, but also by the erosion of the human customer base (-2.2% versus March 31, 2012; -0.8% versus December 31, 2012) in the SOHO and SME segments in particular, which shrank by an average -6.8%. Although the trend in Fixed-line revenues improved compared to the fourth quarter of 2012 (especially in the Top segment), revenues continued to be affected by low market demand due to the negative economic scenario.

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National Wholesale: revenues for the Wholesale segment in the first quarter of 2013 totaled 499 million euros, showing a drop of 19 million euros (-3.7%) compared to the corresponding period of 2012. The figure was driven down primarily by lower revenues from transport and interconnection services.

International Wholesale Revenues

International Wholesale revenues in the first quarter of 2013 totaled 283 million euros, down 64 million euros (-18.4%) year-on-year. Revenues from Voice services fell particularly sharply (-53.6 million euros or -22%), 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 also down (-4.4 million euros or -6%) due to an increase in the total bandwidth sold and lower prices, especially in the captive market segment. The decision to focus more closely on international traffic with higher margins resulted in an EBITDA for the quarter of 47 million euros, in line in organic terms with the figure for 2012, but up around 3 percentage points in terms of margin.

EBITDA

EBITDA for the Domestic Business Unit totaled 1,973 million euros in the first quarter of 2013, decreasing 242 million euros compared to the first quarter of 2012 (-10.9%). The EBITDA margin stood at 49%, down slightly by -0.5 percentage points year-on-year. The result reflects the impact of the contraction in revenues from services (-451 million euros versus the corresponding period of 2012), only partly offset by the lower revenues due to other TLC operators (mainly attributable to lower termination rates) and by efficiencies achieved through the selective control and containment of operating expenses.

Organic EBITDA in the first quarter of 2013 amounted to 2,000 million euros (-218 million euros or -9.8% compared with the first quarter of 2012), with an organic EBITDA margin of 49.7%, slightly up on the first quarter of last year (+0.2 percentage points).

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

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change
Acquisition of goods and services	1,367	1,559	(192)
Employee benefits expenses	730	741	(11)
Other operating expenses	147	142	5

In particular:

- acquisition of goods and services fell by 192 million euros (-12.3%) compared to the same period of 2012. This reduction is mainly due to a decline in revenues due to other TLC operators, owing principally to the reduction in Mobile termination rates;

- employee benefits expenses fell by 11 million euros, from 741 million euros in the first quarter of 2012 to 730 million euros in the first quarter of 2013. The drop was mainly due to lower ordinary personnel costs, which were only partially 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. Specifically, a total of 18 million euros in expenses was recognized by Telecom Italia S.p.A., 2 million euros was recognized by TI Information Technology, and 1 million euros was recognized by TI Sparkle;

- other operating expenses rose by 5 million euros compared with the first quarter of 2012, as shown in the following table:

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change
Write-downs and expenses in connection with credit management	80	81	(1)
Provision charges	4	5	(1)

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Telecommunications operating fees and charges	16	16	-
Indirect duties and taxes	28	27	1
Sundry expenses	19	13	6
Total	147	142	5
EBIT			

EBIT came to 1,093 million euros, down 211 million euros (-16.2%) compared to the first quarter of 2012 (1,304 million euros). The EBIT margin stood at 27.2% of revenues (29.1% in the first quarter of 2012).

In organic terms, EBIT stood at 1,120 million euros, down 187 million euros (-14.3%) compared to the first quarter of 2012 (1,307 million euros), with a margin of 27.8% in the first quarter of 2013, down from the 29.2% recorded for the first quarter of 2012.

Main Commercial Developments

In relation to its traditional business, Telecom Italia's strategy in the Fixed-line segment has been to defend access volumes and value. The main drivers in the Mobile segment, other the hand, have been defending market share and raising usage. Innovation strategy in the Fixed-line and Mobile segments has instead focused on the development of new networks, ultra broadband delivered by fiber, LTE and cloud services.

Consumer Mobile

Customer acquisition campaigns focused on high-value customers, who were targeted with special deals. These included TUTTO A SECONDI FULL SPECIAL, a special deal for all new TIM customers offering a single rate plan for voice calls, SMS and Internet to make the most of their smartphones; TIM YOUNG XL SPECIAL, for new customers under 30 years of age and designed for people with high mobile data volumes, who still like to call their friends; ULTRA Internet 4G, to make the most of the Internet from your smartphone; and TIM INTERNATIONAL NEW, targeted at ethnic customers, offering more competitive rates on international traffic and a simplified rate plan.

Consumer Fixed-line

In the first quarter of 2013 Telecom Italia continued its campaign to retain new customers subscribing to the Internet Senza Limiti and Tutto Senza Limiti deals by extending the loyalty promotion which waives the activation fee for new customers who stay with TIM for at least 24 months, and by packaging the Internet Senza Limiti deal with Cubomusica and Cubovision subscriptions.

Sales campaigns focused on value growth in active customers included the continued promotion of the Superinternet and Internet Play options, and the launch in January of the new TI Cloud service provided by Telecom Italia, which enables users to backup data from their PCs, smartphones and tablets on La Nuvola Italiana (Italian Cloud). The new service strengthens Telecom Italia's position as the leading player in the Italian market for cutting-edge residential services.

Business

The world of fixed-line telephony has been revolutionized with the launch of Tuttofibra, the new optic fiber deal through which Telecom Italia has opened the doors to ultra broadband technology with its Next Generation Network. For small businesses taking advantage of the deal, Tuttofibra is their key to the world of Impresa Semplice, to technologically advanced and high performance services, and to cloud computing solutions that can boost their competitiveness, making the most of it all thanks to the power of optic fiber. Seven major Italian cities (Milan, Rome, Naples, Turin, Bari, Bologna and Genoa) were chosen by Telecom Italia for the launch of the Tuttofibra option for the Impresa Semplice deal, which mirrors the ultra broadband Nuvola Italiana services already available to large enterprises.

The range of Information Technology services was enhanced with a new series of data security solutions, designed to assist and support customers at every stage of their security management systems. In particular:

- Nuvola It SECURITY MONITORING, is designed to provide a systematic defense against the spread of new malware threats connected above all with the growing phenomenon of cybercrime;

- Nuvola It SECURITY CONSULTING, is designed to assist customers in making the right investment choices to boost their ICT security.

The Mobile segment saw the launch of new solutions for LTE networks. The new LTE network range is now accessible from a wide range of devices, including fixed-line and mobile devices, pen drives and wireless routers, tablets and smartphones. The services offer greater productivity and an enhanced user experience for the business applications used by our customers, improving Internet and intranet browsing, real time unified communication and collaboration services, instant messaging, video streaming, video conferencing, and mobile CRM, to name just a few examples.

Brazil

	(millions of euros)		(millions of Brazilian reais)		Change	
	1st Quarter 2013	1st Quarter 2012	1st Quarter 2013	1st Quarter 2012	amount (c-d)	% (c-d)/d
	(a)	(b)	(c)	(d)		
Revenues	1,786	1,928	4,711	4,468	243	5.4
EBITDA	463	505	1,221	1,170	51	4.4
<i>EBITDA margin</i>	25.9	26.2	25.9	26.2		(0.3)pp
EBIT	209	232	552	539	13	2.4
<i>EBIT margin</i>	11.7	12.1	11.7	12.1		(0.4)pp
Headcount at period-end (number) (*)			11,549	(*) 11,622	(73)	(0.6)

Headcount at December 31, 2012.

	1st Quarter 2013	1st Quarter 2012
Number of lines at period-end (thousands)	71,218	(*)70,362
MOU (minutes/month)(**)	145	126
ARPU (reais)	18.5	19.1

(*)

Number at December 31, 2012.

(**)

Net of visitors.

Main financial data

Revenues

Revenues for the first quarter of 2013 amounted to 4,711 million reais, up 243 million reais (+5.4%) year-on-year. Service revenues totaled 4,087 million reais, up from 4,015 million reais for the same period of 2012 (+1.8%). Revenues from product sales were up from 453 million reais in the first quarter of 2012 to 624 million reais in the first quarter of 2013 (+37.7%), reflecting the Company's strategy of market penetration with high-end handsets

(smartphones/web phones) and tablets as an important lever for the expansion of revenues from data services.

Mobile Average Revenue Per User (ARPU) was 18.5 reais in the first quarter of 2013 compared with 19.1 reais in the same period of 2012 (-3.1%). The performance of ARPU and revenues from services not only reflects competitive pressures that have led to a decline in unit prices in the voice business, but also the lower mobile operator network interconnection rate, in force since February 2012.

The total number of lines at March 31, 2013 was 71.2 million, 1.2% higher than at December 31, 2012, representing a 27% market share in terms of lines.

From a commercial point of view, in the first quarter of 2013 TIM continued to focus steadily on Service Quality and Transparency, working on new innovative solutions to deliver on those objectives. Its commitment to transparency took on tangible form in the quarter with the launch of the *Portas Abertas* website (www.tim.com.br/portasabertas), after two months of testing. The website keeps customers up to date on progress made in network plans, including the main technical developments introduced and service quality indicators. The official launch of the website was accompanied by an institutional campaign on television featuring a popular Brazilian star.

EBITDA

EBITDA in the first quarter of 2013 amounted to 1,221 million reais, an improvement of 51 million reais (+4.4%) year-on-year. Growth in EBITDA was driven by higher revenues, mainly from value-added services, which were partially offset by higher termination costs due to increased traffic volumes and by industrial costs and employee benefits expenses. The EBITDA margin stood at 25.9%, 0.3 percentage points lower than in the first quarter of 2012.

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

	(millions of euros)		(millions of Brazilian reais)		Change (c-d)
	1st Quarter 2013 (a)	1st Quarter 2012 (b)	1st Quarter 2013 (c)	1st Quarter 2012 (d)	
Acquisition of goods and services	1,109	1,200	2,924	2,782	142
Employee benefits expenses	91	89	240	206	34
Other operating expenses	174	203	460	471	(11)
Change in inventories	(26)	(45)	(68)	(104)	36

•

acquisition of goods and services totaled 2,924 million reais (2,782 million reais in the first quarter of 2012). The 5.1% increase year-on-year (+142 million reais) breaks down as follows:

- +83million reais for purchases referring primarily to product cost;
- +39million reais for revenues due to other TLC operators;
- +12million reais for rent and lease costs;
- +8million reais for external service costs;

•

employee benefits expenses, amounting to 240 million reais, were up 34 million reais compared with the first quarter of 2012 (+16.5%). The average workforce grew from 9,682 employees in the first quarter of 2012 to 10,519 employees in the first quarter of 2013. The ratio of employee benefits expenses to total revenues rose to 5.1%, up 0.5 percentage points year-on-year;

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other operating expenses amounted to 460 million reais, a drop of 2.3% (471 million reais in the first quarter of 2012). The expenses break down as follows:

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(millions of Brazilian reais)	1st Quarter 2013	1st Quarter 2012	Change
Write-downs and expenses in connection with credit management	73	56	17
Provision charges	60	38	22
Telecommunications operating fees and charges	295	352	(57)
Indirect duties and taxes	22	15	7
Sundry expenses	10	10	-
Total	460	471	(11)

EBIT

EBIT totaled 552 million reais, an increase of 13 million reais compared to the first quarter of 2012. This increase was due to higher EBITDA, partially offset by higher depreciation and amortization charges of 39 million reais (668 million reais in the first quarter of 2013, compared to 629 million reais in the first quarter of 2012).

Argentina

	(millions of euros)		(millions of Argentine pesos)		Change	
	1st Quarter 2013	1st Quarter 2012	1st Quarter 2013	1st Quarter 2012	amount (c-d)	% (c-d)/d
	(a)	(b)	(c)	(d)		
Revenues	917	901	6,064	5,126	938	18.3
EBITDA	271	289	1,796	1,644	152	9.2
<i>EBITDA margin</i>	<i>29.6</i>	<i>32.1</i>	<i>29.6</i>	<i>32.1</i>		<i>(2.5)pp</i>
EBIT	128	143	849	816	33	4.0
<i>EBIT margin</i>	<i>14.0</i>	<i>15.9</i>	<i>14.0</i>	<i>15.9</i>		<i>(1.9)pp</i>
Headcount at period-end (number) ^(*)			16,748	^(**) 16,803	(55)	(0.3)

(*)

Includes employees with temp work contracts: 2 at March 31, 2013 and 3 at December 31, 2012.

(**)

Headcount at December 31, 2012.

	3/31/2012	12/31/2012	Change amount	%
Fixed-line				
Lines at period-end (thousands)	4,109	4,128	(19)	(0.5)
ARBU (Average Revenue Billed per User) (Argentine pesos)	49.5	46.9 ^(*)	2.6	5.5
Mobile				
Lines at period-end (thousands)	21,449	21,276	173	0.8
Telecom Personal lines (thousands)	19,114	18,975	139	0.7
<i>% postpaid lines^(**)</i>	<i>33%</i>	<i>33%</i>	-	
MOU Telecom Personal (minutes/month)	94	93 ^(*)	1	1.1
ARPU Telecom Personal (Argentine pesos)	62.1	54.9 ^(*)	7.2	13.1
Núcleo mobile lines (thousands) ^(***)	2,335	2,301	34	1.5
<i>% postpaid lines^(**)</i>	<i>19%</i>	<i>19%</i>	-	
Broadband				
Broadband accesses at period-end (thousands)	1,626	1,629	(3)	(0.2)
ARPU (Argentine pesos) ^(****)	114.9	95.6 ^(*)	19.3	20.2

(*)

Figures for the first quarter of 2012.

(**)

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

(***)

Includes WiMAX lines.

(****)

The calculation method was updated in order to exclude, from the customer base, the Internet sticks sold to customers who already have ADSL access.

Revenues

Revenues for the first quarter of 2013 amounted to 6,064 million pesos, up 938 million pesos (+18.3%) compared with the first quarter of 2012 (5,126 million pesos) thanks to growth in the broadband and mobile customer base year-on-year, as well as higher ARPU. The main source of revenues was mobile telephony, which accounted for about 73% of the consolidated revenues of the Business Unit, an increase of more than 20% year-on-year.

Fixed-line telephony service: the number of fixed lines at March 31, 2013 was substantially unchanged versus 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 5.5% compared to the first quarter 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 139 thousand compared to the end of 2012, arriving at a total of 19,114 thousand lines, 33% of which were postpaid. At the same time, thanks to high-value customer acquisitions and leadership in the smartphone segment, ARPU grew by 13.1% to 62.1 pesos (54.9 pesos in the first quarter of 2012). A large part of this growth was attributable to value-added services (including SMS messaging and Internet) which together accounted for approximately 55% of revenues from mobile telephony services in the first quarter of 2013.

In Paraguay, the Núcleo customer base grew by about 1.5% compared to December 31, 2012 to reach 2,335 thousand lines, 19% of which were postpaid.

Broadband: Telecom Argentina's portfolio of broadband lines totaled 1,626 thousand accesses at March 31, 2013, showing substantially no change on the end 2012 figure. ARPU rose by 20.2% to 114.9 pesos (95.6 pesos in the first quarter of 2012), largely thanks to up-selling strategies and price adjustments.

EBITDA

EBITDA showed an increase of 152 million pesos (+9.2%) compared to the first quarter of 2012, reaching 1,796 million pesos. The EBITDA margin stood at 29.6%, down 2.5 percentage points compared to the first quarter of 2012, mainly due to higher costs for the acquisition of goods and services, employee benefits expenses, and other operating expenses.

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

	(millions of euros)		(millions of Argentine pesos)		Change (c-d)
	1st Quarter 2013 (a)	1st Quarter 2012 (b)	1st Quarter 2013 (c)	1st Quarter 2012 (d)	
Acquisition of goods and services	416	395	2,754	2,245	509
Employee benefits expenses	131	122	866	696	170
Other operating expenses	112	98	740	556	184
Change in inventories	(12)	(2)	(84)	(10)	(74)

- acquisition of goods and services totaled 2,754 million pesos (2,245 million pesos in the first quarter of 2012). The increase of 22.7% compared to the first quarter of 2012 (+509 million pesos) was mainly due to higher external service costs of 200 million pesos and higher purchases of raw materials, auxiliaries, consumables and merchandise of 221 million pesos;

- employee benefits expenses stood at 866 million pesos, an increase of 170 million pesos compared to the first quarter of 2012 (+24.4%). The increase was driven by salary rises, connected with the periodical review of union agreements, largely linked to inflation, which were only partially offset by the reduction in other employee benefits expenses for a total of approximately 19 million pesos. In addition, the average number of employees working in mobile telephony rose over the period, compared to the first quarter of 2012. The ratio of employee benefits expenses to total revenues rose to 14.3%, up 0.7 percentage points over the first quarter of 2012;

- other operating expenses amounted to 740 million pesos, increasing 33.1% (556 million pesos in the first quarter of 2012). These expenses break down as follows:

(millions of Argentine pesos)	1st Quarter 2013	1st Quarter 2012	Change
Write-downs and expenses in connection with credit management	93	69	24
Provision charges	44	22	22
Telecommunications operating fees and charges	118	98	20
Indirect duties and taxes	482	364	118
Sundry expenses	3	3	-
Total	740	556	184

EBIT

EBIT for the first quarter of 2013 came to 849 million pesos compared to 816 million pesos recorded for the same period of last year. The increase of 33 million pesos was substantially due to higher EBITDA, partially offset by higher depreciation and amortization charges of 125 million pesos, as a result of the lower useful life calculated for customer relationships at the end of 2012.

The EBIT margin stood at 14.0% of revenues (-1.9 percentage points versus the first quarter of 2012).

Media

On March 6, 2013, Telecom Italia Media and Cairo Communication signed an agreement for the sale of 100% of La7 S.r.l., excluding the 51% of MTV Italia S.r.l.. The sale took place on April 30, 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.

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change		
			amount	%	% organic
Revenues	48	58	(10)	(17.2)	(17.2)
EBITDA	(10)	(6)	(4)	(66.7)	(66.7)
<i>EBITDA margin</i>	<i>n.s.</i>	<i>n.s.</i>			
EBIT	(125)	(21)	(104)	n.s.	4.8
<i>EBIT margin</i>	<i>n.s.</i>	<i>n.s.</i>			
Headcount at period-end (number) (*)	713	(*) 735	(22)	(3.0)	

Headcount at December 31, 2012.

	1st Quarter 2013	1st Quarter 2012
La7 audience share Free to Air (average during the period, in %)	4.2	3.4
Gross advertising revenues (millions of euros)	46.3	64.9

At March 31, 2013, the three digital multiplexes of Telecom Italia Media Broadcasting reached 95% of the Italian population.

In light of the sale of La7 S.r.l., the table below shows figures for the first quarter of 2013 and the first quarter of 2012, restated to exclude the results of the company sold.

(millions of euros)	Change
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	1st Quarter 2013	1st Quarter 2012	amount	%
Revenues	25	28	(3)	(10.7)
EBITDA	5	8	(3)	(37.5)
<i>EBITDA margin</i>	<i>20.0</i>	<i>28.6</i>		<i>(8.6)pp</i>
EBIT	(3)	1	(4)	n.s.
<i>EBIT margin</i>	<i>n.s.</i>	<i>3.6</i>		
Headcount at period-end (number) (*)	207	(*) 241	(34)	(14.1)

Headcount at December 31, 2012.

Revenues

Revenues amounted to 25 million euros in the first quarter of 2013, decreasing by 3 million euros compared to the 28 million euros in the first quarter of 2012. In greater detail:

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MTV group revenues came to 8 million euros, before intragroup eliminations, decreasing by 4 million euros compared to the first quarter of 2012 (12 million euros). Lower revenues were primarily driven by lower net advertising revenues (7 million euros in the first quarter of 2013, versus 8 million euros in the first quarter of 2012), the elimination of Playmaker assets following the closure of the business unit, and the winding up of production operations for the Viacom channels Kids and Entertainment following the sale of the business unit at the end of 2012;

•
revenues from Network Operator activities (TIMB), before intragroup eliminations, totaled 19 million euros, compared to 18 million euros in the first quarter of last year, an increase of 1 million euros. The change was essentially due to the consolidation of the customer portfolio acquired in 2012.

EBITDA

EBITDA showed a positive 5 million euros for the first quarter of 2013, down 3 million euros compared to the first quarter of 2012. The drop was substantially due to lower revenues, as outlined above. In particular:

•
EBITDA for the MTV group stood at -4 million euros, 2 million euros less than in the first quarter of 2012. The drop was mainly due to lower revenues, as described above, which were only partially offset by lower costs for the acquisition of goods and services and labor costs totaling 2 million euros;

•
EBITDA relating to Network Operator activities came to 10 million euros, 1 million euros less than in the first quarter of 2012. The drop was mainly driven by higher overheads and post switch-off provisions for a total of 2 million euros, which were only partially offset by the above mentioned increase in revenues.

EBIT

EBIT was a negative 3 million euros, compared to +1 million euros in the first quarter of 2012, showing 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 1 million euros.

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

As a result of the transaction, Telecom Italia S.p.A. has waived financial receivables due from Telecom Italia Media S.p.A. for a total amount of 100 million euros.

Based on the agreements entered into and also taking account of the expected performance of La7 S.r.l. up to the date of disposal, negative income statement impacts are expected for the year 2013 of around 130 million euros, before amounts due to non-controlling interests.

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

Olivetti

On June 13, 2012 the shareholders of the subsidiary Olivetti I-Jet S.p.A. voted to place the company in liquidation.

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change	
			amount	%
Revenues	52	59	(7)	(11.9)
EBITDA	(19)	(13)	(6)	(46.2)
<i>EBITDA margin</i>	<i>n.s.</i>	<i>n.s.</i>		
EBIT	(20)	(15)	(5)	(33.3)
<i>EBIT margin</i>	<i>n.s.</i>	<i>n.s.</i>		
Headcount at period-end (number) (*)	762	(*) 778	(16)	(2.1)

Headcount at December 31, 2012.

Revenues

Revenues amounted to 52 million euros in the first quarter of 2013, a decrease of 7 million euros (-11.9%) year-on-year (59 million euros in the first quarter of 2012).

Lower revenues were primarily driven by lower sales through both direct and indirect channels of 3 million euros in Italy, where customers are most exposed to the current market downturn, lower sales of products to Telecom Italia of 3 million euros, and lower sales to Latin America and Europe of 2 million euros, only partially offset by higher international sales.

EBITDA

EBITDA recorded a negative 19 million euros, down 6 million euros compared to the first quarter of 2012. The figure was driven down by charges totaling 9 million euros, resulting from a fire which completely destroyed the spare parts warehouse on March 19, 2013. The goods were adequately insured and the Company expects to receive an insurance payout by the end of the current year equal to at least the total damages suffered. Excluding this item, the change in EBITDA would have been a positive 3 million euros (+23.1%), thanks to margins holding strong in percentage terms and to lower fixed costs (which benefited from the closure of Olivetti's ink-jet business in 2012). These two factors more than offset the lower absolute margins resulting from the decline in sales.

EBIT

EBIT recorded a negative 20 million euros, a decrease of 5 million euros compared to the first quarter of 2012, when it stood at a negative 15 million euros. The figure was affected by the same factors driving the drop in EBITDA, described above. Excluding the losses from the destruction of the spare parts warehouse, EBIT would have risen by 4 million euros (+26.7%) to -11 million euros in the first quarter of 2013, from the -15 million euros recorded in the first

quarter of 2012.

Consolidated Financial Position and Cash Flows Performance

Non-current assets

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Goodwill: the item rose by 80 million euros, from 32,410 million euros at the end of 2012 to 32,490 million euros at March 31, 2013, due to changes in foreign exchange rates applicable to the Group's Brazilian operations.

As explained earlier, competition levels rose significantly in the first quarter of 2013, especially in the domestic market, placing significant downward pressure on prices. This situation adversely affected the performance of all the main economic and financial variables in the first quarter of 2013. Nonetheless, on the basis of the information currently available, the Group has confirmed all its main economic and financial targets for the year 2013 as a whole, as established and disclosed to the market in the 2013-2015 Plan.

In the light of the foregoing, and despite the uncertainty of future scenarios and outlooks which, if borne out by future events, could potentially have an adverse effect on valuations, Telecom Italia, on the basis of the information available, has decided that, for the Interim Report at March 31, 2013, a review is not required of the impairment testing already conducted on goodwill and reported in the Telecom Italia Group Consolidated Financial Statements at December 31, 2012, also in view of the fact that impairment testing will be conducted, as customary, for the half-year financial report at June 30, 2013.

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Other intangible assets: the item decreased by 65 million euros, from 7,927 million euros at the end of 2012 to 7,862 million euros at March 31, 2013, and is the balance of the following:

–

additions (+410 million euros);

–

amortization charge for the period (-546 million euros);

–

disposals, exchange differences, reclassifications and other movements (for a net balance of +71 million euros).

At March 31, 2013, all the user licenses to LTE frequencies acquired by Telecom Italia S.p.A. in 2011 were in use and subject to amortization. Accordingly, no finance expenses remain to be capitalized.

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Tangible assets: the item decreased by 167 million euros, from 15,479 million euros at the end of 2012 to 15,312 million euros at March 31, 2013, and is the balance of the following:

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additions (+468 million euros);

–

depreciation charge for the period (-746 million euros);

–

disposals, impairment losses, exchange differences, reclassifications and other movements (for a net balance of +111 million euros).

Consolidated equity

Consolidated equity amounted to 23,758 million euros (23,012 million euros at December 31, 2012), of which 19,943 million euros was attributable to owners of the Parent (19,378 million euros at December 31, 2012) and 3,815 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)	3/31/2013	12/31/2012
At the beginning of the period	23,012	26,694
Total comprehensive income (loss) for the period	738	(2,649)
Dividends approved by:	(5)	(1,038)
<i>Telecom Italia S.p.A.</i>	–	(895)
<i>Other Group companies</i>	(5)	(143)
Issue of equity instruments	–	2
Other changes	13	3
At the end of the period	23,758	23,012

Cash flows

The table below summarizes the main transactions that had an impact on the change in adjusted net financial debt during the first quarter of 2013:

Change in adjusted net financial debt

(millions of euros)	1st Quarter 2013	1st Quarter 2012	Change
EBITDA	2,672	2,973	(301)
Capital expenditures on an accrual basis	(878)	(954)	76
Change in net operating working capital:	(1,683)	(1,387)	(296)
<i>Change in inventories</i>	(40)	(48)	8
<i>Change in trade receivables and net amounts due from customers on construction contracts</i>	204	118	86
<i>Change in trade payables (*)</i>	(1,488)	(1,014)	(474)
<i>Other changes in operating receivables/payables</i>	(359)	(443)	84
Change in provisions for employees benefits	11	(8)	19
	15	2	13

Change in operating provisions and Other changes			
Net operating free cash flow	137	626	(489)
<i>EBITDA Margin</i>	<i>2.0</i>	<i>8.5</i>	<i>(6.5)pp</i>
Sale of investments and other disposals flow	26	10	16
Financial investments flow	–	(7)	7
Finance expenses, income taxes and other net non-operating requirements flow	(656)	(527)	(129)
Reduction/(Increase) in adjusted net financial debt	(493)	102	(595)

(*)

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

In addition to what has already been illustrated with reference to EBITDA, adjusted net financial debt in the first quarter of 2013 was 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)	1st Quarter 2013		1st Quarter 2012		Change
		% of total		% of total	
Domestic	578	65.8	586	61.4	(8)
Brazil	178	20.3	234	24.5	(56)
Argentina	112	12.8	121	12.7	(9)
Media, Olivetti and Other Operations	10	1.1	13	1.4	(3)
<i>Adjustments and Eliminations</i>	–	–	–	–	–
Total consolidated capital expenditures	878	100.0	954	100.0	(76)
<i>% of Revenues</i>	<i>12.9</i>		<i>12.9</i>		–

Capital expenditures totaled 878 million euros in the first quarter of 2013, decreasing by 76 million euros compared to the first quarter of 2012. In particular:

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the **Domestic Business Unit** reported substantially no change in capex year-on-year; the increase related to the continuation of the development of next generation networks (LTE and fiber) was offset by the lower requirement in relation to delivery of new systems, owing to the slowdown in fixed-line business;

•

the **Brazil Business Unit** recorded a decrease in capex of 56 million euros (inclusive of a negative exchange rate effect of 28 million euros). The decrease was largely due to a temporary slowdown in network investments due to delays in the finalization of contracts with key suppliers, only partially offset by higher investments in IT development;

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the **Argentina Business Unit** reported capital expenditures substantially in line with the first quarter of last year (-9 million euros, including a negative exchange rate effect of 17 million euros). In addition to customer acquisition costs, expenditure was aimed at enlarging and upgrading broadband services to improve transmission capacity and increase access speed for customers, at traditional fixed-line access to meet demand, 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 -1,683 million euros.

In particular:

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the change in trade payables (-1,488 million euros) was linked to a seasonal peak in payments of bills payable. Investment spending and external costs generally peak in the final quarter of the year, however the related cash flows are largely postponed to the following quarter due to the normal payment terms and contractually applicable conditions. In addition, in the last quarter of 2012 payments to suppliers slowed down temporarily, by an estimated 300 million euros, due to compliance requirements of new Italian regulations introduced in the second half of the year;

•

the change in other operating receivables/payables (-359 million euros) includes a negative amount of around 300 million euros, for taxes on telecommunications operations paid by the Brazil Business Unit the taxes are normally paid every year by the end of March;

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the management of trade receivables generated an inflow of 204 million euros, whereas inventory management produced a net outflow of 40 million euros, primarily attributable to the Brazil and Domestic Business Units, as a result of mobile handset procurement policies designed to sustain revenues from their sale.

Sale of investments and other disposals flow

The item totaled 26 million euros in the first quarter of 2013, and consisted of the receipt of payments connected with the disposal of the EtecSA Cuba investment, sold at the end of January 2011, and the receipt of payments connected with the disposal of other tangible and intangible assets .

In the first quarter of 2012 the item came to 10 million euros, and consisted primarily of the collection of installments on the sale of the EtecSA Cuba investment.

Financial investments flow

The item recorded no cash flows in the first quarter of 2013. In the first quarter 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 quarter of 2011.

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

The item mainly included the payment, during the first quarter of 2013, of net finance expenses (657 million euros) and income taxes (100 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)	3/31/2013 (a)	12/31/2012 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	24,474	23,956	518
Amounts due to banks, other financial payables and liabilities	8,543	8,976	(433)
Finance lease liabilities	1,121	1,159	(38)
	34,138	34,091	47
Current financial liabilities (*)			
Bonds	2,621	3,593	(972)
Amounts due to banks, other financial payables and liabilities	2,677	2,338	339
Finance lease liabilities	210	219	(9)
	5,508	6,150	(642)
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	39,646	40,241	(595)
Non-current financial assets			
Securities other than investments	(14)	(22)	8
Financial receivables and other non-current financial assets	(2,340)	(2,474)	134
	(2,354)	(2,496)	142
Current financial assets			
Securities other than investments	(736)	(754)	18
Financial receivables and other current financial assets	(564)	(502)	(62)
Cash and cash equivalents	(6,476)	(7,436)	960
	(7,776)	(8,692)	916
Financial assets included in Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	(10,130)	(11,188)	1,058
Net financial debt carrying amount	29,516	29,053	463
	(749)	(779)	30

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

Adjusted net financial debt	28,767	28,274	493
<i>Detailed as follows:</i>			
Total adjusted gross financial debt	37,222	37,681	(459)
Total adjusted financial assets	(8,455)	(9,407)	952
<i>(*) of which current portion of medium/long-term debt:</i>			
<i>Bonds</i>	2,621	3,593	(972)
<i>Amounts due to banks, other financial payables and liabilities</i>	2,073	1,681	392
<i>Finance lease liabilities</i>	210	219	(9)

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

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

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

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

Sales of receivables to factoring companies

Sales of receivables to factoring companies finalized during the first quarter of 2013 resulted in a positive effect on net financial debt at March 31, 2013 of 804 million euros (1,233 million euros at December 31, 2012).

Gross financial debt*Bonds*

Bonds at March 31, 2013 were recorded for a total of 27,095 million euros (27,549 million euros at December 31, 2012). Their nominal repayment amount is 26,105 million euros, down 218 million euros compared to December 31, 2012 (26,323 million euros).

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

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

The hybrid debt securities are Telecom Italia's first subordinated issue on the 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.

<i>(millions of original currency)</i>	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 6.750% ⁽²⁾	Euro	432	3/21/2013

(1)

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

(2)

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

In the first quarter of 2013, the Telecom Italia Group did not buy back any bonds.

In reference to the Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, the nominal amount at March 31, 2013 was 222 million euros, down 8 million euros compared to December 31, 2012 (230 million euros).

Revolving Credit Facility and term loan

The following table shows the composition and the draw down of the committed credit lines available at March 31, 2013:

(billions of euros)		3/31/2013		12/31/2012	
		Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility	expiring	-	-	1.25	-
February 2013					
Revolving Credit Facility	expiring	8.0	1.5	8.0	1.5
August 2014					
Revolving Credit Facility	expiring	0.2	-	0.2	-
December 2013					
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) 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 May 25, 2013, Telecom Italia signed a new agreement to extend a further 3 billion euros of the Revolving Credit Facility (RCF) expiring August 2014, which had already been extended in part in 2012. 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 7.09 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 5.3%.

Details of the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, are provided in the table below:

Details of the maturities of Financial liabilities at nominal repayment amount:

(millions of euros)	maturing by March 31 of the year:						
	2014	2015	2016	2017	2018	After 2018	Total
Bonds	2,114	2,314	4,404	1,400	2,637	13,236	26,105
Loans and other financial liabilities	1,732	2,388	1,118	648	830	1,594	8,310
Finance lease liabilities	196	125	131	140	165	560	1,317
Total	4,042	4,827	5,653	2,188	3,632	15,390	35,732
Current financial liabilities	583	-	-	-	-	-	583
Total	4,625	4,827	5,653	2,188	3,632	15,390	36,315

Current financial assets and liquidity margin

The Telecom Italia Group's available liquidity margin amounted to 13,912 million euros at March 31, 2013, corresponding to the sum of cash and cash equivalents and current securities other than investments, totaling 7,212 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.

In particular:

Cash and cash equivalents amounted to 6,476 million euros (7,436 million euros at December 31, 2012). The different technical forms of investing available cash at March 31, 2013, including 100 million euros in Euro Commercial Papers, break down as follows: