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TELECOM ITALIA S P A
Form 6-K
August 06, 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 AUGUST 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 Group First Half Financial Report at 30 June 2014

REVENUES: 10,551 MILLION EUROS, -6.5% IN ORGANIC TERMS COMPARED WITH H1 2013

EBITDA: 4,345 MILLION EUROS, -5.3% IN ORGANIC TERMS COMPARED WITH H1 2013

EBIT: 2,225 MILLION EUROS, +2,098 MILLION EUROS COMPARED TO H1 2013 REFLECTING AN IMPAIRMENT LOSS ON GOODWILL AMOUNTING TO 2,187 MILLION EUROS

PARENT COMPANY NET PROFIT: 543 MILLION EUROS COMPARED WITH -1,407 MILLION EUROS IN Q1 2013 WHICH REFLECTED THE IMPAIRMENT LOSS ON GOODWILL

ADJUSTED NET FINANCIAL DEBT: 27,358 MILLION EUROS, DOWN BY ALMOST 1.5 BILLION EUROS COMPARED TO 30 JUNE 2013. THE NET FINANCIAL DEBT WAS REDUCED BY 171 MILLION EUROS IN THE SECOND QUARTER THANKS TO THE POSITIVE GENERATION OF CASH FLOWS, THEREBY OFFSETTING AGCM ADMINISTRATIVE SANCTIONS OF 105 MILLION EUROS AND THE DISTRIBUTION OF DIVIDENDS FOR 208 MILLION EUROS.

LIQUIDITY MARGIN AS OF 30 JUNE 2014: 12.8 BILLION EUROS, ALLOWS MATURITIES TO BE COVERED FOR A PERIOD EXCEEDING THE NEXT 24 MONTHS

AN IN-DEPTH ANALYSIS OF THE STRATEGIC OPTIONS IN BRAZIL HAS BEEN DECIDED

THE BOD HAS APPOINTED FRANCESCA CORNELLI AS THE LEAD INDEPENDENT DIRECTOR

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The results of the Second Half 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 Wednesday 13 August by calling: +39 06 334843 (access code 671947#).

The presentation Slides, with an opportunity to follow the event in audio streaming, will be available at: www.telecomitalia.com/1H2014/ita.

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The Telecom Italia Group First Half Financial Report at 30 June 2014 was drafted in accordance with art. 154 ter (Financial Reporting) of Leg. Decree 58/1998 (Consolidated Finance Law - CFL) and subsequent amendments and supplements and prepared in accordance with the international accounting principles issued by the International Accounting Standards Board and approved by the European Union (defined as "IFRS"), as well as the provisions issued in implementation of art. 9 of Leg. Decree 38/2005. The First Half Financial Report at 30 June 2014 is submitted to a limited audit. This activity is currently taking place.

The accounting policies and consolidation principles adopted in the preparation of the Condensed Half-Year Consolidated Financial Statements at 30 June 2014 are consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2013, to which reference can be made, except for the new Principles/Interpretations adopted by the Group starting from 1 January 2014, which had no impact on the Group's Consolidated Financial Statements.

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 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 area 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, 06 August 2014

The Telecom Italia Board of Directors chaired by Giuseppe Recchi yesterday examined and approved the Group's First Half Financial Report at 30 June 2014.

The H1 2014 continued to be affected by the recessionary tensions in the domestic market, where signs of recovery are still very weak, and a slowdown in economic growth in Latin American countries.

Together with the continuing unfavourable economic scenario, in the telecommunications market the trend of the increased demand for innovative services and the simultaneous drop in traditional services continues. In this context the first signs of cooling and improvement of the competitive dynamics in the domestic Mobile sector was observed, which was however accompanied by a reduction in the average revenues per customer from Mobile, as well as Fixed, traditional services. To defend the customer base, Telecom Italia continues to offer highly competitive offers on the domestic market, investing a part of the margin to pave the way for the defence and net acquisition of customers, also

through the use of innovative fixed mobile convergent offers supported by new broadband technologies (Fibre and LTE). Results continue to be affected negatively by a number of regulatory dynamics and aspects.

In Brazil, economic growth was modest and the average exchange rate experienced a depreciation of more than 15% compared with the first half of 2013. Against a backdrop of increased competitive pressure, at the end of June the mobile customers market recorded a slowdown compared to the corresponding period of the previous financial year, which did not however compromise the growth of the Brazilian subsidiary.

MAIN VARIATIONS TO THE TELECOM ITALIA GROUP CONSOLIDATION AREA

The following changes occurred in the first half of 2014:

•

Rete A (Business Unit Media): on 30 June 2014 Telecom Italia Media Broadcasting acquired 100% of the company, and as a consequence Rete A became part of the consolidation area of the Group and fully consolidated from 30 June 2014;

•

Trentino NGN S.r.l.: on 28 February 2014, the Telecom Italia Group acquired a controlling stake in the company, therefore the company entered the Group's consolidation area.

The following changes to the consolidation area occurred during 2013:

•

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 H1 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;

•

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 area;

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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 H1 2014 amounted to **10,551 million euros**, down 11.2% from the 11,888 million euros recorded in H1 2013 (-1,337 million euros). In terms of organic change, calculated by excluding the effect of changes in exchange rates and consolidation area, consolidated revenues were down 6.5% (-730 million euros).

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

(million euros)		H1 2014		H1 2013		Changes		
			% of total		% of total	absolute	%	% organic
	Domestic (*)	7,531	71.4	8,207	69.0	(676)	(8.2)	(8.2)
Core Domestic		7,007	66.4	7,687	64.7	(680)	(8.8)	(8.8)
International Wholesale		601	5.7	596	5.0	5	0.8	1.7
Olivetti		106	1.0	124	1.0	(18)	(14.5)	(14.5)
	Brazil	3,009	28.5	3,620	30.5	(611)	(16.9)	(1.8)
	Media and Other Assets (*)	31	0.3	88	0.7	(57)		
Adjustments and eliminations		(20)	(0.2)	(27)	(0.2)	7		
	Consolidated total	10,551	100.0	11,888	100.0	(1,337)	(11.2)	(6.5)

(*) As of 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.

The **EBITDA** for H1 2014 amounted to **4,345 million euros** down by 356 million euros (-7.6%) compared to the same period of the previous year, with an EBITDA margin of 41.2%, up by 1.7 percentage points (39.5% in H1 2013). In organic terms, the EBITDA is down 242 million euros (-5.3%) compared with the same period of the previous year and the EBITDA margin is up 0.5 percentage points (41.2% in H1 2014 compared with 40.7% in H1 2013).

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

(million euros)		H1 2014		H1 2013		absolute	Changes	% organic
			% of total		% of total		%	
	Domestic (*)	3,501	80.6	3,800	80.8	(299)	(7.9)	(7.8)
% of Revenues		46.5		46.3			0.2 pp	0.2 pp
	Brazil	840	19.3	919	19.5	(79)	(8.6)	7.9
% of Revenues		27.9		25.4			2.5 pp	2.5 pp
	Media and Other Assets (*)	6	0.1	(17)	(0.3)	23		
Adjustments and eliminations		(2)	-	(1)	-	(1)		
	Consolidated total	4,345	100.0	4,701	100.0	(356)	(7.6)	(5.3)
% of Revenues		41.2		39.5			1.7 pp	0.5 pp

(*) As of 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.

The **EBIT** for H1 2014 amounted to **2,225 million euros**; whereas in H1 2013 it amounted to 127 million euros and reflected the impact of the impairment loss on Goodwill attributed to the CGU Core Domestic for 2,187 million euros.

The organic change in EBIT is positive for 2,130 million euros; even excluding the mentioned impairment loss on Goodwill, the organic change compared to H1 2013 would be negative by 57 million euros.

Consolidated net profit attributable to Parent Company Shareholders amounted to **543 million euros** (-1,407 million euros in the same period of 2013 due to the aforesaid Goodwill impairment loss).

Capex in H1 2014 was **1,707 million euros**, down 255 million euros on H1 2013, and breaks down as follows by operational sector:

(million euros)	H1 2014	H1 2013	Change
	% of total	% of total	

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	Domestic (*)	1,177	69.0	1,347	68.7	(170)
	Brazil	526	30.8	597	30.4	(71)
	Media and Other Assets (*)	4	0.2	18	0.9	(14)
Adjustments and eliminations		-	-	-	-	-
	Consolidated total	1,707	100.0	1,962	100.0	(255)
% of Revenues		16.2	16.5			(0.3) pp

(*) As of 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.

Capex for the **Domestic Business Unit** dropped by 170 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, +79 million euros of investment compared with H1 2013) which accounted for 34% of network investments (24% in H1 2013). Furthermore, in H1 2014, as a result of Telecom Italia's new market strategy for bundle mobile telephony plans, the 36 million euros spent on subsidising the purchase of handsets by customers were no longer recorded under intangible investments. For that purpose, in the corresponding period of 2013, 98 million euros were capitalised and amortised over the term of the contract (24 - 30 months).

Capital expenditures for the **Brazil Business Unit** recorded a decrease of 71 million euros compared to H1 2013. The change reflects a negative exchange rate effect of 91 million euros, without which the increase would have amounted to 20 million euros. The capital expenditures are directed towards the continuous development of infrastructure, in accordance with the objective of improving the quality of service.

The **cash flow from operations** is positive by **1,044 million euros** (positive by 1,017 million euros in H1 2013) and is affected by the seasonal dynamics of disbursements related to liabilities accrued in the last quarter of the previous financial year.

Adjusted net financial debt as of 30 June 2014 amounted to **27,358 million euros**, a fall of 1,455 million euros compared to 30 June 2013. The figure shows an increase of 551 million euros compared with 31 December 2013 (26,807 million euros) as it is affected by the usual dynamics of operational cash flows.

In the **second quarter** of 2014 the adjusted net financial debt reduced by 171 million euros compared to 31 March 2014 (27,529 million euros) thanks to the positive generation of cash flows which, despite the payment of AGCM administrative sanctions A428 proceedings of 105 million euros, more than offset the distribution of dividends for 208 million euros.

The **liquidity margin** as of 30 June 2014 is **12.8 billion euros**, (13.6 billion euros as of 31 December 2013) net of 0.3 billion euros relating to Discontinued Operations and consists of 6.3 billion euros in cash (7.1 billion euros as of 31 December 2013) and unused committed credit lines totalling 6.5 billion euros (unchanged with respect 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.

Net financial debt carrying amount was equal to 28,837 million euros (27,942 million euros as of 31 December 2013).

Group **headcount** for the Group as of 30 June 2014, excluding the 16,552 units related to Discontinued Operations, was **65,804**, including 53,015 in Italy (65,623 as of 31 December 2013, including 53,155 in Italy).

BUSINESS UNIT RESULTS

Figures for Telecom Italia Media as of 30 June 2014 can be found in the press release issued on 29 July 2014, following the Company Board of Directors' meeting.

DOMESTIC

As of 2014, in addition to Core Domestic and International Wholesale, the Domestic Business Unit also includes the Olivetti group. 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 **7,531 million euros** (8,207 million euros in H1 2013), fell by 8.2% 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 H1 2014, in terms of change with respect to H1 2013, shows a reduction of 8.2% (-676 million euros), with a performance in the second quarter of -8.2%, almost stable compared to what was seen in the first quarter of 2014 (-8.3%) and in recovery with respect to the full year 2013 (-9.5%).

These revenue reduction dynamics are attributable in particular to the fall in 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 **7,007 million euros** and fell by 8.8% (7,687 million euros in the first six months of 2013).

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

-

Consumer: the revenues of H1 2014 amounted to 3,575 million euros, with a reduction of 416 million euros compared to H1 2013 (-10.4%), an improvement on the early months of 2014 (Q2 2014 -9.2%, Q1 -11.7%). The reduction in revenues can mainly be attributed to the revenues from Mobile services (-276 million euros, equal to -15.3%; Q2 2014: -13.7%, Q1 2014: -16.9%), 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. In particular, a reduction of traditional voice (-232 million euros) and messaging (-65 million euros) services was recorded, only partially offset by the constant growth of mobile Internet Browsing (+40 million euros, +13% compared to H1 2013). Fixed service revenues also fell compared to the first half of 2013 (-145 million euros, -7.1%), entirely attributable to the contraction in voice revenues (-157 million euros), after the reduction in accesses and the contraction of ARPU on outgoing traffic, mainly attributable to a reduction in usage (connected to the substitution effect between fixed and mobile). This reduction was marginally offset by an increase in the revenues from Broadband/Internet services

(+15 million euros, +2,9%) thanks to the maintenance of our market share and the positive trend in ARPU, supported by the higher proportion of customers with flat rate plans and service upgrades (Superinternet and Fibre);

•

Business: the revenues totalled 2,404 million euros, 223 million euros compared to H1 2013 (-8.5%). The fall was due entirely to revenues from services (-253 million euros), including -97 million euros on Mobile (-13.9%) and -162 million euros on Fixed-line (-8.8%). In particular on Mobile, despite the efficiency of the defence actions and the development of the customer base (which in fact grew by 4.9%), a drop in turnover on traditional voice and messaging services was confirmed (-107 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. On Fixed-line, cooling demand due to the negative economic situation and a fall in the prices again on traditional voice and data services continues to have a dampening effect;

•

National Wholesale: the Wholesale segment records revenues for H1 2014 amounting to 915 million euros, down by 49 million euros (-5.1%) on the corresponding period of 2013. The reduction can mainly be attributed to the reduction of prices for mobile and fixed termination, the launch of the migration towards IP infrastructural solutions and the drop in prices on national roaming.

International Wholesale Revenues

The H1 2014 International Wholesale revenues amounted to 601 million euros, almost stable compared to the corresponding period of 2013 (+5 million euros, +0.8%). The slight increase is mainly related to greater volumes of traffic on Voice services (+15 million euros, +3.5%). Whereas revenues for the IP/Data services were down (-10 million euros, -7.8%) due to the effect of the development of competitive dynamics with a drop in prices. The multinational companies business segment was also slightly down (-2 million euros equal to -7.1%).

Olivetti Revenues

The revenues of the Olivetti group in H1 2014 amounted to 106 million euros, down by 18 million euros compared to the same period of 2013 (-14.5%).

This reduction in revenues was affected first of all by the slowdown of foreign sales, following the slow economic recovery (-12 million euros, including -6 million euros in South America, -3 million euros in Europe, and -3 million euros in the Far East, Middle East and Africa). On the Italian market revenues dropped by 6 million euros: the small and medium sized enterprises sector suffered, recording a decrease in revenues of around 2 million euros in the traditional copying and printing sector.

The EBITDA of the Domestic Business Unit in H1 2014 amounted to **3,501 million euros** and recorded a reduction of 299 million euros compared to the corresponding period of 2013 (-7.9%, of which 2.4 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 46.5%, in slight recovery compared to 2013 (+0.2 percentage point). The result was mainly affected by the reduction in revenues from services (-688 million euros compared to 2013), only partially offset by the efficiency actions

obtained through a selective control and containment of operating costs. Note the almost full release of the provisions for risks, set aside in 2009 in view of the alleged administrative offence pursuant to Legislative Decree 231/2001, connected to the Telecom Italia Sparkle affair (71 million euros).

Q2 2014 also confirmed the operating performance recovery trend of the EBITDA, recorded as early as the second half of 2013, with a decrease of -7.5%, compared to -8.2% recorded in Q1 2014 (excluding the mentioned different classification of the subsidizing costs, the reduction would have been -4.2% and -6.6% respectively).

The H1 2014 **EBIT** of the Business Unit Domestic is positive and amounts to **1,863 million euros** (negative by 172 million euros in H1 2013, due to the effect of the impairment loss on Goodwill of the Cash Generating Unit Core Domestic for 2,187 million euros); the EBITDA margin amounted to 24.7% (-2.1% in H1 2013). The EBIT performance reflects, in addition to the elimination of the mentioned impairment loss on goodwill carried out in H1 2013, the reduction of the EBITDA previously described, partially offset by the reduction of the depreciation and amortisation for 117 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 H1 2014 shows a positive change of 2,036 million euros compared to H1 2013 which is calculated excluding the effect of the foreign exchange rate fluctuations for -1 million euros relative to International Wholesale. Also excluding the aforementioned impairment loss on Goodwill from the EBIT of H1 2013, the reduction would amount to 151 million euros (-7,5%).

The **headcount**, of **53,224 employees**, fell by 153 units compared to 31 December 2013.

BRAZIL

(average real/euro exchange rate 3.14956)

The **revenues** of the **TIM Brasil group** in H1 2014 amounted to **9,477 million reais**, recording a drop of 1.8% compared with the same period of 2013 (-178 million reais). Revenues from services reached 8,084 million reais, with a reduction of 68 million reais compared to 8,152 million reais in the same period of 2013 (-0.8%). Whereas revenues from product sales reduced from 1,503 million reais in H1 2013 to 1,393 million reais in H1 2014 (-7.3%); this decrease can be attributed to a reduction in the volumes sold only partially offset by an increase in prices.

Mobile ARPU in H1 2014 was 17.6 reais compared to 18.3 reais in the same period of 2013 (-3,8 %). The ARPU, like the revenues from services, was affected by a further reduction, starting from February 2014, of the mobile termination rate.

The **total number of lines** as of 30 June 2014 was **74.2 million**, up by 1% compared to 31 December 2013, corresponding to a market share for the lines of 26.9%.

EBITDA of **2,645 million reais** was 193 million reais higher than the same period of 2013 financial year (+7.9%). 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 27.9%, up 2.5 percentage points on H1 2013.

EBIT amounted to **1,161 million reais** an improvement of 40 million reais on H1 2013. This is explained by the higher contribution of EBITDA, partially offset by increased depreciation and amortisation of 155 million reais (1,485 million reais in H1 2014 compared with 1,330 million reais in H1 2013).

Headcount stood at **12,464 employees** (12,140 as of 31 December 2013).

EVENTS SUBSEQUENT TO 30 June 2014

2014 Broad-Based Share Ownership Plan

The offer of ordinary shares to employees - for the maximum amount of 54 million shares as approved by the Board of Directors of 6 March 2014 in implementation of the mandate received from the Shareholders' Meeting of 17 April 2013 - took place from 26 June to 10 July 2014 and was subscribed by over 18,000 employees (around 34% of those entitled). The ordinary shares were offered for subscription at a price of 0.84 euros.

On 31 July 2014, 53,911,926 Telecom Italia ordinary shares were issued, equal to 0.40% of the capital for the class.

Following this operation, the overall quantity of Telecom Italia ordinary shares issued is 13,470,955,451 and the share capital of Telecom Italia amounts to 10,723,391,861.60 euros.

Factoring without recourse of tax receivables

On 4 August 2014 Telecom Italia S.p.A. factored tax credits (referring to the IRES tax) on a non-recourse basis for an overall nominal amount of around 303 million euros. The Company requested the refund of these receivables, relative to years prior to 2012, pursuant to art. 6 of Legislative Decree 185/2008 and art. 2 of Legislative Decree 214/2001 (as

amended by Legislative Decree 16/2012) and posted them in the 2012 financial statements. The factoring agreement provides for payment of a consideration that represents approximately 76% of the face value of the receivables. The factor is Mediocredito Italiano S.p.A., a company of the Intesa Sanpaolo Group. The Mediocredito offer was the best of those received following a complex selection process which involved Italian and foreign financial institutions and investment funds.

The non-recourse factoring will allow Telecom Italia to immediately collect a receivable with long-term collection times and therefore reduce the financial debt for an amount equal to the price of the sale and post the factoring discount in the income statement.

Mediocredito is a related party of Telecom Italia according to the relevant Procedure adopted by the Company. In the meeting of 25 June 2014 the Control and Risks Committee examined and agreed upon

the process for selecting the factor. The Committee was then informed of the outcome of the selection on 4 August. As the factoring of tax receivables, in addition to trade receivables factoring with advance payment carried out from 1 January to 31 July 2014, both of them towards companies of the Intesa Sanpaolo group, exceeded the threshold of major importance according to the equivalent value criterion, the obligation arises for the Company to prepare a specific information document, which will be published within the time limits set out in the applicable regulations.

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 simplification of the platforms.

The results of 2014 confirm the improvement of the competitive dynamics in the Mobile sector and an increase in the development of ultra-broadband services. It is important to point out that the domestic market is still experiencing a dilution of the ARPU in traditional services, 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.

BRAZIL

The Board of Directors examined publicly available information on M&A activities underway in Brazil, a core market for the Group. It confirmed the strategic value of the Group's activities in the area, therefore deciding to continue the in-depth examination of the strategic options in Brazil.

CORPORATE GOVERNANCE ISSUES

The Board of Directors continued to define its internal organization, adopting special regulations for the functioning of the Control and Risks Committee and the Nomination and Remuneration Committee and with a unanimous vote assigning Director Francesca Cornelli the role of Lead Independent Director. In order to allow rotation among Directors with regard to this responsibility during the Board's three-year mandate, Director Cornelli will remain in office for the sole financial year 2014 and therefore until the next shareholders' meeting to be called to approve the annual financial reports.

A new procedure for managing sensitive information was also approved.

The new procedure is currently being published on the Company's website, together with the regulations for the functioning for the aforementioned Board committees.

The Manager in charge of preparing the accounting and corporate 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.

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:

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EBITDA: this financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the

evaluation of the operating performance of the Group (as a whole and at the Business Unit level) in addition to EBIT. These measures are calculated as follows:

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

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 Half-year Financial Report at June 30, 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 Half-year Condensed Consolidated Financial Statements at June 30, 2014.

The accounting policies and consolidation principles adopted in the preparation of the Half-year Condensed Consolidated Financial Statements at June 30, 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 Half-year Condensed Consolidated Financial Statements at June 30, 2014.

Furthermore, please note that the limited review work by our independent auditors on the Telecom Italia Group Half-year Condensed Consolidated Financial Statements at June 30, 2014 has not yet been completed.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Half	1st Half	Change	
	2014	2013	(a-b)	
	(a)	(b)	amount	%
Revenues	10,551	11,888	(1,337)	(11.2)
Other income	183	108	75	69.4
Total operating revenues and other income	10,734	11,996	(1,262)	(10.5)
Acquisition of goods and services	(4,557)	(5,298)	741	14.0
Employee benefits expenses	(1,596)	(1,651)	55	3.3
Other operating expenses	(559)	(717)	158	22.0
Change in inventories	43	93	(50)	(53.8)
Internally generated assets	280	278	2	0.7
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	4,345	4,701	(356)	(7.6)
Depreciation and amortization	(2,154)	(2,305)	151	6.6
Gains (losses) on disposals of non-current assets	35	(82)	117	-
Impairment reversals (losses) on non-current assets	(1)	(2,187)	2,186	-
Operating profit (loss) (EBIT)	2,225	127	2,098	-
	(5)	-	(5)	-

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Share of profits (losses) of associates and joint ventures accounted for using the equity method

Other income (expenses) from investments	15	2	13	-
Finance income	865	1,418	(553)	(39.0)
Finance expenses	(2,111)	(2,398)	287	12.0
Profit (loss) before tax from continuing operations	989	(851)	1,840	-
Income tax expense	(417)	(543)	126	23.2
Profit (loss) from continuing operations	572	(1,394)	1,966	-
Profit (loss) from Discontinued operations/Non-current assets held for sale	260	170	90	52.9
Profit (loss) for the period	832	(1,224)	2,056	-
Attributable to:				
Owners of the Parent	543	(1,407)	1,950	-
Non-controlling interests	289	183	106	57.9

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 Half 2014	1st Half 2013
Profit (loss) for the period	(a)	832	(1,224)
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)		(129)	3
Income tax effect		35	(2)
	(b)	(94)	1
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)	(94)	1
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		41	(31)
Loss (profit) transferred to Separate Consolidated Income Statement		(15)	1
Income tax effect		(7)	6
	(e)	19	(24)
Hedging instruments:			
Profit (loss) from fair value adjustments		(61)	(472)
Loss (profit) transferred to Separate Consolidated Income Statement		(99)	277
Income tax effect		45	55
	(f)	(115)	(140)
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		28	(620)
		-	-

Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement			
Income tax effect		–	–
	(g)	28	(620)
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)	(68)	(783)
Total other components of the Consolidated Statement of Comprehensive Income	(k=d+i)	(162)	(782)
Total comprehensive income (loss) for the period	(a+k)	670	(2,006)
Attributable to:			
Owners of the Parent		567	(1,925)
Non-controlling interests		103	(81)

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	6/30/2014 (a)	12/31/2013 (b)	Change (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	30,062	29,932	130
Other intangible assets	6,109	6,280	(171)
	36,171	36,212	(41)
Tangible assets			
Property, plant and equipment owned	12,356	12,299	57
Assets held under finance leases	862	920	(58)
	13,218	13,219	(1)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	35	65	(30)
Other investments	44	42	2
Non-current financial assets	1,603	1,256	347
Miscellaneous receivables and other non-current assets	1,769	1,607	162
Deferred tax assets	962	1,039	(77)
	4,413	4,009	404
Total Non-current assets	(a) 53,802	53,440	362
Current assets			
Inventories	416	365	51
Trade and miscellaneous receivables and other current assets	6,271	5,389	882
Current income tax receivables	45	123	(78)
Current financial assets			
<i>Securities other than investments, financial receivables and other current financial assets</i>	<i>1,618</i>	<i>1,631</i>	<i>(13)</i>
<i>Cash and cash equivalents</i>	<i>4,983</i>	<i>5,744</i>	<i>(761)</i>
	6,601	7,375	(774)
Current assets sub-total	13,333	13,252	81
Discontinued operations /Non-current assets held for sale			
of a financial nature	405	657	(252)
of a non-financial nature	2,636	2,871	(235)
	3,041	3,528	(487)
Total Current assets	(b) 16,374	16,780	(406)
Total Assets	(a+b) 70,176	70,220	(44)

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(millions of euros)	6/30/2014 (a)	12/31/2013 (b)	Change (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	17,475	17,061	414
Non-controlling interests	3,157	3,125	32
Total Equity (c)	20,632	20,186	446
Non-current liabilities			
Non-current financial liabilities	32,505	31,084	1,421
Employee benefits	1,026	889	137
Deferred tax liabilities	315	234	81
Provisions	720	699	21
Miscellaneous payables and other non-current liabilities	755	779	(24)
Total Non-current liabilities (d)	35,321	33,685	1,636
Current liabilities			
Current financial liabilities	4,913	6,119	(1,206)
Trade and miscellaneous payables and other current liabilities	8,004	8,649	(645)
Current income tax payables	48	20	28
Current liabilities sub-total	12,965	14,788	(1,823)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale of a financial nature	28	27	1
of a non-financial nature	1,230	1,534	(304)
	1,258	1,561	(303)
Total Current Liabilities (e)	14,223	16,349	(2,126)
Total Liabilities (f=d+e)	49,544	50,034	(490)
Total Equity and liabilities (c+f)	70,176	70,220	(44)

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)	1st Half 2014	1st Half 2013
Cash flows from operating activities:		
Profit (loss) from continuing operations	572	(1,394)
Adjustments for:		
Depreciation and amortization	2,154	2,305
Impairment losses (reversals) on non-current assets (including investments)	6	2,188
Net change in deferred tax assets and liabilities	231	441
Losses (gains) realized on disposals of non-current assets (including investments)	(35)	81
Share of losses (profits) of associates and joint ventures accounted for using the equity method	5	-
Change in provisions for employee benefits	(16)	(5)
Change in inventories		