TELECOM ITALIA MEDIA GROUP
ANNUAL FINANCIAL REPORT
AT DECEMBER 31, 2011

CONTENTS

Disclaimer

Telecom Italia Media Group's operating and financial results for 2011 and the previous years have been prepared according to the International Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union (referred to as "IFRS"). The Telecom Italia Media Group, in addition to the conventional financial indicators established by IFRS, presents certain non-IFRS measures to allow for a better assessment of its operating and financial performance. In particular, performance indicators refer to: EBITDA; EBIT; organic change in revenues, EBITDA and EBIT; net financial debt. Further details on such indicators are given in section "Non-IFRS indicators".

Moreover, the "Outlook" section contains forward-looking statements which are based on intentions, assumptions, or current expectations of the Group with regards to financial results and other aspects of the Group's activities or strategies. The reader of this Annual Financial Statements is cautioned not to place undue reliance on forward-looking statements, as actual results could differ materially from such statements as a result of many factors, most of which are beyond the Group's control.

COMPANY BOARDS

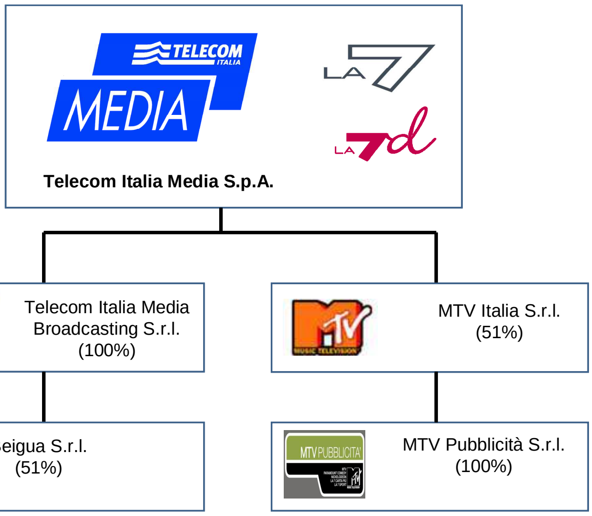
Board of Directors (*)	**Chairman**	Severino Salvemini *(I)* (1)
	Vice Chairman and Managing Director	Giovanni Stella *(E)* (2)
	Directors	Irene Bignardi *(I)* Adriano De Maio *(I) (L)* Candido Fois Mauro Giusto Lorenzo Gorgoni *(I)* Andrea Mangoni Alessandro Ovi Davide Rampello *(I)* Sergio Ristuccia *(I)* Fabio Alberto Roversi Monaco *(I)* Mario Zanone Poma
	Secretary to the Board of Directors	Vincenzo Covelli
Remuneration Committee	**Chairman**	Sergio Ristuccia Fabio Roversi Monaco Severino Salvemini
Internal Control and Corporate Governance Committee	**Chairman**	Adriano De Maio Lorenzo Gorgoni Severino Salvemini
General Manager		Marco Ghigliani
Board of Statutory Auditors (**)	**Chairman**	Salvatore Spiniello
	Acting Auditors	Alberto De Nigro Michela Zeme
	Alternate Auditors	Alberto Lazzaretti Antonio Mastrapasqua *(M)*
Common Representative of Savings Shareholders		Carlo Pasteris
Executive in Charge of the Company's Financial Reports		Paolo Serra *(N)*
Independent Auditors		PricewaterhouseCoopers S.p.A.

(E) Executive Director
(I) Independent Director
(L) Appointed Lead Independent Director by the Board of Directors at the meeting held on May 4, 2011.
(M) Resigned on January 17, 2012.
(N) During the Meeting of May 4, 2011, the Board of Directors confirmed Paolo Serra (Company CFO) Executive in charge of the Company's financial reports.
(1) Appointed Chairman of the Board of Directors on April 8, 2011.
(2) Confirmed Deputy Chairman and Managing Director by the Board of Directors on April 8, 2011.
(*) Appointed by the Shareholders' Meeting held on April 8, 2011.
(**) Appointed by the Shareholders' Meeting held on April 8, 2010.

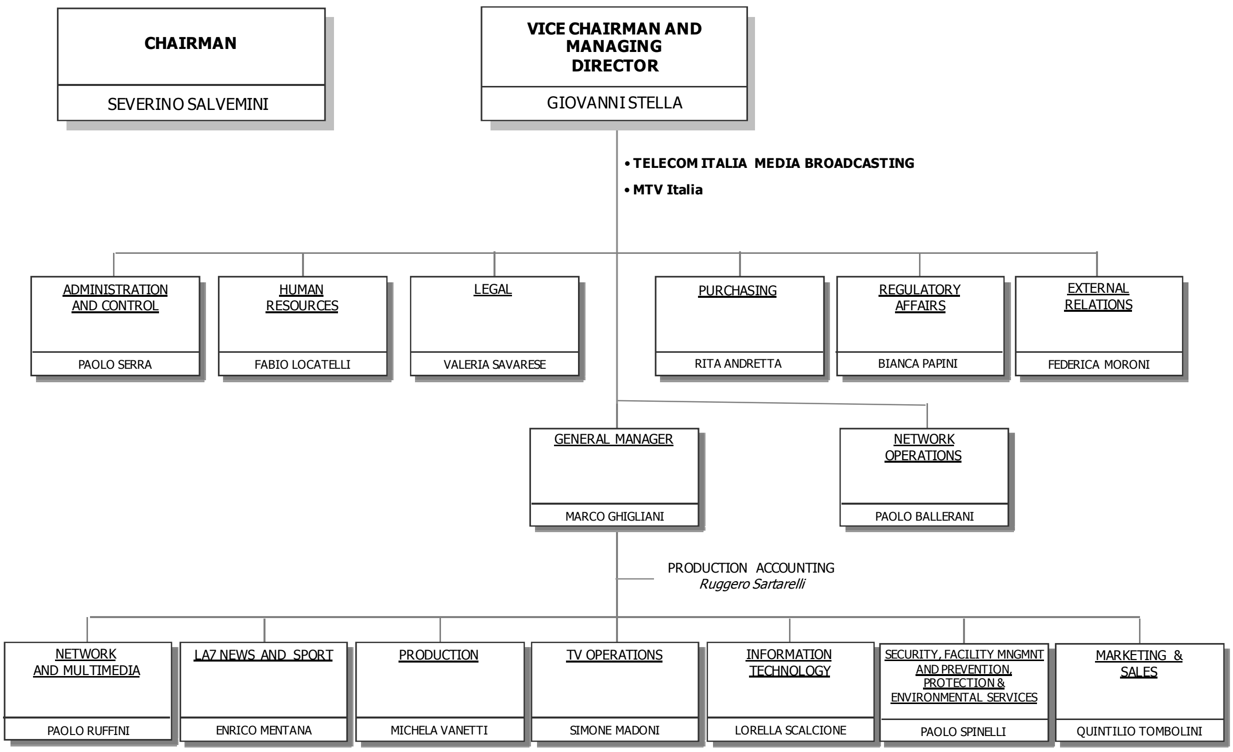
CORPORATE MACROSTRUCTURE OF THE GROUP

(Updated December 31, 2011)

This chart outlines the present corporate structure of the Telecom Italia Media Group with respect to its subsidiaries as required by Article 2359 of the Italian Civil Code.



GROUP ORGANIZATIONAL STRUCTURE (at December 31, 2011)



INFORMATION FOR SHAREHOLDERS

SHAREHOLDERS

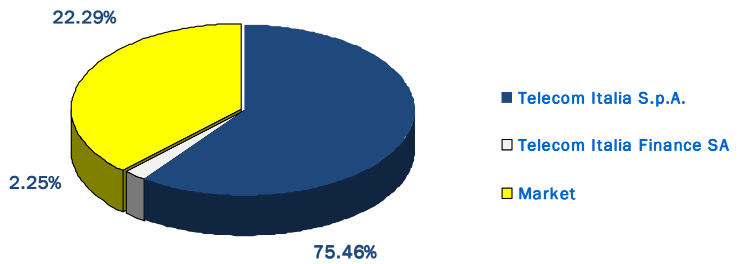
Telecom Italia Media's majority shareholder is Telecom Italia Media S.p.A., which held 75.46% of the Company's capital at December 31, 2011. Telecom Italia Finance, a company belonging to the Telecom Italia Group, owns 2.25%% of Telecom Italia Media S.p.A.'s shares, while the remaining 22.29% is available for trading on the market (float 30.92%).

Italian and foreign institutional investors own approximately 36% of the float, legal persons own 9%, and small investors, nearly all of whom reside in Italy, own the remaining portion (about 55%).

The following table lists the holders of ordinary shares in Telecom Italia Media S.p.A. who held more than 2% of the share capital at December 31, 2011.

	No. of ordinary shares at December 31, 2011	% of ordinary capital
TELECOM ITALIA S.p.A.	1,091,322,893	75.46%
TELECOM ITALIA FINANCE S.A.	32,624,295	2.25%
MARKET	322,370,708	22.29%

TELECOM ITALIA MEDIA S.p.A. SHAREHOLDERS AT DECEMBER 31, 2011



FINANCIAL INDICATORS AND STOCK PERFORMANCE OF TELECOM ITALIA MEDIA

Telecom Italia Media S.p.A.'s stock (ordinary and savings shares) is listed on the Milan stock exchange.
Trading of Ordinary stock follows this schedule:
08:00-09:00 = opening auction
09:00-17:25 = continuous trading
17:25-17:30 = closing auction

Savings shares are traded according to the auction terms.

	12/31/2011
Share capital (in euro)	212,188,324.10
Ordinary shares	1,446,317,896
Savings shares	5,496,951
Market capitalization (on average market price for December 2011; in million of euro)	241.1

Despite the ongoing improvement in fundamentals, in 2011 ordinary shares decreased in value by 32% and savings shares by 46% as a result of the widespread pessimism caused by the European macroeconomic crisis, which weighed down exchanges and main industry stocks.
During 2011, the maximum price of the ordinary shares was Euro 0.2397, reported on July 6, and the minimum price was Euro 0.1452 on November 24.

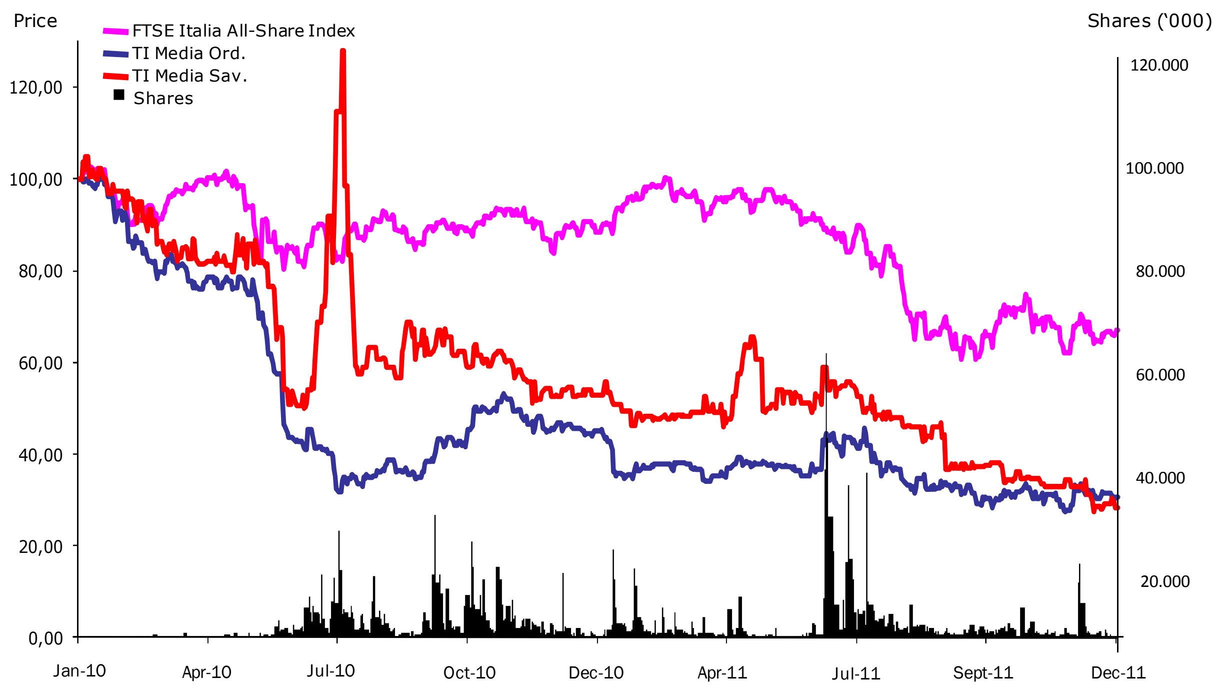
		2010(*)	2011
High for the January-December period (euro)	Ordinary Shares	0.5289	0.2397
	Savings Shares	0.7800	0.4000
Low for the January-December period (euro)	Ordinary Shares	0.1679	0.1452
	Savings Shares	0.3050	0.1680
Average price (December, euro)	Ordinary Shares	0.2397	0.1660
	Savings Shares	0.3256	0.1841
Price /Book Value (equity of the Group at December 31)		0.99	1.11
Net earnings/ (loss) per share (euro) at December 31		(0.0223)	(0.0574)
Group equity per share (euro) at December 31		0.2207	0.1490

Source: internal elaborations on Bloomberg data

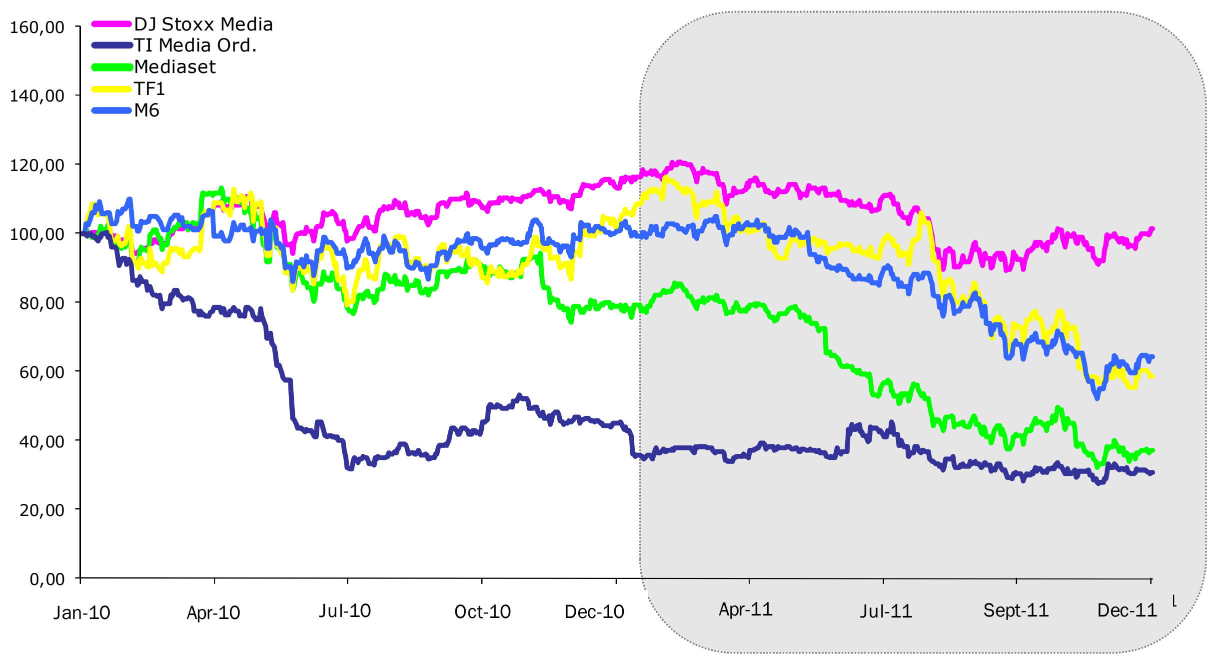
(*) For comparability purposes, values for 2010 have been recalculated taking into account the reverse-split of 1 share for every 10 shares held, effective April 2010, and of the adjustment factor of 0.524677, applied by Borsa Italiana upon the capital increase finalized on June 30, 2010.

TI Media's average daily trading volume during the period was approximately 3.1 million shares, with a maximum of 59.3 million shares traded on June 8 and a minimum of 0.1 million shares traded on May 18.

Relative Performance of TI Media vs FTSE Italia All-Share Index



Relative Performance of TI Media vs DJ Stoxx Media, Mediaset, TF1 and M6



EARLY TERMINATION OF THE COMPETENCE CENTER AGREEMENT WITH TELECOM ITALIA

On September 29, 2011, the Telecom Italia Media's Board of Directors resolved to proceed with the early termination of the Competence Center Agreement with Telecom Italia.
The Agreement, originally entered into in 2007 with a term of three years and subsequently extended until at least December 31, 2012, governed the provision of editorial services by Telecom Italia Media to Telecom Italia involving the conception and planning of programming and the search for and purchase of media content for use on Telecom Italia's various television platforms (IPTV, CUBO, Web, etc.) in return for minimum guaranteed consideration determined under the assumption of a projected rapid increase in customers for the IPTV and OTTV platforms, as well as variable consideration based on the increase in Telecom Italia's relevant sales.
The foregoing growth projections were not confirmed due to market downsizing, in addition to modifications to the scope of actual application of the regulatory framework of reference, accompanied by strong downwards pressure on prices applied by the two main players in Italy's pay-TV market.
In light of the foregoing, Telecom Italia has decided to conduct in-house editorial activities associated with the platforms it manages. For those reasons, Telecom Italia proposed to Telecom Italia Media the early termination of the Agreement, effective October 1, 2011, with an indemnity for Telecom Italia Media, the amount of which was negotiated by the parties on the basis of the discounting of the margins forfeited by Telecom Italia Media from the effective date of early termination (October 1, 2011) until the natural expiry of the Agreement (December 31, 2012), for a total of Euro 20.5 million. In addition, the amount of the indemnity was reviewed in a Fairness Opinion prepared by an independent external appraiser identified by agreement between the parties.
Telecom Italia paid the above-mentioned amount to Telecom Italia Media concurrently with the signing of the Termination Agreement on September 30, 2011, following the resolution of TI Media's Board of Directors on September 29, 2011.
The collection by Telecom Italia Media of the amount of Euro 20.5 million entailed, at the consolidated level, gross income of the same amount, an estimated positive impact on the net income for the year of approximately Euro 14.9 million and a decrease in net financial debt of Euro 20.5 million.

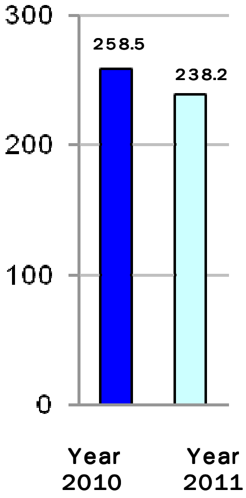
HIGHLIGHTS

GROUP OPERATING AND FINANCIAL HIGHLIGHTS

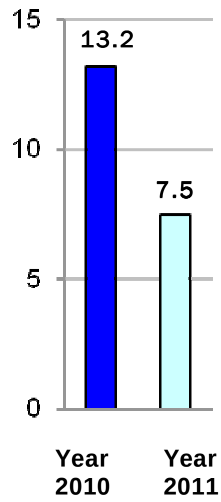
FOREWORD

Due to the early termination of the Competence Center agreement with Telecom Italia effective October 1, 2011, Telecom Italia paid Telecom Italia Media an indemnity of Euro 20.5 million. Moreover, in 2011, following the results of the impairment test, consolidated goodwill was written down by Euro 56.7 million. In the interest of greater clarity and a consistent basis of comparison with 2010, in this annual report at December 31, 2011 earnings results have been presented both in comparable terms, i.e., showing the relevant amounts separately, and in overall terms.

Revenues
(in millions of euro)



Operating income (loss) before depreciation and amortization (EBITDA) comparable
(in millions of euro)



OPERATING AND FINANCIAL HIGHLIGHTS

(in millions of euro)		Year 2011	Year 2010
Revenues		**238.2**	**258.5**
EBITDA (1)		**28.0**	**13.2**
	% on revenues	*11.8*	*5.1*
Comparable EBITDA (2)		**7.5**	**13.2**
	% on revenues	*3.1*	*5.1*
Operating profit (loss)		**(87.4)**	**(46.0)**
	% on revenues	*(36.7)*	*(17.8)*
Comparable operating profit (loss) (3)		**(51.2)**	**(46.0)**
	% on revenues	*(21.5)*	*(17.8)*
Profit (loss) before tax from continuing operations		**(91.7)**	**(62.4)**
Net effect of discontinued operations/assets held for sale		-	**(1.8)**
Profit/(Loss) for the year attributable to equity holders of the Parent Company		**(83.0)**	**(54.4)**
Investments:			
- Industrial		**61.4**	**66.9**
- Financial		-	**3.0**

BALANCE SHEET HIGHLIGHTS

	12/31/2011	12/31/2010
Invested capital	**355.0**	**415.1**
Total equity	**216.3**	**299.6**
- Parent Company	204.2	287.2
- Minority Interests	12.1	12.4
Net financial position	**138.7**	**115.5**

EMPLOYEES

	12/31/2011	12/31/2010
Employees (at year-end) (4)	**728**	**733**
	12/31/2011	**12/31/2010**
Average employees (5)	709.1	704.7
Revenues/Personnel (average for the Group) in thousands of euro	335.9	366.8
La7 audience share		
December	3.9%	3.3%
Average for the year	3.8%	3.1%
Gross Advertising Sales	**242.0**	**207.6**
- La7	185.7	140.5
- MTV	56.3	67.1

(1) Operating income before depreciation and amortization, gains/(losses), and write-ups/(write-downs) of non-current assets.
(2) The amount does not include the income of Euro 20.5 million related to the indemnity for early termination of the Competence Center agreement with Telecom Italia.
(3) The amount does not include the income of Euro 20.5 million related to the indemnity for early termination of the Competence Center agreement with Telecom Italia.

(4) This figure does not include 37 temporary staff at December 31, 2011 and 44 temporary staff at December 31, 2010.
(5) This figure does not include 70.8 temporary staff as at December 31, 2011 and 62.1 temporary staff as at December 31, 2010.

INFORMATION BY BUSINESS UNIT

The Telecom Italia Media Group is organized into the following operating segments: TI Media – La7, MTV Group and Network Operator. In detail:

- **TI Media – La7**[1] includes the Company's operations relating to the television broadcasters La7 and La7d and the Multimedia/Web area (La7.it and La7.tv). Until September 30, 2011, it also included the Telecom Italia Group's Digital Content operations, which were discontinued effective October 1, 2011 following the early termination of the agreement with Telecom Italia;
- **MTV Group** includes the operations of MTV Italia and its subsidiary MTV Pubblicità relating to the television broadcasters MTV and MTV Music, the production unit 360° Playmaker, the production of multimedia music platforms and satellite channels and MTV Mobile and Digital (Web);
- **Network Operator (TIMB)** includes the operations of Telecom Italia Media Broadcasting relating to managing the analog and digital broadcasting networks of La7 and MTV and the Digital Multiplexes operated by the Group, as well as the offering of accessory services and television broadcasting platforms for Group companies and third parties.

(in millions of euro)		TI Media – La7	MTV Group	Network Operator	Other activities and changes	Group Total
Revenues	**Year 2011**	**139.9**	**73.8**	**54.9**	**(30.4)**	**238.2**
	Year 2010	115.6	97.8	76.1	(31.0)	258.5
	Change	24.3	(24.0)	(21.2)	0.6	(20.3)
EBITDA	**Year 2011**	**(1.5)**	**6.6**	**23.0**	**(0.1)**	**28.0**
	Year 2011, comparable (2)	**(22.0)**	**6.6**	**23.0**	**(0.1)**	**7.5**
	Year 2010	(35.6)	12.3	34.7	1.8	13.2
	Change	34.1	(5.7)	(11.7)	(1.9)	14.8
	Comparable changes (2)	13.6	(5.7)	(11.7)	(1.9)	(5.7)
EBIT	**Year 2011**	**(29.0)**	**(13.6)**	**(44.7)**	**(0.1)**	**(87.4)**
	Year 2011, comparable (3)	**(49.5)**	**0.0**	**(1.6)**	**(0.1)**	**(51.2)**
	Year 2010	(63.0)	5.0	10.2	1.8	(46.0)
	Change	34.0	(18.6)	(54.9)	(1.9)	(41.4)
	Comparable changes (3)	13.5	(5.0)	(11.8)	(1.9)	(5.2)
Profit (loss) of the Parent Company for the year	**Year 2011**	**(22.6)**	**(14.2)**	**(46.5)**	**0.3**	**(83.0)**
	Year 2010	(57.0)	2.3	1.4	(1.1)	(54.4)
	Change	34.4	(16.5)	(47.9)	1.4	(28.6)
Industrial investments	**Year 2011**	**31.1**	**4.5**	**25.8**	**-**	**61.4**
	Year 2010	31.6	6.9	28.4	-	66.9
	Change	(0.5)	(2.4)	(2.6)	-	(5.5)
(Headcount)						
Personnel	**December 31, 2011**	**497**	**181**	**50**	**-**	**728**
	December 31, 2010	481	201	51	-	733
	Change	16	(20)	(1)	-	(5)

[1] In 2010, this operating segment was denominated Telecom Italia Media S.p.A.

[2] The amount does not include the income of Euro 20.5 million related to the indemnity for early termination of the Competence Center agreement with Telecom Italia.

[3] The amount does not include the income of Euro 20.5 million related to the indemnity for early termination of the Competence Center agreement with Telecom Italia and the goodwill writedown of Euro 56.7 million.

GROUP OPERATING AND FINANCIAL PERFORMANCE FOR 2011

Financial year 2011 was characterized by a significant rise in gross advertising sales on the La7 channels (+32.1%), which partially offset the decline in revenues reported by the Network Operator and MTV.

La7's audience share grew by 24.6% compared to 2010, increasing from 3.09% to 3.85%, despite the constant drop in audience shown by other generalist TV networks. La7d achieved a 0.28% annual average share, registering a 0.35% in December and marking an increase of 46.0% compared to the end of 2010 (0.24%).

In 2011, Group consolidated revenues totaled Euro 238.2 million, decreasing by Euro 20.3 million compared to 2010. This change was mainly attributable to:

- the increase in net advertising sales on the channel La7 (Euro +20.7 million or +22.3%) and the channel La7d (Euro +2.3 million); the excellent 2011 performance is also attributable to the advertising broker's ability to translate the increase in audience share of the channel La7 to greater advertising sales, powerfully bucking the trend in the television advertising market (-3.1%)[1];
- the early termination of the Competence Center agreement with Telecom Italia on September 30, 2011 (the agreement was set to expire on December 31, 2012);
- the lower revenues of the Network Operator, which decreased by Euro 21.2 million compared to 2010, primarily due to the loss of turnover of the customer Dahlia (Euro 25.6 million), placed in liquidation in early 2011;
- the lower revenues of the MTV Group (Euro -24.0 million), tied to a decrease in net advertising sales (-16.0% compared to 2010), lower revenues from MTV Mobile and Music Satellite Channels, due to amended contracts with Telecom and Sky at the end of 2010.

Operating revenues amounted to Euro 26.3 million (Euro 4.3 million in 2010) and included an income of Euro 20.5 million, related to the indemnity for early termination of the Competence Center agreement with Telecom Italia. In the reporting period, EBITDA amounted to Euro 28.0 million, increasing compared to Euro 13.2 million in 2010, thanks to the above-mentioned positive performance of the operating revenues and the reduction in costs incurred by TIMB and MTV.

EBIT and Net Result were impacted by the results of the impairment test carried out on December 31, 2011, which led to the writedown of Group's goodwill of Euro 56.7[(2)] million, as hereunder illustrated.

In the reporting period, EBIT amounted to Euro -87.4 million (Euro -46.0 million in 2010) and Net loss attributable to the Parent Company totaled Euro -83.0 million (Euro -54.4 million in 2010), due to the writedown of goodwill.

In 2011, industrial investments were Euro 61.4 million, decreasing by Euro 5.5 million compared to 2010, and primarily include television rights of Euro 28.6 million for TI Media – La7 and MTV and Euro 25.8 million for Network Operator.

Net financial debt amounted to Euro 138.7 million, up by Euro 23.2 million compared to the end of 2010 (Euro 115.5 million), benefiting from the indemnity for the early termination of the Competence Center agreement (Euro 20.5 million), among other things.

[1] Source: Nielsen – television market advertising sales, January-December, a -3.1% decrease compared to 2010.

[2] Writedown is not material for tax purposes as it is not deductible.

The goodwill impairment recognized as a result of impairment test as of December 31, 2011 refers to MTV and the Network Operator, TIMB, which showed the greatest gap between expected and actual results in 2011. In fact, based on the economic and financial forecasts approved by the Managing Director and on the indicators of presumed impairment set forth in IAS 36 to be considered when estimating recoverable amount, which require:

a) that greater emphasis be placed on information from external sources (which reflect the severe economic crisis); and

b) that cash-generating units be measured according to their present conditions (without considering the benefits of restructuring and investments in expansion or rationalization),

the Group recognized a consolidated impairment loss of Euro 56.7 million, of which Euro 13.6 million was attributable to the goodwill allocated to MTV and Euro 43.1 million to the goodwill allocated to the network operator, TIMB.

In further detail, the performance for 2011 was characterized by the following results:

Group consolidated revenues amounted to Euro **238.2** million in 2011, with a decrease of Euro **20.3** million (-**7.9%**) compared to Euro **258.5** million for 2010.
In detail:

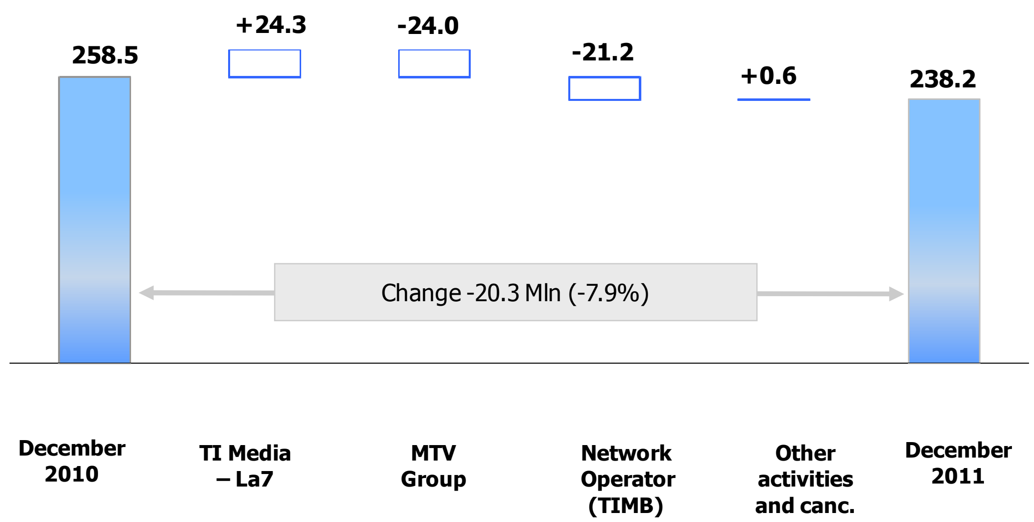
- TI Media – La7 revenues for 2011 amounted to Euro **139.9** million, rising by Euro **24.3** million (**+21.0%**) compared to 2010, thanks to the sharp increase compared to 2010 of **+32.1%** in overall gross advertising sales, which amounted to Euro **185.7** million in the reporting year. In detail, advertising sales were positively influenced by the excellent audience performance of the channel La7, which reported an average daily audience share of **3.8%,** and the channel La7d, which posted net advertising sales of Euro **6.5** million in 2011.
  Revenues from the Competence Center activities of Telecom Italia (Euro **13.3** million) refer solely to the first nine months of 2011, as the activities were discontinued on September 30, 2011 due to early termination of the agreement (see page 12); revenues amounted to Euro **12.9** million in 2010;

- MTV Group revenues amounted to Euro **73.8** million, decreasing by Euro **24.0** million compared to 2010 (Euro **97.8** million). This decline was due for Euro **9.4** million to the decrease in net advertising sales (Euro **49.7** million compared to Euro **59.1** million in 2010), and for the remaining amount (Euro -**14.6** million) to the decline in other operations. In detail, in 2011 there was a decrease in the revenues of MTV Mobile (Euro **-2.4** million) due to the contractual amendment at the end of 2010, revenues from the music satellite channels following renegotiation of the contract, at lower values, with Sky (Euro **-2.3** million), and revenues from third-parties referring to Playmaker (Euro -**7.4** million), whereas other revenues marked an overall decrease of Euro **-2.5** million;

- revenues from Network Operator activities amounted to Euro **54.9** million, compared to Euro **76.1** million in 2010, down by Euro **21.2** million. The decline was mainly attributable to lower revenues from Dahlia (Euro **25.6** million), whose activities were discontinued at the beginning of 2011, and was only partially offset by new agreements for the lease of digital bandwidth. The decrease in revenues from analog business towards the Group, in relation to the switch-off process, was offset by higher revenues for the lease of the digital bandwidth on digitalized areas.

Breakdown of Revenue Performance

(in millions of euro)



EBITDA amounted to Euro **28.0** million in 2011, increasing by Euro **14.8** million compared to 2010, thanks to the contribution of the income of Euro **20.5** million related to the indemnity for the early termination of the Competence Center agreement. Excluding this income, and therefore on a like-for-like basis, EBITDA amounted to Euro **7.5** million, decreasing by Euro **5.7** million compared to 2010 (Euro **13.2** million); in particular:

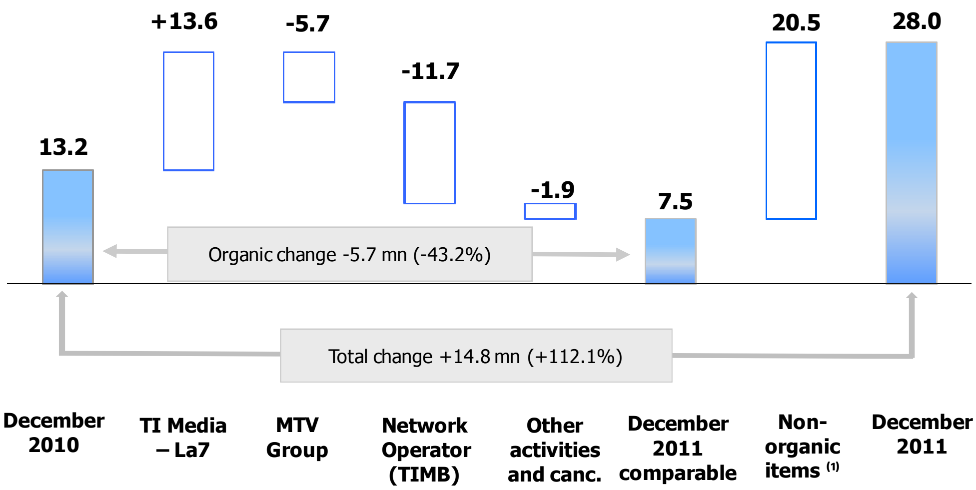
EBITDA of TI Media – La7, which includes the above-mentioned Euro **20.5** million indemnity, was Euro **-1.5** million, marking a Euro **34.1** million improvement compared to 2010 (Euro **-35.6** million); in comparable terms, EBITDA amounted to Euro **-22.0** million, improving by Euro **13.6** million compared to 2010. This trend was attributable to the rise in revenues, as previously described, which offset the higher operating costs mostly relating to the programming expenses of La7 and La7d channels.

EBITDA of the MTV Group amounted to Euro **6.6** million, decreasing by Euro **5.7** million compared to 2010 (Euro **12.3** million) due to the reduction in revenues subsequent to lower advertising sales and reduced Mobile and Satellite operations by Playmaker, which were only partially offset by the containment of operating costs.

The Network Operator's EBITDA amounted to Euro **23.0** million, decreasing by Euro **11.7** million compared to the previous year; this performance was affected by the above-mentioned revenue decline from Dahlia TV, which was partially offset by a reduction in operating costs achieved through a greater efficiency of the network management.

Breakdown of Operating Result Before Depreciation and Amortization

(In millions of euro)

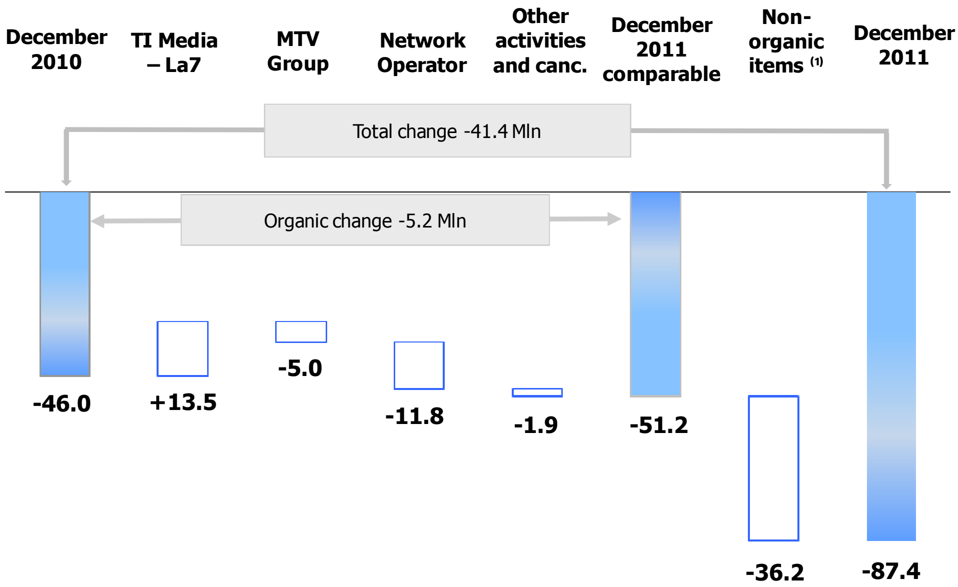


(1) **Income related to the early termination of the Competence Center agreement with Telecom Italia**

Operating result for 2011 after depreciation and amortization was Euro **-87.4** million, compared to Euro -**46.0** million for 2010, marking a reduction of Euro **41.4** million. Excluding the above-mentioned indemnity of Euro **20.5** million and Euro **56.7** million for the goodwill writedown as of December 31, 2011, the operating results totaled Euro **-51.2** million, decreasing by Euro **5.2** million compared to the previous year. This trend substantially mirrors the change in EBITDA, as previously described.

Breakdown of Operating Profit (Loss)

(In millions of euro)



(1) In detail, non organic items are broken down as follows:

- charges related to goodwill writedown amounting to Euro 56.7 million as a result of the impairment test at December 31, 2011;
- a Euro 20.5 million income recognized by Telecom Italia to Telecom Italia Media as indemnity for the early resolution of the Competence Center agreement.

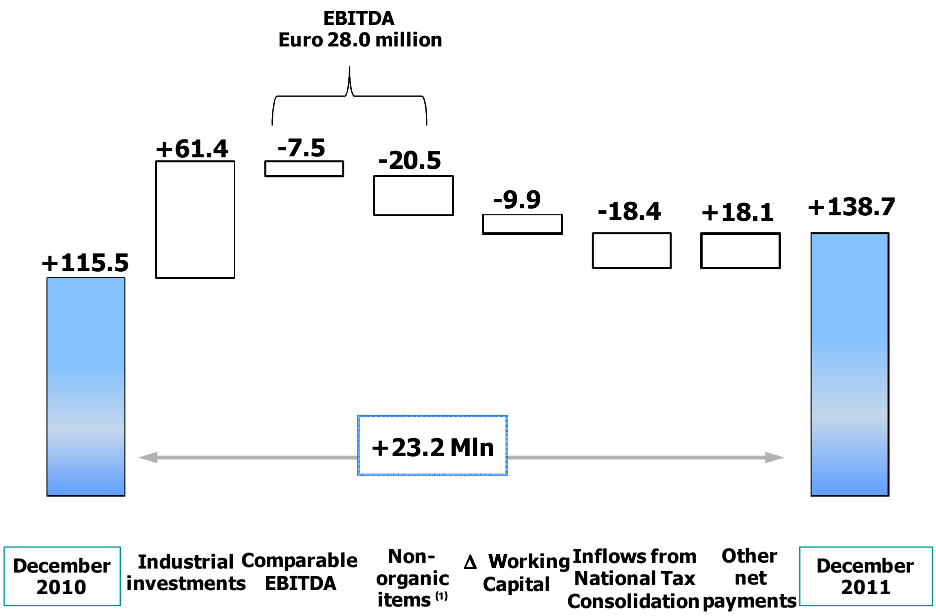
The ***loss from continuing operations*** amounted to Euro **–83.3** million against Euro **-51.4** million in 2010. Total net finance expenses were Euro **4.3** million (Euro **16.5** million in 2010, which included Euro **8.8** million for expense from equity investments, of which Euro **8.0** million for the equity investment in Dahlia TV compared to Euro **0.1** million in 2011), marking a decrease of Euro **12.2** million (Euro **3.4** million, net of expense from equity investments) attributable to the sharp financial debt reduction as a result of the capital increase made in 2010.

Taxes decreased by Euro **2.7** million compared to the previous year owing to the effect of the lower realized taxable losses for 2011.

Net result attributable to equity holders of the Parent Company decreased by Euro **28.6** million, going from Euro **-54.4** million in 2010 to Euro **-83.0** million in 2011.

Net financial debt at December 31, 2011 was Euro **138.7** million, increasing by Euro **23.2** million compared to the end of 2010 (Euro **115.5** million). The change was primarily attributable to the expenditure on ***industrial investments*** for the year amounting to Euro **61.4** million (of which Euro **28.6** million for the purchase of television rights, Euro **25.8** million for the Digital Terrestrial development activity and Euro **7.0** million for other investments), offset by the result of operating activity for the year (**EBITDA** of Euro **-7.5** million and **Δ Working Capital** of Euro **-9.9** million), the income from the Fiscal Consolidation (Euro 18.4 million) and the income from the above-mentioned indemnity (Euro **20.5** million). In addition, other net expenditures amounted to Euro **18.1** million and included finance expenses for the year totaling Euro 4.**3** million and taxes paid in 2011 amounting to Euro **15.1** million, partially offset by other net income of Euro **1.3** million.
Moreover, it should be noted that in 2011 transactions of trade receivables amounting to Euro 21.1 million were factored without recourse to Mediofactoring S.p.A., a factoring company of the Intesa Sanpaolo Group.

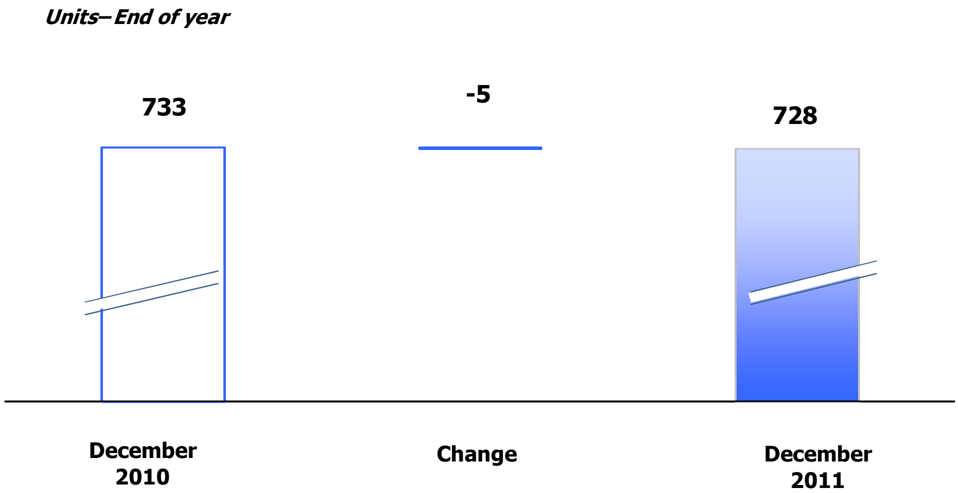
Breakdown of net financial position



(1) Collection of the income related to the indemnity for the early termination of the Competence Center agreement with Telecom Italia.

The ***workforce*** at December 31, 2011 numbered **728**, with a decrease of **5** employees compared to December 31, 2010. This decline included an increase in TI Media – La7 (**+16**) and a reduction in both the MTV Group (**-20**) and Network Operator (**-1**). The rise in the workforce of TI Media – La7 is attributable to the staff consolidation of **13** employees, of whom **8** with temporary employment agreements, and the internationalization process regarding External Relations. The decline in MTV's workforce is essentially due to the freeze of staff turnover.

Personnel



- ## TI Media – La7 [1]

Operating Performance

(in thousands of euro)	Year 2011	Year 2010	Change	
	(a)	(b)	(a-b)	%
Total revenues	**139,867**	**115,616**	**24,251**	**21.0**
Other Income	26,408	3,935	22,473	571.1
ch: Income related to the early termination of the Competence Center agreement	*20,500*			
Total operating revenues and other income	**166,275**	**119,551**	**46,724**	**39.1**
Acquisition of goods and services	(118,486)	(105,553)	(12,933)	(12.3)
Employee benefits expenses	(44,922)	(43,149)	(1,773)	(4.1)
Other operating expenses	(4,620)	(5,786)	1,166	20.2
Changes in inventories	204	(681)	885	n.a.
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(1,549)**	**(35,618)**	**34,069**	**95.8**
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA) comparable (2)	**(22,049)**	**(35,618)**	**13,569**	**38.2**
Depreciation and amortization	(27,487)	(27,291)	(196)	(0.7)
Gains /(losses) realized on disposals of non-current assets	1	(47)	48	n.a.
OPERATING PROFIT (LOSS) (EBIT)	**(29,035)**	**(62,956)**	**33,921**	**54.0**
OPERATING PROFIT (LOSS) (EBIT) comparable (2)	**(49,535)**	**(62,956)**	**13,421**	**21.4**

(2)The amount does not include the income of Euro 20,500 thousand related to the indemnity for early termination of the Competence Center agreement with Telecom Italia.

In 2011, TI Media – La7's sales amounted to Euro 139,867 thousand (Euro +24,251 thousand compared to 2010). Results at December 31, 2011 included the income of Euro 20,500 thousand related to the indemnity for the early termination of the Competence Center agreement. EBITDA for 2011 therefore amounted to Euro -1,549 thousand, improving by Euro 34,069 thousand compared to 2010 (Euro -35,618 thousand); in comparable terms, thus excluding the above-mentioned amount, EBITDA was Euro -22,049 thousand, marking an improvement of Euro 13,569 thousand over 2010. Increases in acquisition of goods and services were largely due to the strengthening of La7's programming and higher costs of the programming of La7d, which in 2010 was in the start-up phase, whereas in 2011 it consolidated its performance.

(in thousands of euro)	Year 2011	Year 2010	Change	
	(a)	(b)	(a-b)	%
REVENUES				
La7 TV channel advertising sales	117,116	95,222	21,894	23.0
La7D TV channel advertising sales	6,953	4,302	2,651	61.6
Digital Content	13,268	12,919	349	2.7
Media Services	829	385	444	115.3
Multimedia/Web (La7.it and La7.tv)	1,701	2,788	(1,087)	(39.0)
Total revenues TI Media La7	**139,867**	**115,616**	**24,251**	**21.0**

[1] In 2010, this business area was called Telecom Italia Media S.p.A.

In detail, TI Media — La7's sales amounted to Euro 139,867 thousand, with an increase of Euro 24,251 thousand (+21.0%) compared to 2010, as a result of higher total gross advertising sales, which were Euro 185,652 thousand in 2011, increasing (+32.1%) compared to the previous year. This performance was attributable to higher revenues reported by both the channel La7 (Euro 117,116 thousand in 2011 compared to Euro 95,222 thousand in 2010, up +23.0%) and the channel La7d. This improvement was driven by the excellent performance of the average daily audience share of La7, which was 3.8% (+24.6%), and is even more significant in that it bucks the trend of TV market ([1]).

Revenues from the Competence Center activities of Telecom Italia (Euro 13,268 thousand) refer solely to the first nine months of 2011 as a result of the early termination of the agreement, which was set to expire on December 31, 2012. Revenues for 2010 amounted to Euro 12,919 thousand in 2010;

Other revenues amounted to Euro 26,408 thousand and included the Euro 20,500 thousand indemnity relating to the early termination of the Competence Center agreement; excluding this amount this item posted Euro 5,908 thousand (Euro 3,935 thousand in 2010) and was chiefly composed of the release of the provisions for risks following the settlement of several contractual disputes.

EBITDA of TI Media – La7 for 2011 amounted to Euro -1,549 thousand compared to Euro –35,618 thousand in 2010; in comparable terms, thus excluding the above-mentioned indemnity, EBITDA totaled Euro -22,049 thousand, improving by Euro 13,569 thousand on 2010.

As illustrated above, this performance was influenced by the higher contribution of revenues and proceeds, which were however slightly offset by higher costs for the programming schedule of La7 and La7d.

The operating result of TI Media – La7 for 2011 was Euro -29,035 thousand, compared to Euro -62,956 thousand for 2010, marking an improvement of Euro 33,921 thousand. Excluding the Euro 20,500 thousand indemnity, the operating result in comparable terms amounted to Euro -49,535 thousand, improving by Euro 13,421 thousand compared to 2010, thus mirroring the change in EBITDA.

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
EBIT	**(29,035)**	**(62,956)**	**33,921**	**54.0**
Income related to the early termination of the Competence Center agreement	20,500	0	20,500	n.a.
Goodwill writedown	0	0	-	n.a.
COMPARABLE EBIT	**(49,535)**	**(62,956)**	**13,421**	**21.4**

([1]) Source: Nielsen: TV Market Advertising Sales January-December -3.1% compared to 2010.

Advertising Sales

Total gross advertising sales for 2011 amounted to Euro 185.7 million, showing a Euro 45.2 million rise (+32.1%) compared to 2010, thanks in part to the channel La7d (Euro 9.6 million; +59.0% on 2010), whose revenues where added to those of La7.

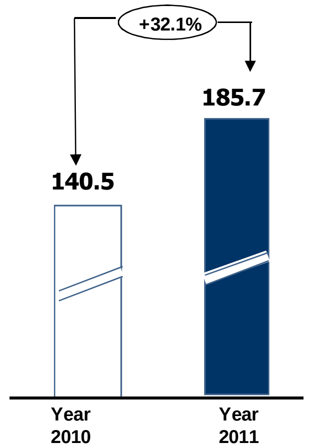
This excellent result was achieved in a negative market scenario: Nielsen estimates that the television market decreased by -3.1% in the period January-December 2011.

A total of 546 companies advertised on La7, 86 more than in 2010; average investment per advertiser was Euro 317 thousand, increasing by +10.4% compared to the previous year.
231 new clients (firms not advertising in 2010) were signed up, representing a total investment of Euro 32.5 million.

The percentage of exclusive advertisers (i.e., customers that do not advertise on other Italian TV channels) grew from 20.7% in the previous year to 21.6% in 2011 (from 94 to 117 in absolute terms).

Performance of gross advertising sales of La7 channels(1)

(in millions of euro)

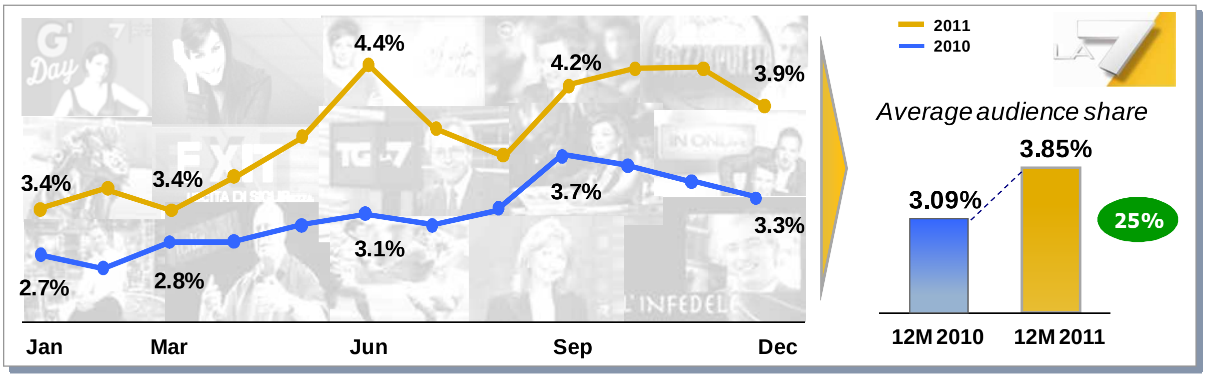


(1) La7, La7d and La7.tv channels and other advertising revenues (Barter)

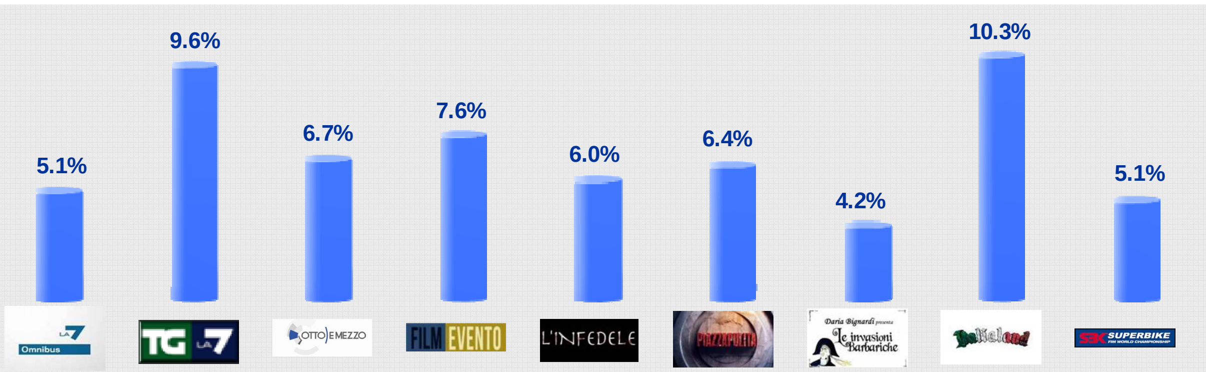
Amongst commodity categories, the driving sector was still Food representing 21.5% of total revenues, albeit declining compared to 2010 (25.0%); this was followed by Telecommunications (10.6% compared to 9.6% in the previous year) and Cars (from 7.1% in 2010 to 10.1%), with a sharp increase of +90%, in contrast to market trend.
Lager increases were reported in categories such as Institutional Organizations - Bodies/Schools/Companies (+70% with a share of 3.7%), Distribution (doubling its share compared to 2010 and achieving 2.1%) and Personal Care like Personal Sport Items (+191% with a share of 1.0%) and Apparel (+157% with a share of 0.9%).

Audience Share

La7 closed 2011 with a **3.85%** share for the full day, improving by 24.6% on 3.09% achieved in 2010, thus registering a new record for the channel.
In each month of 2011, the results reported exceeded those of the same month of the previous year, thus confirming the strength of the network, its content offerings and appreciation by the public on a daily basis.



La7: the programs that contributed most to audience growth*



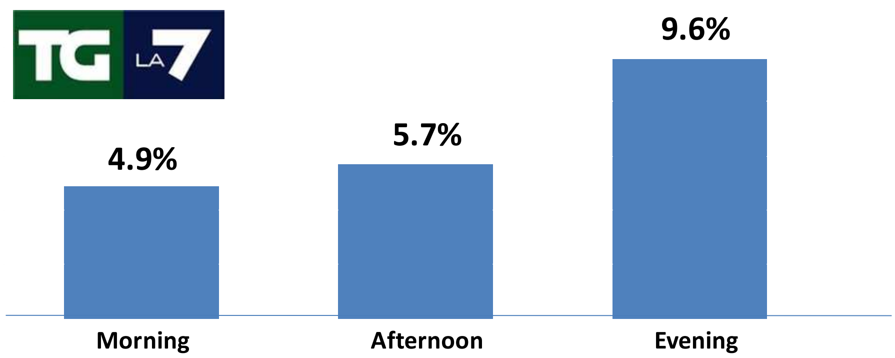
(*) Average audience share for the period from January 1 to December 31, 2011

Generally, television — which continues to lead the rankings of Italians' media consumption — is increasingly digital (in December 2011, 87% of TV consumption took place via a digital platform, with DTT accounting for 70% and satellite for 17%).
This means increasingly broader offerings (193 channels in 2008 and 240 today), resulting in a fragmentation of viewers: on the one hand, there has been an unrelenting decline in traditional channels (La7 bucked the trend, whereas the total audience for the other six historical general-interest channels, from Raiuno to Rete4, fell from 89% in 2003 to 81.0% in 2008 and 68% in 2011), while on the other there has been considerable growth by the new native digital channels, especially those aimed at young, exploratory target audiences.

During the reporting year, La7 showed an increase in almost all time slots:

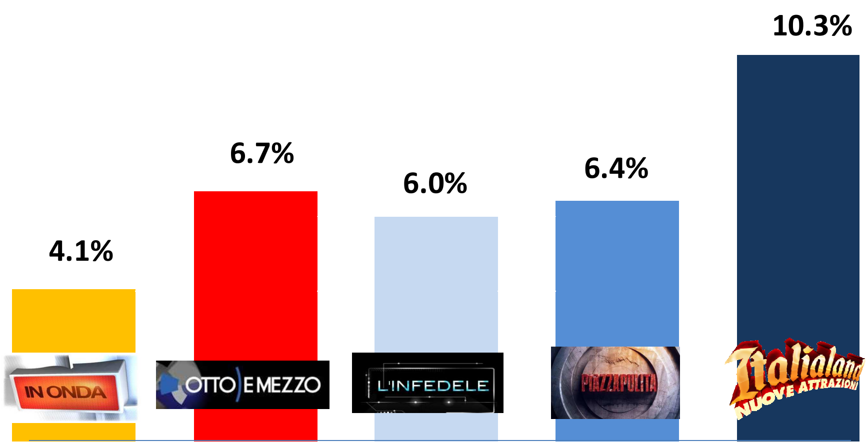
	2011		2010		Change 2011/2010	
	Audience	Share	Audience	Share	Audience	Share
7:00/9:00a.m.	246,720	4.87%	235,451	4.93%	11,269	-0.06%
9:00a.m./12:00p.m.	164,026	2.98%	156,816	3.01%	7,210	-0.03%
12:00/3:00p.m.	458,523	3.07%	379,793	2.63%	78,730	0.44%
3:00/6:00p.m.	330,386	2.96%	343,808	3.18%	-13,422	-0.22%
6:00/8:30p.m.	788,550	4.80%	535,829	3.36%	252,721	1.44%
8:30/11:30p.m.	1,062,417	4.40%	707,770	3.01%	354,647	1.39%
11:30p.m./2:00a.m.	251,258	3.28%	204,350	2.84%	46,908	0.44%

Only the afternoon slot — most severely affected by the rise in digital offerings — showed signs of suffering. The early evening is the time of day in which the greatest percent growth was achieved, owing to the evening news show hosted by Enrico Mentana, whose news programs have met with approval in all editions presented:



Source: Auditel – Target: Total individuals – Total 2011

Driven by the success of the 8:00 pm edition of TG LA7, La7 recorded a 4.40% average share in the most prestigious time slot, exceeding one million of average viewers and achieving in several evenings higher shares than its direct competitors, Rai and Mediaset, thanks to its main programs:



Source: Auditel – Target: Total individuals – Total 2011

ANALYSIS OF RESULTS

Enrico Mentana's La7's **TG news program** fits perfectly with La7's style and continues to revitalize the network in all its editions.

In the fall of 2011, the 8:00p.m. edition obtained an average share of 10.2% (the weekday edition was at 11%), which is the equivalent of an average audience of more than 2.5 million viewers (2,554,000) and closed 2011 with an annual average of 9.55%, a 4.5 point rise in share compared to the 4.98 in 2010.

Again in the fall of 2011, the 1:30p.m. early afternoon edition achieved an average share of 6.3% equal to an average audience of 1,139,000 individuals, and closed 2011 at 5.71%, marking an improvement on the 4.39% obtained during this slot in 2010.

The 7:30a.m. edition achieved an average share in the fall of 4.6%, which took the annual average to 4.88%.

Among the news special editions produced by the TG editorial team in the last quarter, worthy of note are the audience figures during prime time on November 4, covering the dramatic events of the Genoa floods, when audience share reached 4.19% with 3,737,000 contacts.

Bersaglio Mobile, the exclusive interview program presented by Mentana, obtained a 4.29% share and more than 5 million contacts (5,415,000) on December 7, with an episode dedicated to the arrest of Michele Zagaria, the Italian Mafia boss known as "The Gomorrah King", enhanced by the presence of Roberto Saviano.

Omnibus, the classic morning appointment, which underwent several changes introduced by Mentana and is divided into two complementary parts (first a news update and then further discussion and commentary on the main events), achieved an fall share of 4.9% and closed 2011 at 5.11%, in line with the results for 2010.

The current events program aired from 9:30a.m. that investigates the social implications of the life of the country, **Coffee Break**, hosted by Tiziana Panella, with the assistance of some of La7's established faces, such as Enrico Vaime and Paolo Sottocorona, in the fall achieved an average share of 4.0% and closed 2011 at 3.31%, to establish its place in the ratings.

One of the fall's new offerings deserving special mention is **L'Aria che Tira**, the new economics program hosted by Myrta Merlino broadcast straight after Coffee Break: in the reporting period this program recorded an average share of 3.1%, immediately obtaining the stamp of approval from this morning slot's particular audience.

Another network classic, firmly located in the weekday evening prime-time access, is **Ottoemezzo** with Lilli Gruber, which, in the fall of 2011, achieved an average of 7.2% audience share and more than 2 million viewers per average minute (2,033,000), closing 2011 at 6.69%, up by almost 3 share points over 2010 (3.93%).

During the weekend, **In Onda** continues to be at the center of La7's prime-time access for the in-depth news segment. This program is hosted by a new pair of presenters (Nicola Porro has accompanied the existing presenter, Luca Telese, since mid-September 2011) and in the last quarter of 2011 obtained an average share of 3.3% with more than 4 million contacts (4,150,000). The program closed 2011 with an excellent 4.1% average share, including the summer edition.

On the air since 2002, **L'Infedele**, the program which is strongly characterized by its presenter, Gad Lerner, differs from the variety of television talk shows due to its originality (guests outside the usual media system)

and its sharp focus on social issues. It recorded an average share in the fall of 5.6% (despite the very strong competition of Fiorello's show) closing 2011 with a 5.99% share and with 1.4 million (1,397,000) average viewers with a marked increase over 3.71% in 2010.

Piazzapulita, the talk show of Corrado Formigli, another of La7's new arrivals in the fall of 2011, which offers an alternative to the time slot left by Santoro on Thursday evenings, obtained an average share of 6.4% which represents an audience of 1,386,000 viewers.

La7's new shows included the three appointments with Professor Romano Prodi, **Il mondo che verrà**, aired on Tuesday at 11:00p.m. from the hall of the Stabat Mater of the Archiginnasio of Bologna, in which Prodi compares the world economy's present and future with young university students. The debate, marked by calm and measured tones, is moderated by Natasha Lusenti and obtained a 3.93% average share with an average of 2.5 million contacts.

The fall of 2011 also saw the launch of Gianluigi Nuzzi's investigations, **Gli Intoccabili**, which, from the very second episode (Wednesday, December 7) recorded a 8.9% share with 1,219,000 average viewers and the week after took prime time position where it obtained 4.4% with an average audience of almost one million.

La7's ENTERTAINMENT is not pure escapism, but is designed to make the viewer reflect.

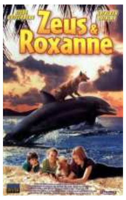
During the day time, **G' Day**, the early evening appointment presented by Geppi Cucciari, has really established itself. This program alternates interviews with the daily guest placed in a fridge with surreal clips and interviews, obtaining a steadily increasing average fall share of 3.0% (in fact the year closed with a lower share of 2.59%).

Again during the day time, La7 has added, between 12:30a.m. and 1:30p.m. Monday to Friday, **I Menù di Benedetta**, where Benedetta Parodi's reassuring and reliable face provides different recipes every day, entertaining the public with a variety of guests. The program closed 2011 with a brilliant 2.85%, representing almost a one point improvement over the 1.96% recorded by La7 in the same hourly slot during 2010.

The face that most represents La7 entertainment is definitely Maurizio Crozza, who, after last spring's two Italialand special editions, in the fall launched **Italialand Nuove Attrazioni**, a veritable one-man show in which the Genoa comic gives an ilarious and satirical slant to political, economic and social issues. Over its 9 episodes the show obtained an exceptional average share of 10.3% with 2,762,000 average viewers.

At the end of the show, some of his comic moments taken from previous La7 experiences are repeated in the program **Italialand Antiche Attrazioni**, which obtains an average share of 6.66%.

Fiction played a central role in La7's fall programming,

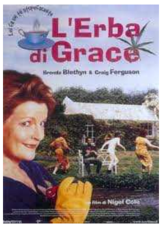


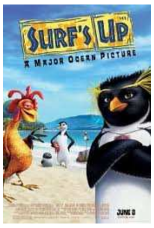
starting with the **early afternoon movies,** which obtained an average share of 3.3% in the season and offered such titles of the caliber of: **Children of a Lesser God**, shown on September 20, which obtained an average share of 4.5%, **Legend of the Lost**, transmitted on October 25, which obtained a share of 4.9%, and **Zeus and Roxanne**, which obtained an average share of 5.0% on November 11.

Moving on to **Midsomer Murders**, with a double slot: the daily afternoon one between September and October, which gained a 3.5% share, and the evening slot from October onwards which obtained a 3.1% share, up to the Christmas evening episode which achieved a 4.0% share with almost 850 thousand viewers per average minute.

October saw the conclusion of the **Millennium trilogy**, taken from Stieg Larsson's series of successful novels and the movie of which, on release in cinemas, was produced by Hollywood; the mini-series obtained, overall, 3.6% average share with more than 850 thousand viewers per average minute and 13,800,000 contacts.

Prime time movies are an unmissable date for La7's viewers, and in the last quarter again recorded high viewing levels; the titles aired include **Saving Grace** (Wednesday December 28, 4.0% share with almost 1.1 million viewers), **The Women** (TV première of the movie with Meg Ryan and Eva Mendes, Sunday October 2, 3.7% share), **Chocolat** (Wednesday December 21, 3.6% share), the computer-animated comedy **Surf's Up**, for the first time broadcast on Christmas Eve (share 3.6%) and, for the **La Valigia dei Sogni** program, **Don't Look Now... We're Being Shot At! – La Grande Vadrouille** (Tuesday December 27, 4.1% share and more than 1 million viewers). Mention should also be made of the **Silvio Forever** program, first shown on September 8 as part of the Film Evento cycle and repeated on November 9, the day after the fall of the Italian Prime Minister, collecting a 5.3% average share with 1,420,000 viewers per average minute.



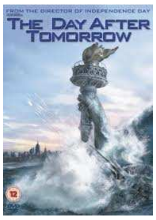


FILM EVENTO

And mention should be made of two prime-time slots dedicated to **Film Evento**, the La7 program in which a film is viewed with a guided commentary by Enrico Mentana:

Friday October 14 with the movie **Viva Zapatero!**, which obtained an average share of 8.7% with an average of 2,358,000 viewers, followed by the debate which collected 6.9% with an audience of 1,170,300 viewers; overall the evening was viewed for at least one minute by 7,200,000 people;

Sunday November 13 with the docu-film **Videocracy**, which obtained a 7.8% share and an average of almost 1 million viewers; the broadcast was introduced by a debate, which in turn garnered 1,849,000 viewers for a 7.2% share and the evening recorded overall 7,774,000 contacts.



Finally, mention should be made of the evening of December 30 dedicated to the delicate question of climate in the world and in Italy: in prime-time access the program **Allarme Italia** hosted by Mario Tozzi (48% share with an average of 1,282,000 viewers) introduced the broadcast of the film **The Day After Tomorrow**, which recorded an excellent 6.9% share with more than 1.6 million average viewers per minute (1,632,000).

Over the last quarter, SPORTS were present in the following varieties:

the return of **Basketball** to unencrypted TV broadcaster registered almost 9.5 million overall contacts in the 13 matches transmitted, 2,100,000 of which during the Italian Supercoppa match at the beginning of the season between Siena and Cantù teams.

To raise basketball's profile further, La7 offered the weekly edition **Sottocanestro**, which achieved a 2.9% average share, with peaks of more than 4% (November 18: 4.09% with more than 540 thousand average minute viewers);

Soccer with the **Coppa Italia** league: November 24 staged the Fiorentina–Empoli Tuscan derby which obtained an average share of 2.65% with an average of 480 thousand viewers and 2,157,000 contacts;

the **Superbike World Championship** ended the 2011 season with 5.12% average share, but above all with 620,500 viewers per average minute and 19.3 million Italians who watched at least one minute over the year. In particular, the average viewing figure represents the highest absolute value for the sport which has been aired on La7's frequencies (formerly TMC) for a good 12 years.

Advertising Sales

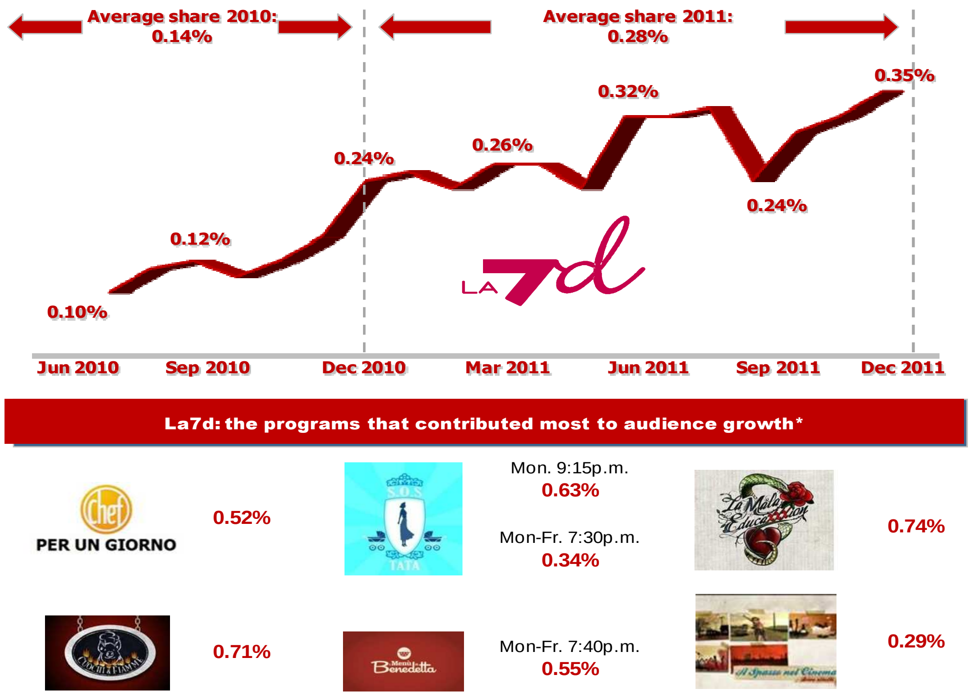
Gross advertising sales for 2011 amounted to Euro 9.6 million, an increase of Euro 3.6 million over 2010 (+59.0%).

In 2011, 310 companies advertised on the network, spending an average of Euro 30,457: 106 more than 2010 advertisers (204).

A total of 22 customers advertised on La7d alone (without being present on La7) spending Euro 471,400.

Audience Share

In 2011 La7d obtained an average share of **0.28%** over the whole day (7:00a.m./2:00a.m.), rising steadily to 0.35% in December 2011, up 46% compared to the end of 2010 (0.24%). The fall season was very positive (0.30%), with a 20% increase over the spring season of the same year (0.25% share). Due to the launch of new digital broadcasters in 2011 (such as Mediaset Extra, Italia 2, Cielo, etc.), La7d did not rise in the DTT channel ranking. The channel continues however to hold up well with the female and young adult audience.



(*) Average audience share for the period from January 1 to December 31, 2011

Since the beginning of the year a good 33 million Italians watched La7d for at least 1 minute: this is an important audience representing 58.5% of the population. On average in one day the network recorded 2.3 million contacts, a rise of almost one million compared to 2010 (+969,000). La7d's growth, rather than penalizing La7's share, has complemented it. Since the channel is aimed at a specific public, it brings the Network about a million new contacts (955 thousand) on an average day (these are people that La7 would not otherwise have reached).

Some of the most successful programs on La7d include:

Cuochi e Fiamme, the cookery show presented by Simone Rugiati, successfully occupies the prime time access slot (6.30p.m.), with an excellent fall figure of 0.80% (0.71% for the year). The morning repeats register 0.41% (0.37% for the year). In the prime-time offerings (double episode), on the other hand, the program reached a fall figure of 0.28% (0.29% for the year).

The repeat of **I Menu' di Benedetta**, shown at 7.30p.m., obtained an average share of 0.59% (broadcast only in the fall season). In the morning, the repeat of the same program garnered 0.37%.

In prime time, **Crossing Jordan** obtained a fall average share of 0.72% and in the same programming slot another series, **Leverage,** recorded a respectable 0.30% in the fall.

In this slot, movie offerings reached an average of 0.25% in the fall (0.29% in 2011), whilst **Missione Natura** reached 0.29% in the autumn (0.30% in the year).

In the late-evening slot, **La Mala Educaxxxion**, an exclusive La7d production in its first season, achieved an important result of 0.74%.

Chef per un Giorno, broadcast in the late evening at weekends, registers 0.51% in the fall (0.52% in the year).

Notturno Femminile, the Friday late evening cycle celebrating auteur films, achieved an excellent value of 0.41%.

One of the events offered by La7d is **Coppa Italia,** broadcast in prime time on November 24, which proved, with 0.64%, that it could also play a role on our native digital network.

Digital Content

Through its Digital Content business, until September 30, 2011, Telecom Italia Media acted as Telecom Italia's exclusive advisor for the design and development of programming, research and the acquisition of media content for use on Telecom Italia's various television platforms (IPTV, CUBO and the Web).

In this framework, Telecom Italia Media also assisted Telecom Italia in the design and creation of the new content offer for CuboVision and the creation of an offer with the following characteristics:

- **linear and on-demand mini-bouquets** (SVOD and PPV) featuring thematic content aimed at specific target audiences;
- **prime-time sessions** (SVOD and PPV) of pay programming not offered according to editorial, thematic and commercial criteria;
- **virtual channels** consisting of playlists of content already included in the subscription and aimed at simplifying access to content and increasing customer loyalty.

Despite encouraging results in terms of volumes and consumption modes of the new offering launched over the course of the year, Telecom Italia has requested that TI Media interrupt as of October 1, 2011, the supply contract, due to substantial downsizing of market growth, including the strong downward impulse of the prices offered by the two main players in the Italian pay TV platforms, to which regulatory issues have also been added, causing the Parent Company to review forecasts for development of the IPTV and OTTV platforms. Furthermore, as already noted on page 12 of this Report, following recent reorganization, Telecom Italia has decided to reunite in the Parent Company all of the editorial activities related to the platforms it manages.

Due to the early termination of the contract, Telecom Italia recognized to Telecom Italia Media an indemnity of Euro 20,500 thousand.

Activities for 2011 contributed revenues amounting to Euro 13,268 thousand, compared to Euro 12,919 thousand for 2010.

• MTV Group

The MTV Group's activities include:

- **MTV One**
  – The historic unencrypted MTV channel, the point of reference for young people with programming that is increasingly focused on entertainment.

- **MTV Music**
  – Channel launched on Digital Terrestrial TV in May 2010, fully dedicated to music and its interpreters.

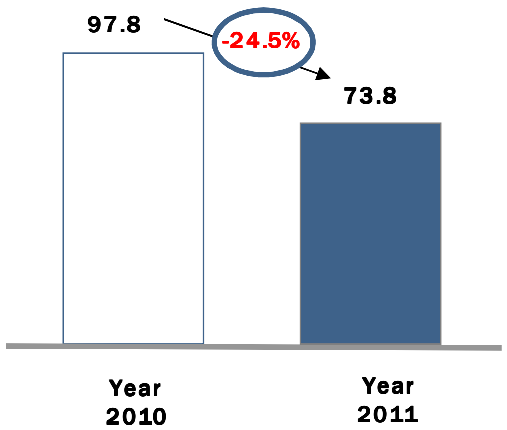
- **Playmaker**
  – MTV Italia’s Business Unit dedicated to creating content and producing events for the entire MTV network and other broadcasters.

- **Multimedia**
  – Design, production and management of content and services for the Internet (interactive sites) and mobile phones (e.g. WAP).

- **Satellite (Music Platform, Nickelodeon and Comedy Central)**
  – Production and management of theme-based channels for satellite platforms.

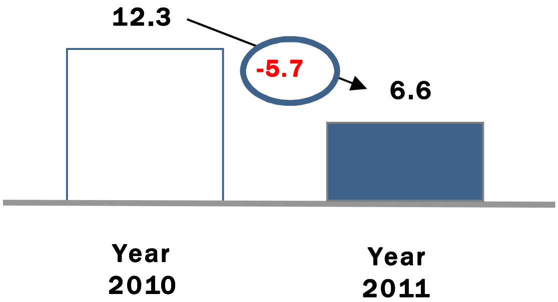
- **MTV Mobile**
  – Partnership with TIM for the first mobile carrier MTV-branded service devoted to young users.

MTV Group revenues (1)
(in millions of euro)



(1) Net of MTV intra-group cancellations.

MTV Group EBITDA
(in millions of euro)



Operating Performance

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
Total revenues	**73,819**	**97,808**	**(23,989)**	**(24.5)**
Other Income	928	945	(17)	(1.8)
Total operating revenues and other income	**74,747**	**98,753**	**(24,006)**	**(24.3)**
Acquisition of goods and services	(54,170)	(69,088)	14,918	21.6
Employee benefits expenses	(12,114)	(14,585)	2,471	16.9
Other operating expenses	(1,644)	(2,393)	749	31.3
Changes in inventories	(195)	(397)	202	50.9
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**6,624**	**12,290**	**(5,666)**	**(46.3)**
Depreciation and amortization	(6,216)	(7,298)	1,082	14.8
Gains/(losses) realized on disposals of non-current assets	(392)	-	(392)	(100.0)
Reversals/(Impairment losses) on non-current assets	(13,550)	-	(13,550)	(100.0)
OPERATING PROFIT (LOSS) (EBIT)	**(13,534)**	**4,992**	**(18,526)**	**n.a.**
OPERATING PROFIT (LOSS) (EBIT) COMPARABLE	**16**	**4,992**	**(4,976)**	**(99.7)**

In 2011, revenues and income of MTV decreased by 24.5%, with a negative effect on operating profitability, which dropped at EBITDA level (Euro 6,624 thousand compared to Euro 12,290 thousand in 2010).

The decline in revenues was faced with incisive action on costs of acquisitions of materials and services, decreased by Euro 14,918 thousand thanks to programming optimization, more extensive use of the library, and containment of labor and other operating costs.
Depreciation and amortization decreased compared to 2010, with a positive effect on operating income, which however declined by Euro 4,976 thousand compared to the previous year.

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
REVENUES				
One	37,313	47,132	(9,819)	(20.8)
MTV Music	3,068	1,384	1,684	121.7
Playmaker	12,982	24,290	(11,308)	(46.6)
of which MTV intra-group cancellations	(4,797)	(8,685)	3,888	44.8
Multimedia (Web)	5,270	5,621	(351)	(6.2)
Satellite - Music Platform	3,371	7,347	(3,976)	(54.1)
Satellite - Nickelodeon/Comedy Central	16,262	17,458	(1,196)	(6.9)
Mobile	1,066	3,449	(2,383)	(69.1)
Other revenues and cancellations	(716)	(188)	(528)	280.9
MTV Group total revenues	**73,819**	**97,808**	**(23,989)**	**(24.5)**

In detail, revenues amounted to Euro 73,819 thousand, down 24.5% compared to 2010 (Euro 97,808 thousand). The decrease was a result of the combined effect of:

- a Euro 9,819 thousand decrease in revenues generated by One due to lower advertising sales;
- the Digital Terrestrial channel MTV Music; the new channel, launched in May 2010, contributed Euro 3,068 thousand to the Company's advertising sales;
- a reduction in Playmaker revenues, which net of intra-group cancellations went from Euro 15,605 thousand in 2010 to Euro 8,185 thousand in 2011;
- a decrease in the revenues generated by the Music Platform satellite channels from Euro 7,347 thousand in 2010 to Euro 3,371 thousand in 2011, reflecting the reduction in prices pursuant to the new agreement with Sky;

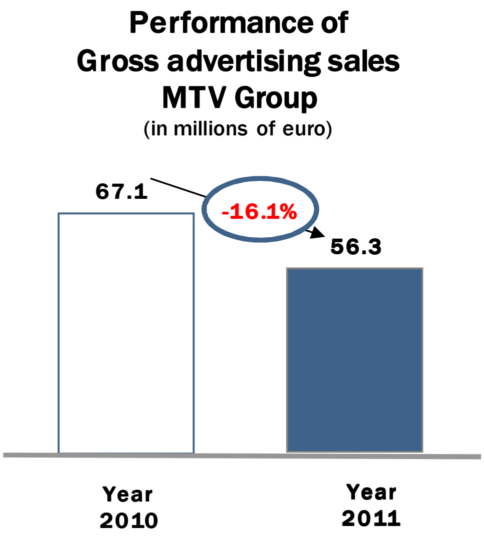
– a drop in net revenues on Multimedia platform channels, which went from Euro 5,621 thousand in the first half of 2010 to Euro 5,270 thousand in 2011;
– a drop in revenues generated by satellite channels Nickelodeon and Comedy Central from Euro 17,458 thousand in 2010 to Euro 16,262 thousand in 2011, due to lower net local advertising sales;
– a decrease in MTV Mobile's sales of Euro 2,383 thousand compared to 2010 due to the decline in business with TIM and the reduction in the variable component of revenues deriving from revenue-sharing for services rendered to clients.

In 2011, comparable EBIT amounted to Euro 16 thousand compared to Euro 4,992 thousand in 2010; including the goodwill writedown attributable to the MTV business unit for Euro 13,550 thousand, this EBIT amounted to Euro 13,534 thousand, as follows:

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
EBIT	(13,534)	4,992	(18,526)	n.a.
Goodwill writedown	(13,550)	-	-	(100.0)
COMPARABLE EBIT	16	4,992	(4,976)	(99.7)

Advertising Sales

Total gross advertising sales decreased by 16.1%, from Euro 67.1 million in 2010 to Euro 56.3 million in 2011.



MTV ITALIA

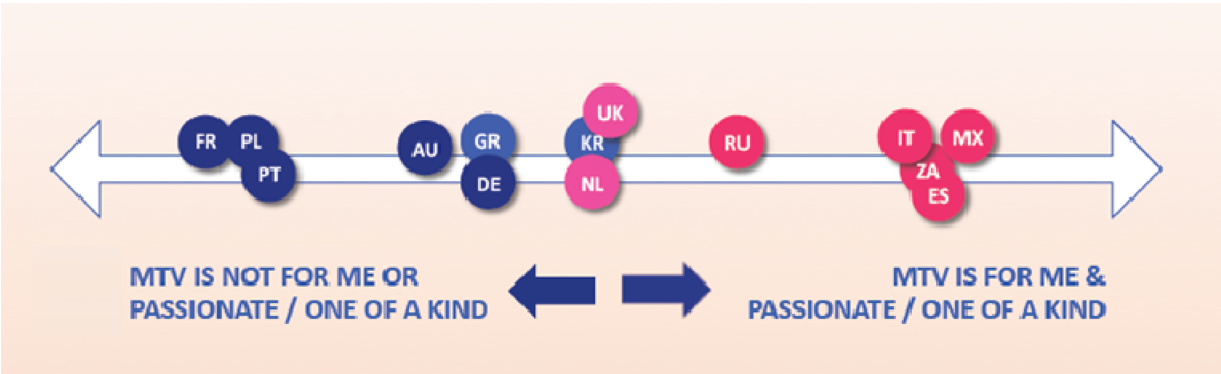
During 2011, MTV took up the challenge of the changing television scenario due to increasing digitalization, which has led to an explosion of the television offer (increasing number of available channels) and a change in the public's viewing habits. This applies particularly to the 15-34 age segment, which represents MTV's elective target audience.
As MTV is very aware of its central driving role in young people's television consumption and cultural preferences, it continued throughout 2011 to invest both in developing a greater **understanding of its public** and **renewing its own offering**.

In order to maintain and nurture the strong and committed relationship binding MTV to its core target audience, during 2011 MTV embarked on a path to increase its knowledge and understanding of young people, which was developed through a program of local and international research. The main step in this process was the ***Brand Study***, an international qualitative-quantitative study involving more than 1,000 young people aged between 14 and 34 in 17 different countries in 4 continents and analyzing their values, attitudes, behavior and television consumption. Its purpose was to understand their identity traits and lifestyles and hence define the role the MTV wants to have in relation to this new generation of so-called *Millenials*.
According to an across-the-board perception, MTV is perceived as a highly distinctive brand, rooted in the daily lives of young people, and recognized as passionate, young, fun, entertaining, dynamic and constantly up-to-date.

Item	% of agreement
Mtv is for young people	86%
Mtv is fun	76%
Mtv keeps me informed on the latest trends and news	75%
Mtv always keeps up with the times, is constantly on the move	74%
Mtv shows different worlds and is in tune with my tastes and moods	64%
Mtv believes in what it does	64%

Source: Basis, *The International MTV Brand Study*, qualitative and quantitative analysis, 1000 respondents, age 14-34

MTV Italia, in particular, emerges as one of the most mature, solid and sophisticated offerings at international level and is distinguished by a very positive perception: it is seen as accessible, original and exciting ("*I love Mtv. It is passionate, exciting and in complete tune with me*"), as summarized in the brand health index comparison (see image below).



Source: Basis, *The International MTV Brand Study*, qualitative and quantitative analysis, 1000 respondents, age 14-34

MTV is recognized as a brand that is engaging and full of vitality ("*energetic*"), "*open minded*", able to entertain ("*fun*") and stimulate its public, that appreciates the programs broadcast under the MTV umbrella. In fact, all the main reasons underlying the relationship with audience refer to feelings of accessibility, identification and empathy *("It's a brand that I can connect with; it's relevant to me; it's a brand for people like me").*

Source: Basis, *The International MTV Brand Study*, qualitative and quantitative analysis, 1000 respondents, age 14-34

Thanks also to the findings of the knowledge-gathering and research process, MTV's offering during 2011 continued to change in line with the needs of the target audience, establishing the **new editorial line.** The main aim of this new line was to strengthen the relationship with the new generations and enhance the power of the brand to be a significant communication partner, capable of offering content, themes, initiatives and personalities meaningful for young Italians.
During the past year, MTV decided to give young people an even greater voice and space through an offering increasingly focused on taking on board and recounting the real lives of the Millenials and offering "tools" and resources for interpreting the increasingly complex world in which we live.

In keeping with this mission, **MTV's offering for 2011** focused on recounting the experiences of being young today, on offering themes and stories that meet the need for **identification and acknowledgment**, obviously without neglecting its talent for **entertainment, daring fun** and **music**, which still represents an important part of the brand's DNA.

I SOLITI IDIOTI

One of the most important products of 2011 is **I Soliti Idioti**, which, now in its fourth edition, always manages to engage right across the board a broad and diverse public, obtaining a **73% awareness** (figures from Brand Study, 2011 qualitative–quantitative survey).
A program distinguished by a well-paced and distinctive unique profile, totally in line with the values of the MTV brand, which focuses particularly on fun, honesty and daring.

During this past year *I Soliti Idioti* consolidated its success, becoming a **360-degree property**, capable of "living" in a multi-media cross-platform context.
After the television program and theater tour, it also launched on the big screen in November with **a film entirely dedicated to the comedy duo**.
In addition, the distinctive content and format of *I Soliti Idioti* has meant that it has become part of young people's social dialogue (becoming a veritable "phenomenon") and instigated a huge level of **web sharing:**

- over 4 million viewings on ONDemand (source: Omniture);
- over 500,000 members signed up with different Facebook groups, established spontaneously by fans;
- over 15,000 contacts generated by the event "Day Cazzo", held in Rome;
- over 30,000 people attending the "MTV – I soliti Idioti" tour.

JERSEY SHORE

Jersey Shore: returning for a fourth season, the most discussed and watched show in MTV's history (the first episode obtained the viewing record in the USA with 8.8 million viewers following the debut). A true television and cultural phenomenon at international level, which has generated comments and reviews by the most famous Italian television critics.

The fourth season of the program — filmed entirely in Italy between Florence, Riccione and Sicily — has created major levels of interest on communication and online media, raising further the visibility of the show, a distinctive product featuring unfiltered dramatic monologue, the authenticity of which gives the program its powerful public appeal.

The programs already on air in 2011 — *I used to be fat, Teen mom* (now in its third edition)*, 16&Pregnant, Plain Jane* — were complemented by a new product in October: *Ginnaste – Vite parallele*.

Source: GN Research, analysis of products and offering, qualitative survey, summer 2011.

Ginnaste - Vite Parallele, the **new docu-reality show produced by MTV Italia**, is the tale of the sporting and emotional life of seven adolescent gymnasts (aged between 14 and 20) who live, study and train in Milan's *Centro Tecnico Federale di Ginnastica Artistica*, in preparation for the 2011 Tokyo World Championships and the 2012 London Olympics.

The passion and fortitude of the young stars, the commitment and determination displayed in achieving their objectives, the courage and desire to make it are the main ingredients of the program. They form the basis for the capacity for **identification and recognition** amongst the general public, who empathize and participate directly and without filters in the daily trials and tribulations faced by the young girls.

Source: GN Research, analysis of products and offering, qualitative survey, summer 2011.

MTV continues to respond to kids' demand for **discovery/information** about the reality of the surrounding world. In this latter part of 2011, **MTV News** is also one of the most significant products and marked by the highest investments in this area: it represents the daily showcase of the world of MTV and one of the most visible products (40 monthly hours in the programming, a partnership with ilcorriere.it, a dedicated and interactive online section on mtv.it).

The topics covered in the new episodes of MTV News included bullying with "Cattive ragazze?" In the week against violence sponsored by the Ministry for Equal Opportunities, Mtv News reported on stories of female bullying, young girls who are in turn victims of a difficult social situation, with non-existent families and school truancy; in the episode *"I ragazzi di Belfast"* on the occasion of the EMAs in Belfast, MTV News tackles the subject of the hard reality of Catholic and Protestant children who live in the Northern Ireland capital, choosing to tell the stories of those young people who are committed to building a future in which the two communities can live peacefully side by side.

Source: Gn Research, MTV News : analysis of format and response to the program, qualitative investigation, January 2011.

MUSIC, which is always central to the experience of today's young people, even if enjoyed in different ways, continues to be recognized as an integral part of MTV's DNA.
The leadership attributed to MTV in the music field is expressed most in **on-the-ground events** — both local and international — which again in 2011 were an **opportunity for the brand to enter directly into contact with its public** and engage it in a collective experience of taking part and fun.

Following on from the enormous successes achieved with the **TRL Awards** and **MTV Days,** which were moments of heightened visibility for the brand and huge public involvement, attracting crowds of more than **20,000** and **100,000** youngsters respectively, the **EMAs** were held in November**.**


Sfida fra i giganti del pop su Mtv in Santa Croce show dei vincitori

TRL AWARDS

La notte della mus ragazza

Panorama

TRL AWARDS 2011

Corriere Fiorentino

Scegli e vota anche tu quale Oscar Mtv vuoi


LA KERMESSE DEL CANALE MUSICALE A PIAZZA CASTELLO

Da oggi a Torino la tre giorni tutta italiana

LEGGO

Libero TORINO

Subsonica e Pezzali a Mtv Days

Mtv Days fratelli d'Italia

Max Pezzali, Caparezza e Subsonica sono gli headliner della tre giorni torinese

LA STAMPA

NAZIONE

LA NOVITÀ

"Mtv Days" Notte in piazza

metro

Mtv Days

The **MTV Europe Music Awards 2011**, the great event hosting the most important music and show biz stars in the world, were held on November 6 in Belfast. The EMAs continue to be a **hugely charged event, in which the MTV brand and its link with the music world are celebrated**, and where both live and televised performances are major crowd-pulling occasions.

More than 8,000 fans took part in the live show from the Odyssey Arena and more than 640 million households and a **potential public of more than 1.2 billion people** were reached by the 2011 EMAs, shown on more than 60 channels worldwide.

For the first time, the MTV EMAs consisted of a **fully integrated show** on all the screens: Selena Gomez represented the link between all the platforms broadcasting the event live and liaised at digital level with fans connected through the network's 200 digital properties and the social networks (with comments on Twitter and on the interactive community mtvema.com).

The music is still the star in local productions with **Spit**: an example of the alternative treatment of music on TV with a product greatly in line with the brand's values and with the needs of young people, focused on **authenticity** and on the desire to offer a **new free space for expression**.

Spit Gala was shown in the early evening on December 22, a special program to introduce the new show (arriving in March 2012) dedicated to all-Italian rap battles, with young freestylers, in an arena surrounded by the public.

MTV MUSIC

MTV Music is the MTV Digital Terrestrial Channel totally **dedicated to music in all of its forms.**

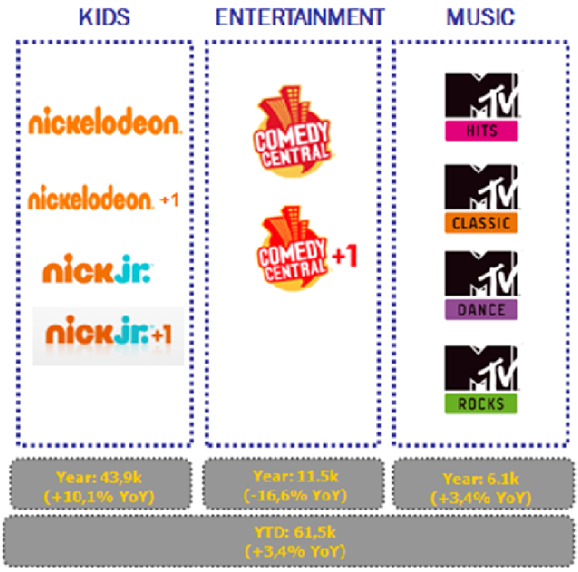
In 2011, as a response to the demands of the reference target audience, it was decided to focus on an approach to music based on narration and storytelling, where the hook for the public is represented by recounting of the life and career of the artists through diverse, original points of view, which highlights their successes, as well as their difficulties and problems.

Behind the Music is the music format charting the careers of the most famous artists in the world today, describing their journeys from the very beginning right through to international success and worldwide fame. Some of the artists covered in the latest programs broadcast have been: Nelly, Ricky Martin, Enrique Iglesias, Missy Elliott and Mary J. Blige.

Another example of the "contemporary" treatment of music close to young people's needs is **From Above: saranno famose** – the From Aboves are five highly talented English girls, who are taking their first steps in the world of show business. To find the road to success, they will move to Texas, under the direction of Mathew Knowles, president of Music World Entertainment (and Beyoncè's father), a man who knows how to transform a group of girls into popstars. The intensive training, lasting 30 days, will include physical training, voice training and dance lessons, and much more.

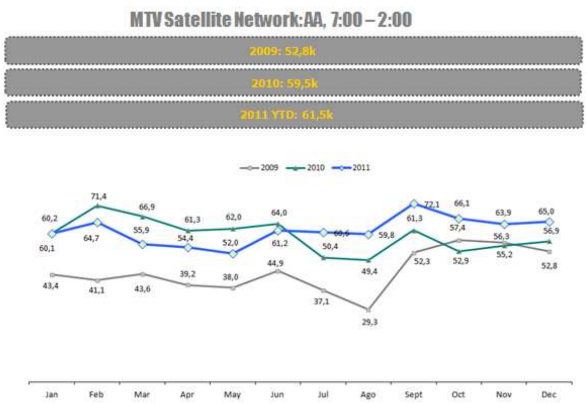
MULTIMEDIALITY

The MTV Viacom Network reached **almost 62 thousand** average minute viewers in 2011 (source: Auditel, 7:00a.m-2:00a.m.; *Pay* individuals*)*. A significant result which establishes it as one of the key players in the world of satellite television.
Thanks to the continual development of its offering and for listening to the requirements of its target audience, our Network with **almost 2 million net contacts** a day continues to retain its leading position even in the new broadened and hyper-fragmented television context.



Source: Auditel, *Total* pay individuals + guests 7:00 a.m.- 2:00 a.m. (% Delta vs FY 2010)

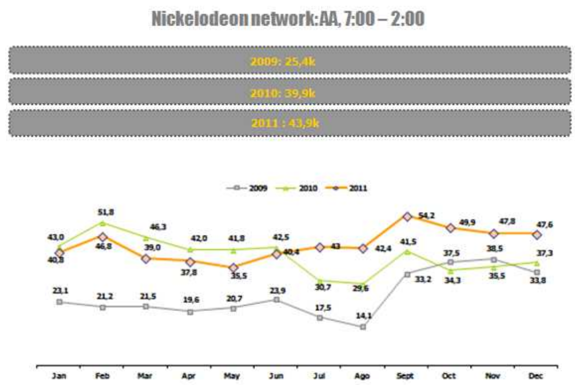
DAILY REACH	
SKY	6,094,334
FOX	3,754,622
DISCOVERY	2,082,143
MTV-VIACOM	**1,886,750**
DISNEY	1,309,601
AXN	1,007,077
TURNER	860,123
SITCOM GROUP	781,557
SWITCHOVER CHANNELS	736,215
DIGICAST	688,327
DE AGOSTINI	563,485
EUROSPORT	463,351
INTERACTIVE	420,437
ESPN	221,135
ELEMEDIA	220,232
GIGLIO GROUP	144,019
ROCK TV	92,087
JIM JAM	91,941
ODEON	37,179



Source: Auditel, Total pay individuals + guests, 7:00 am- 2:00 am

NICKELODEON BRAND

The end of 2011 — with a viewing figure of **44K** up by 10% over last year — confirms Nickelodeon as the central brand in the panorama of the TV offering targeted at kids.
With its 4 channels the Nickelodeon brand represents the centerpiece of Sky's 600 area, generating a quarter of total viewing figures for the satellite kids area (vs. Disney which represents 36% with 8 channels).



Source: Auditel, Total pay individuals + guests, 7:00 am- 2:00 am

Nickelodeon
The fall season's rich and varied offering has demonstrated the channel's ability to communicate with its target audience and to offer programs in line with their needs and expectations.
Nickelodeon confirms its ability to attract its selected public: in 2011 36.6% of viewers were between 8 and 14 years old.

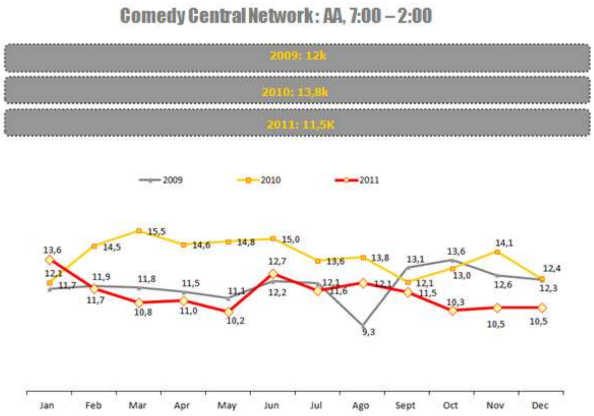
Animation — with the key products **Spongebob** and **The Penguings of Madagascar** — still represents the brand's main access key.
After the huge success of the TV series *The Penguins of Madagascar*, a new partnership between Nickelodeon and DreamWorks led to the **exclusive premiering** on the channel of the first five episodes of **Kung Fu Panda – Legend of Awesomeness.** The animated series met with great public success generating **117K viewers** (consolidated figure for the 8.30p.m.-9.00p.m. time slot; program figure not available).

At the same time **live action** programs (ICarly) have also become more important in the choices of Nickelodeon's public.
Mention should be made, in particular, of the October launch of a new series, **House of Anubis**, the **new TV series for children, full of mystery and complicated enigmas,** starring Nina, an American girl who moves to the United Kingdom to study in a college for pupils with parents overseas. In its time slot, House of Anubis has obtained **an audience of 54K** (7.30p.m.-8.00p.m.; program figure not available): 33.8K of viewers are kids aged 4-14. The figure for the slot in which House of Anubis is shown places Nickelodeon top of Sky's kids networks for this target audience.

Nick Jr
Nick Jr, with an audience of **23K** in the last quarter, beated Disney Junior and ranked **top pre-school channel** in Sky's kids area. The July launch of time shifted viewing was vital in this sense and allowed Nick Jr to grow significantly (+91.3% compared to the last quarter of 2010). Staying faithful to its special vocation as a pre-school product Nick Jr reinforced **its coverage of the 4-7 age bracket target audience,** which comprised 30% of the channel's public, and continued to feature its distinctive **co-viewing** focus (51% of its public were 25-44 year olds).
Another indicator of Nick Jr's health is the **permanence** of viewers on the channel, which amounted to **53 MV** in the last quarter, allowing Nick Jr to achieve the highest permanence in the sector.

COMEDY CENTRAL BRAND

The Comedy Central brand closed 2011 down compared to last year, with a viewing figure of 11.5K. It is the main channel that has suffered most of all due to the combined reduction in contacts and permanence (largely attributable to the area's increasing competitiveness and advent of new comedy-focused offerings). Comedy Central +1, by contrast, seems to manage to capitalize on the change of EPG in terms of visibility (the average daily reach is up from 335k to 427k).



Source: Auditel, Total pay individuals + guests, 7:00a.m.-2:00a.m.

Late evening is the programming slot that obtains the best performances of the day, with a **share of 0.78%** (11.00p.m.-2.00a.m. time slot; Pay individuals) against an average of 0.44% for the entire day (7.00a.m.-2.00a.m.). The greatest difficulties are found during the day time, which continues to represent a problematic issue.

The star features of the evening offering focused on **light entertainment** and **all-Italian comedy** are the stand-up shows. There is a continuation of ***Central Station,*** featuring the new edition with a cast of 20 artists, where the most popular comedians of the previous edition perform alongside new talent, and ***Made in Sud*** a live comedy show from Naples TAM Theatre, presented by Gigi and Ross, providing an opportunity for the South's most genuine comedy tradition to express itself.

In keeping with the nature of a channel dedicated to Italian burlesque comedy, Comedy Central has created a new comedy production, ***Favelas***. A sit-com set inside the relaxation area of a B&B, starring landlords Pali and Dispari – the successful comedy duo formed by Marco Silvestri and Angelo Pisani. A veritable comedy machine that speaks a continually-changing-dynamic language, designing new situations for the public from time to time.

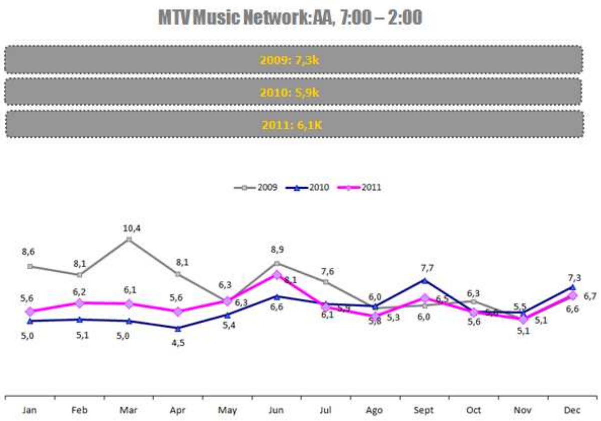
In October, a few weeks after the American launch, **South Park**, the multi-award winning animated series, arrived with its fifth season exclusively on Comedy Central. Thanks also to the strong resonance of the launch campaign, South Park enjoyed a really positive start in terms of viewing figures: the first two episodes, which were broadcast in prime time, were followed by a total of almost **50,000 viewers.**

Program figure not available; program broadcast data.

The mythical ***Zoo di 105***, hosted by Marco Mazzoli, returned to Comedy with a new edition. The television version of the most irreverent Italian radio program is shown daily with an almost completely new cast: the sign of an irrepressible evolution in comedy, which breaks the rules and entertains viewers, in an ever-increasing attempt to tap into and amplify the voice of youth.

MTV MUSIC NETWORK

Within Sky's Music sector, our music network held on to its **leading position** with an average viewing figure in 2011 of **6.1K** and confirmed once again as the **top editor in Sky's Music area**, growing by more than 3% over 2010. This is despite the fact that last year's figure could count on an extra channel (VH1). These results of MTV's music network satellite channels contribute **29% of Sky's entire music area audience.**



Source: Auditel, Total pay individuals + guests, 7:00a.m.-2:00a.m.

MTV Hits, with an average viewing figure for the year up 47% over 2010, is the top channel of Sky's whole music area. The channel's healthy result stems from a clear and immediate pledge (just the hits of the moment), based on a compact program schedule easily accessible to the public.

In particular, the new playlists shown at the end of 2011, which express the channel's pledge in an original and diversified manner, included "*Nuovi talenti italiani*", a program dedicated to new Italian musical talent featuring different videos, live performances and specials every day (some of the performers: Marco Mengoni, Emma, Marracash, Alessandra Amoroso, Modà, Noemi, Marco Carta) and the program *Top 10 Nuovi Talenti Italiani*, the playlist voted for by fans on www.mtv.it/classifiche.

In addition, mention should be made of how the identities of MTV's two music channel networks, **MTV Hits** and **MTV Classic**, have been gradually redefined in 2011, **refocusing their offering on the respective core target audiences**, to the benefit of both.

DIGITAL

The excellent results on the digital side are also confirmed in the last quarter of 2011: the Mtv.it website obtained on average 1.7 million unique visitors (4.9 million for the whole quarter), with more than 36% growth over the previous year (Source: Omniture, unique visitors report, Oct-Dec 2011).

This positive result is affected in large part by the growth of the website's two main areas: **On-demand** and **Charts**, which help to generate almost half the website's PVs.
Watching online videos is becoming increasingly more widespread and central in the way content is enjoyed. In fact, we can report an increase in **video streams** on the website which in the last quarter of 2011 reached almost 18 million, with a 36% increase over the same period in 2010.

In detail, **On-demand** section, which serves 65% of the website's video streams, continued to record excellent performance:

- **pageviews:** 4.7 million/month;
- **visits:** 1.3 million/month;
- **unique visitors:** 624 thousand/month.

One year from the on-demand launch, the rate of website returners rose from **34%** to **60%** (+76% YoY), with on-demand reaching 75% of returners (October 2011 vs. October 2010).

The **top performers of the on-demand area** are:

- Jersey Shore: 3.5 million streams in the quarter;
- Ginnaste: 2.7 million streams in the quarter;
- Soliti Idioti: 1.1 million streams in the quarter.

MTV's mobile platforms and the related user basin also continue to perform excellently. Iphone sessions increased from 374 thousand to 506 thousand recording YoY growth of +35% and Android sessions reached a threshold of 390 thousand (Source: Flurry Analytics, Oct-Dec 2011 compared Oct-Dec 2010).

Source: Omniture, unique visitors report, Oct-Dec 2011

MTV Mobile

In 2011, MTV Mobile's revenues amounted to Euro 1,066 thousand, decreasing by Euro 2,383 thousand compared to the same period of 2010 as a result of the decline in business volumes.

There were 118,019 new subscribers in 2011 and 347,304 since launch in July 2008, 25% of whom came from other operators. The company sold an average of 385 new contracts a day from January to December 2011.

- ## Network Operator

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
Total revenues	**54,941**	**76,081**	**(21,140)**	**(27.9)**
Other income	908	1,147	(239)	(20.8)
Total operating revenues and other income	**55,849**	**77,228**	**(21,379)**	**(27.7)**
Acquisition of goods and services	(26,705)	(28,938)	2,233	7.7
Employee benefits expenses	(3,850)	(3,361)	(489)	(14.5)
Other operating expenses	(2,307)	(10,202)	7,895	77.4
Changes in inventories	-	(21)	21	100.0
Internally generated assets	-	21	(21)	(100.0)
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**22,987**	**34,727**	**(11,740)**	**(33.7)**
Depreciation and amortization	(24,622)	(24,691)	69	0.3
Gains/(losses) realized on disposals of non-current assets	14	171	(157)	91.8
Reversals/(Impairment losses) of non-current assets	(43,100)	-	(43,100)	(100.0)
OPERATING PROFIT (LOSS) (EBIT)	**(44,721)**	**10,207**	**(54,928)**	**n.a.**
OPERATING PROFIT (LOSS) (EBIT) COMPARABLE	**(1,621)**	**10,207**	**(11,828)**	**n.a.**

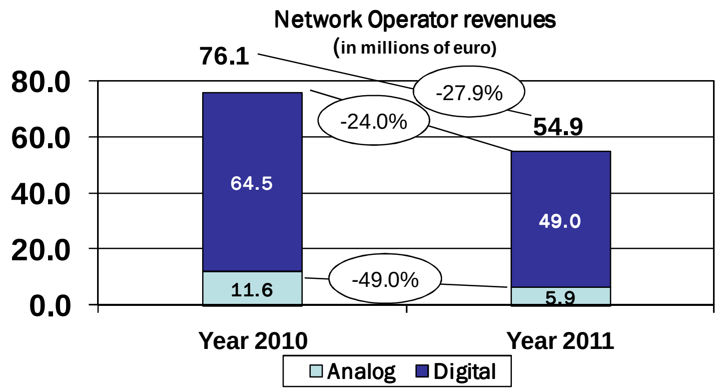
The network operator recorded revenues of Euro 54,941 thousand, down Euro 21,140 thousand compared to 2010. This decrease was due mainly to the termination of the contract with Dahlia TV following its liquidation in January 2011 and was only partially offset by new agreements for the rental of digital bandwidth. In 2010, revenues from Dahlia amounted to Euro 25,561 thousand.

Revenues from sales to companies of the Telecom Italia Media Group were Euro 29,078 thousand, substantially in line with 2010, even if the performance varied in accordance with its components. In fact, despite a reduction in revenues from La7 and MTV's analog network management (Euro -5,846 thousand) due to the shut-off of analog facilities in the regions where the switch-off occurred in 2010 (1), revenues from the lease of digital bandwidth in the digitalized areas increased (Euro +5,088 thousand compared to 2010).

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
REVENUES				
Analog	5,924	11,617	(5,693)	(49.0)
Digital	49,017	64,464	(15,447)	(24.0)
Total revenues of Network Operator	**54,941**	**76,081**	**(21,140)**	**(27.9)**

(1) The regions where the switch-off occurred in 2010 were: Eastern Piedmont, Lombardy, Veneto, Friuli Venezia Giulia and Emilia Romagna.

In 2011, EBITDA was positive at Euro 22,987 thousand, marking a decrease of Euro 11,740 thousand compared to the previous year. This performance was influenced by the above-mentioned drop in turnover from Dahlia TV, mainly offset by:



- a decline in operating expenses (acquisition of goods and services) amounting to Euro 2,233 thousand thanks to greater efficiency of the network management in terms of coverage achieved notwithstanding the digital network expansion in switch-off areas in 2010;
- lower provisions to the allowance for doubtful accounts amounting to Euro 7,586 thousand.

In 2011, comparable EBIT was Euro -1,621 thousand compared to Euro 10,207 thousand in 2010. This decline was almost fully attributable to the worsening of EBITDA, in addition to lower capital gains realized on disposal of non-current assets (Euro 157 thousand), and only slightly offset by a reduction in depreciation and amortization by Euro 69 thousand.

Including the goodwill writedown for the Network Operator business unit (Euro 43,100 thousand), EBIT totaled Euro –44,721 thousand, as follows:

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
EBIT	**(44,721)**	**10,207**	**(54,928)**	n.a.
Goodwill writedown	(43,100)	-	-	(100.0)
COMPARABLE EBIT	**(1,621)**	**10,207**	**(11,828)**	n.a.

Investments for 2011 amounted to Euro 25,786 thousand. During the year, in line with the switch-off operating calendar, the following regions were digitalized:

- Liguria
- Toscana (+ province of Viterbo)
- Umbria
- Marche

OPERATIONS

- **Hosting services on the digital Multiplexes**

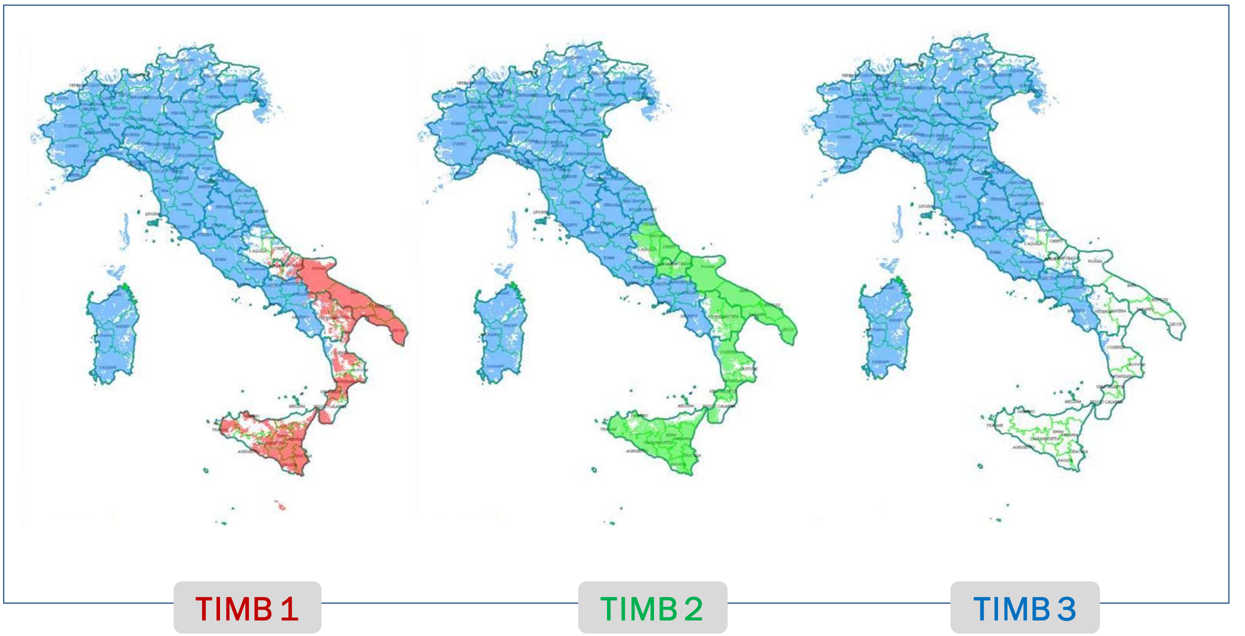
At December 31, 2011, the channels hosted on Telecom Italia Media Broadcasting's MUXes were:

– Telecom Italia Media Group channels
  - La7 and La7d of Telecom Italia Media S.p.A. + La7 HD test phase
  - MTV and MTV Music of MTV Italia

– Third party channels
  - Mediaset Extra and La5 of RTI Group
  - K2, Frisbee and CanalOne of Switchover Media, plus the addition of "DOC-U" in December 2011
  - QVC of QVC Italia
  - Real Time and D-MAX of the Discovery Networks Group
  - HSE 24
  - RTL 102.5
  - STV of De Agostini Editore since December 2011
  - Padre Pio TV, test phase since November 2011
  - SportItalia1, SportItalia2 and SportItalia24 of the Interactive Group, test phase since December 2011

This layout led to the full allocation of the three MUXes of TIMB.

At December 31, 2011, Telecom Italia Media Broadcasting's three digital multiplexes (excluding the fourth, which is currently operational in Sardinia only) covered 90.1%, 94.2% and 75.0% of Italy's population, respectively.
In detail, TIMB3's Multiplex has a coverage of about 95% calculated solely for the regions/areas where the switch-off process has already been completed.
The following table shows Telecom Italia Media Broadcasting's digital multiplexes at December 31, 2011:



- <u>Group Analog Network Management Services</u>

In 2011, the analog network management service continued for the La7 and MTV networks solely in the national territory not yet affected by the switch-off.

- <u>Beauty Contest</u>

By resolution 497/10/CONS, AGCOM established the criteria to be applied during the competitive procedure for the assignment of the internal digital dividend.
The resolution erroneously places Telecom Italia Media on the same footing as RAI and Mediaset, incumbent operators in the terrestrial network market, with the result that, like the latter companies, Telecom Italia Media is also barred from participating in the tender for Lot A, which is open exclusively to incumbents operating no more than one analog network and new market entrants, a category under which AGCOM has now classified SKY Italia that was admitted to the competitive procedure by the EU Commission.
The call for tenders and related rules were published on July 6, 2011 and on the subsequent September 5, Telecom Italia Media Broadcasting, the Group's network operator, submitted three separate applications for the allocation of Lots B.1, B.2 and C.1. The Commission admitted:

- Europa 7 for Lot A.1,
- Dfree, H3G and Canale Italia for Lot A.2
- Dfree and Canale Italia for Lot A.3
- Rai, Mediaset and Telecom Italia Media Broadcasting for Lot B.1
- Rai, Mediaset and Telecom Italia Media Broadcasting for Lot B.2
- Telecom Italia Media Broadcasting for Lot C.1.

SKY Italia, which was permitted to bid for Lot A.2, withdrew from the tender on November 30.

After the passage in December 2011 of three orientations by Italy's Democratic Party, Italy of Values and Northern League, requiring the administration to suspend the procedure for assigning the television frequencies through the beauty contest and identifying a procedure for assigning the frequencies in the general interest of the community, both as regards the financial aspects and the enhancement of pluralism in the television and information sector, on January 20, 2012 TIMB received an official notice from the Ministry for Economic Development suspending the beauty contest for 90 days and granting TIMB 60 days' time to submit any remarks on the matter.
In its reply on February 1, TIMB requested a round-table discussion to be called with a view to identifying possibile remedies for the harm sustained by the Group during the digitalization of analog networks, as well as resolving the dispute on the whole.

OPERATING AND FINANCIAL PERFORMANCE OF THE TELECOM ITALIA MEDIA GROUP

OPERATING PERFORMANCE FOR 2011

FOREWORD

Due to the early termination of the Competence Center agreement with Telecom Italia effective October 1, 2011, Telecom Italia paid Telecom Italia Media an indemnity of Euro 20.5 million. Moreover, in 2011, following the results of the impairment test, consolidated goodwill was written down by Euro 56.7 million. In the interest of greater clarity and a consistent basis of comparison with 2010, in this annual report at December 31, 2011 earnings results have been presented both in comparable terms, i.e., showing the relevant amounts separately, and in overall terms.

Consolidated Separate Income Statement

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
Revenues	238,189	258,474	(20,285)	(7.9)
Other Income	26,287	4,346	21,941	504.9
Of which : Income related to the early termination of the Competence Center agreement	*20,500*			
Total operating revenues and other income	**264,476**	**262,820**	**1,656**	**0.6**
Acquisition of goods and services	(167,150)	(171,000)	3,850	2.3
Employee benefits expenses	(60,715)	(60,947)	232	0.4
Other operating expenses	(8,575)	(16,603)	8,028	48.4
Changes in inventories	9	(1,099)	1,108	100.8
Internally generated assets	-	22	(22)	(100.0)
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**28,045**	**13,193**	**14,852**	**112.1**
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA) COMPARABLE	**7,545**	**13,193**	**(5,648)**	**(43.2)**
Depreciation and amortization	(58,348)	(59,302)	954	1.6
Gains (losses) realized on disposals of non-current assets	(377)	124	(501)	n.a.
Reversals /(Impairment losses) on non-current assets	(56,650)	-	(56,650)	(100.0)
OPERATING PROFIT (LOSS) (EBIT)	**(87,330)**	**(45,985)**	**(41,345)**	**(89.9)**
OPERATING PROFIT (LOSS) (EBIT) COMPARABLE	**(51,180)**	**(45,985)**	**(5,195)**	**(11.3)**
Other income (expense) from equity investments	(56)	(8,772)	8,716	99.4
Finance income	600	831	(231)	(27.8)
Finance expenses	(4,862)	(8,513)	3,651	42.9
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(91,648)**	**(62,439)**	**(29,209)**	**(46.8)**
Income tax expense	8,318	10,990	(2,672)	(24.3)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(83,330)**	**(51,449)**	**(31,881)**	**(62.0)**
Profit (loss) from discontinued operations/Non-current assets held for sale	26	(1,771)	1,797	n.a.
PROFIT (LOSS) FOR THE YEAR	**(83,304)**	**(53,220)**	**(30,084)**	**(56.5)**
Attributable to:				
- Equity holders of the Parent company	**(82,999)**	**(54,372)**	**(28,627)**	**(52.7)**
- Minority interests	(305)	1,152	(1,457)	n.a.

The following table reports the calculation of earnings/(losses) per share:

	Year 2011	Year 2010
- Basic Earnings (loss) per Share:		
- ordinary shares	(0.0574)	(0.0289)
- savings shares	(0.0574)	(0.0289)
of which:		
-. from continuing operations		
- ordinary shares	(0.0574)	(0.0279)
- savings shares	(0.0574)	(0.0279)
- from discontinued operations/non-current assets held for sale		
- ordinary shares	0.0000	(0.0010)
- savings shares	0.0000	(0.0010)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year 2011	Year 2010	Change
Profit (loss) for the year	**(83,304)**	**(53,220)**	**(30,084)**
Other components of the statement of comprehensive income	-	-	
Comprehensive profit (loss) for the year	**(83,304)**	**(53,220)**	**(30,084)**
Attributable to:			
- Equity holders of the Parent company			
> Profit (loss) from continuing operations	(83,025)	(52,601)	(30,424)
> Profit (loss) from discontinued operations/Non-current assets held for sale	26	(1,771)	1,797
- Profit/(Loss) for the year attributable to equity holders of the Parent Company	(82,999)	(54,372)	(28,627)
- Minority interests			
> Profit (loss) from continuing operations	(305)	1,152	(1,457)
> Profit (loss) from discontinued operations/Non-current assets held for sale			
- Profit (loss) for the year attributable to Minority Interests	(305)	1,152	(1,457)

Year 2011	***238,189***
Year 2010	***258,474***
Abs. change	*(20,285)*
Change %	*(7.9)*

Sales and service revenues for 2011 amounted to Euro 238,189 thousand, down Euro 20,285 thousand compared to Euro 258,474 thousand for 2010 (-7.9%).
In detail:

- **TI Media – La7's** revenues increased by Euro 24,251 thousand (+21.0%), from Euro 115,616 thousand for 2010 to Euro 139,867 thousand in 2011. Advertising revenues from Cairo agency increased by 25.0% compared to 2010, with net advertising sales amounting to Euro 114,898 thousand compared to Euro 91,920 thousand for 2010. In detail, advertising sales benefitted from the excellent audience performance of La7, which achieved an average daily share of 3.8% in 2011.
  Revenues from the Competence Center activities of Telecom Italia (Euro 13,268 thousand) increased compared to the same period of 2010 (Euro 9.1 thousand); activities were discontinued on September 30, 2011 due to early termination of the contract (see page 12). Revenues for 2010 were Euro 12,919 thousand;

- **MTV Group's 2011 revenues** decreased by Euro 23,989 thousand (-24.5%), from Euro 97,808 thousand in 2010 to Euro 73,819 thousand in 2011. The reduction was marked by:
  - a Euro 9,819 thousand decrease in revenues generated by One due to lower advertising sales;
  - the Digital Terrestrial channel MTV Music; the new channel, launched in May 2010, contributed Euro 3,068 thousand to the Company's advertising sales;
  - a reduction in Playmaker revenues, which net of intra-group cancellations went from Euro 15,605 thousand in 2010 to Euro 8,185 thousand in 2011;
  - a decrease in the revenues generated by the Music Platform satellite channels from Euro 7,347 thousand in 2010 to Euro 3,371 thousand in 2011, reflecting the sharp reduction in prices pursuant to the new agreement with Sky;
  - a decrease in net revenues on Multimedia platform channels, which passed from Euro 5,621 thousand in the first half of 2010 to Euro 5,270 thousand in 2011;
  - a drop in revenues generated by satellite channels Nickelodeon and Comedy Central from Euro 17,458 thousand in 2010 to Euro 16,262 thousand in 2011, due to lower net local advertising sales;
  - a decrease in MTV Mobile's sales of Euro 2,383 thousand compared to 2010 due to the decline in services rendered to TIM and the reduction in the variable component of revenues deriving from revenue-sharing for services rendered to clients;

- the **Network Operator's revenues** decreased by Euro 21,140 thousand (-27.9%), going from Euro 76,081 thousand in 2010 to Euro 54,941 thousand in 2011. The decline was mainly attributable to lower revenues compared to 2010 from Dahlia (Euro **25,561** thousand), whose activities were discontinued at the beginning of 2011, and was only partially offset by new agreements for the lease of bandwidth.

(in thousands of euro)	Year 2011	Year 2010	Change abs.	%
Telecom Italia Media S.p.A.	***139,867***	***115,616***	***24,251***	***21.0***
La7 TV channel advertising sales	117,116	95,222	21,894	
La7D TV channel advertising sales	6,953	4,302	2,651	
Digital Content	13,268	12,919	349	
Media Services	829	385	444	
Multimedia/Web (La7.it and La7.tv)	1,701	2,788	(1,087)	
Other revenues				
MTV Group	***73,819***	***97,808***	***(23,989)***	***(24.5)***
One	37,313	47,132	(9,819)	
MTV Music	3,068	1,384	1,684	
Playmaker	12,982	24,290	(11,308)	
of which MTV intra-group cancellations	*(4,797)*	*(8,685)*	*3,888*	
Satellite - Music Platform	3,371	7,347	(3,976)	
Multimedia (Web)	5,270	5,621	(351)	
Satellite - Nickelodeon / Comedy	16,262	17,458	(1,196)	
Mobile	1,066	3,449	(2,383)	
Other revenues and cancellations	(716)	(188)	(528)	
Network operator (TIMB)	***54,941***	***76,081***	***(21,140)***	***(27.9)***
Analog	5,924	11,617	(5,693)	
Digital	49,017	64,464	(15,447)	
Consolidation adjustments	*(30,438)*	*(31,031)*	*593*	
Total Telecom Italia Media Group	**238,189**	**258,474**	**(20,285)**	**(7.9)**

Year 2011	***26,287***
Year 2010	***4,346***
Abs. change	***21,941***
Change %	***n.a.***

In 2011, **other revenues** amounted to Euro 26,287 thousand and included the Euro 20,500 thousand indemnity paid by Telecom Italia Media S.p.A. in relation to the early termination of the Competence Center agreement; net of the above-mentioned income, the improvement amounted to Euro 1,441 thousand and was mainly attributable to the release of the provisions due to the extinction of several legal and contractual litigations. This item can be broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change
Use of writedown provisions and other operating provisions	4,033	2,964	1,069
Recovery of personnel costs	24	55	(31)
Recovery and reimbursements of services, use of property not owned	1,115	607	508
Other reimbursements	7	387	(380)
Other revenues and extraordinary income	608	333	275
Total before income related to Competence Center	**5,787**	**4,346**	**1,441**
Income related to the early termination of the Competence Center agreement	***20,500***	**-**	***20,500***
Total other income	**26,287**	**4,346**	**21,941**

Year 2011	*28,045*
Year 2011, comparable	*7,545*
Year 2010	*13,193*
Abs. change	*14,852*
Abs. change (comparable)	*(5,648)*
Change %	*112.1*
Change % (comparable)	*(43.2)*

EBITDA for 2011 amounted to Euro **28,045** thousand, improving by Euro 14,852 thousand compared to 2010 (Euro 13,193 thousand), thanks to the contribution of the income of Euro 20,500 thousand related to the indemnity for the early termination of the Competence Center contract. Excluding this income, and therefore on a like-for-like basis, EBITDA amounted to Euro 7,545 thousand, decreasing by Euro 5,648 thousand.

The change was mainly a result of the following factors:

– EBITDA of TI Media – La7, which includes the above-mentioned Euro 20,500 thousand indemnity, was Euro -1,549 thousand, marking a Euro 34,069 thousand improvement compared to 2010 (Euro -35,618 thousand); on a like-for-like basis, EBITDA amounted to Euro -22,049 thousand, improving by Euro 13,569 thousand compared to 2010. This trend was attributable to the rise in advertising sales, as previously described, which offset the higher operating costs relating to the programming expenses of channels La7 and La7d;

– EBITDA of the MTV Group was Euro 6,624 thousand, decreasing by Euro 5,666 thousand compared to 2010 (Euro 12,290 thousand) due to the reduction in revenues arising from lower advertising sales and the Mobile and Satellite business, only partially offset by the containment of operating costs aimed at optimizing the programming and reducing employee expenses;

– the Network Operator's EBITDA went from Euro 34,727 thousand in 2010 to Euro 22,987 thousand in 2011, decreasing by Euro 11,740 thousand due to the above-mentioned decline in revenues, which was only partially offset by a decline in operating expenses subsequent to the greater efficiency of the network management, achieved notwithstanding the digital network expansion in switch-off areas in 2011.

The following table shows the breakdown by business unit:

(in thousands of euro)	Year 2011	Year 2010	Change
Telecom Italia Media S.p.A.	(1,549)	(35,618)	34,069
MTV Group	6,624	12,290	(5,666)
Network Operator	22,987	34,727	(11,740)
Other activities and adjustments	(17)	1,794	(1,811)
EBITDA	**28,045**	**13,193**	**14,852**
Telecom Italia Media S.p.A.	(22,049)	(35,618)	13,569
MTV Group	6,624	12,290	(5,666)
Network Operator	22,987	34,727	(11,740)
Other activities and adjustments	(17)	1,794	(1,811)
COMPARABLE EBITDA	***7,545***	***13,193***	***(5,648)***

In detail, the following factors impacted EBITDA at December 31, 2011:

Year 2011	*(167,150)*
Year 2010	*(171,000)*
Abs. change	*3,850*
Change %	*2.3*

<u>Acquisitions of goods and services</u> amounted to Euro 167,150 thousand, down by Euro 3,850 thousand (2.3%) compared to 2010 (Euro 171,000 thousand), as analyzed below:

(in thousands of euro)	Year 2011	Year 2010	Change
Acquisition of goods and services	**2,862**	**3,470**	**(608)**
Services	**119,265**	**117,993**	**1,272**
Professional services and consultancy	30,022	32,069	(2,047)
Television programs under contract	26,065	18,082	7,983
Costs of MTV advertising agency	6,372	6,925	(553)
Electricity	4,710	4,654	56
Travel and accommodation	2,979	3,771	(792)
Production service, location filming and troupe	9,242	9,746	(504)
Commissions, fees and other commercial expenses	3,392	5,355	(1,963)
Agencies and news and sport services	3,583	3,769	(186)
Advertising and promotion expenses	5,870	4,929	941
Signal conveyance, connections, inter-connections, telephone	6,223	6,008	215
Dubbing and editing	820	1,146	(326)
Editing of external operations	1,416	1,733	(317)
Outsourcing	2,706	2,644	62
Distribution and stocking costs	1,432	882	550
Insurance	439	422	17
T&E services	385	590	(205)
Other costs for services	13,609	15,268	(1,659)
Use of property not owned	**45,023**	**49,537**	**(4,514)**
Program rights and other royalties	22,742	25,225	(2,483)
Fees for the use of satellite and high-frequency systems	10,300	10,691	(391)
Real estate rents	5,574	5,368	206
Rental fees and other costs for the use of property not owned	6,407	8,253	(1,846)
Total acquisition of goods and services	**167,150**	**171,000**	**(3,850)**

Year 2011	*(60,715)*
Year 2010	*(60,947)*
Abs. change	*232*
Change %	*0.4*

Employee expenses for 2011 amounted to Euro 60,715 thousand, essentially in line with 2010 (Euro 60,947 thousand), and included Euro 2,461 thousand (Euro 2,774 thousand in 2010) primarily attributable to provisions for employment-related disputes with employees and social-security institutions. Moreover, personnel leaving incentives amounted to Euro 426 thousand (Euro 300 thousand in 2010). Excluding these items, employee expenses amounted to Euro 57,828 thousand, essentially in line with the previous year (Euro 57,873 thousand).

The workforce at December 31, 2011 numbered 728, with a decrease of 5 resources compared to December 31, 2010. This decline included an overall decrease of fixed-term resources by 10 units (TI Media +1, MTV Group -11) and an overall increase of indefinite-term resources by 5 (TI Media +15, Network Operator -1, MTV Group -9). In particular, the increase (15 employees) in TI Media's indefinite-term personnel was mainly attributable to the stabilization of some employment relationships and the internationalization of External Relations activities.

The breakdown by business unit at December 31, 2011 was as follows:

(units)	12/31/2011	12/31/2010	Change
TI Media SpA	497	481	16
MTV Group	181	201	(20)
Network operator	50	51	(1)
Group Total	**728**	**733**	**(5)**

The following tables show the exact and average workforce broken down by category:

EXACT WORKFORCE	TI MEDIA	MTV ITALIA	MTV PUBBLICITA'	TIMB	TOTAL
Executives	21	6	3	2	*32*
Middle managers	77	35	4	7	*123*
Journalists	97	1			*98*
White collars	300	107	25	40	*472*
Blue collars	2			1	*3*
Total workforce	**497**	**149**	**32**	**50**	**728**
Temporary staff (not included in total workforce)	29	6	2	0	**37**

AVERAGE WORKFORCE	TI MEDIA	MTV ITALIA	MTV PUBBLICITA'	TIMB	TOTAL
Executives	19.0	6.1	3.0	2.0	*30.1*
Middle managers	73.7	31.0	4.5	7.9	*117.1*
Journalists	93.2	1.0			*94.2*
White collars	293.5	106.3	25.1	39.8	*464.7*
Blue collars	2.0			1.0	3.0
Total workforce	**481.4**	**144.4**	**32.6**	**50.7**	**709.1**
Temporary staff (not included in total workforce)	63.4	5.0	1.6	0.8	**70.8**

Year 2011	*(8,575)*
Year 2010	*(16,603)*
Abs. change	*8,028*
Change %	*48.4*

Other operating expenses for 2011 amounted to Euro 8,575 thousand, a decrease of Euro 8,028 thousand compared to 2010 (Euro 16,603 thousand). They included:

(in thousands of euro)	Year 2011	Year 2010	Change
Write-downs and charges connected with receivables management	3,689	12,451	(8,762)
Provisions for risks and other provisions	518	625	(107)
Concession fees for the exercise of TLC activities	1,815	1,742	73
Taxes, stamps and levies	202	256	(54)
Associations fees	321	263	58
Other expenses and charges	2,030	1,266	764
Other operating expenses	**8,575**	**16,603**	**(8,028)**

In detail, writedowns and charges connected with receivables management decreased from Euro 12,451 thousand in 2010 to Euro 3,689 thousand in 2011, due to the inclusion in the 2010 figures of Euro 9,657 thousand in writedowns of receivables claimed from the Network Operator's clients (in particular, Dahlia TV). The figure at December 31, 2011 was primarily attributable to provisions made by Telecom Italia Media Broadcasting (Euro 2,071 thousand) and Telecom Italia Media S.p.A. (Euro 1,367 thousand).

Year 2011	*(87,330)*
Year 2011, comparable	*(51,180)*
Year 2010	*(45,985)*
Abs. change	*(41,345)*
Abs. change (comparable)	*(5,195)*
Change %	*(89.9)*
Change % (comparable)	*(11.3)*

Operating result for 2011 amounted to a loss of Euro -87,330 thousand compared to a loss of Euro -45,985 thousand in 2010, with a decrease of Euro 41,345 thousand. Excluding the above-mentioned indemnity of Euro 20,500 thousand and Euro 56,650 thousand for the goodwill writedown as a result of the impairment test, operating result was Euro -51,180 thousand, decreasing by Euro 5,195 thousand compared to 2010. This trend substantially mirrors the change in EBITDA, as previously described, and a reduction in depreciation and amortization, as follows.

The following table shows the breakdown by business unit:

(in thousands of euro)	Year 2011	Year 2010	Change
Telecom Italia Media S.p.A.	(29,035)	(62,956)	33,921
MTV Group	(13,534)	4,992	(18,526)
Network operator	(44,721)	10,207	(54,928)
Other activities and adjustments	(40)	1,772	(1,812)
EBIT	**(87,330)**	**(45,985)**	**(41,345)**
Telecom Italia Media S.p.A.	(49,535)	(62,956)	13,421
MTV Group	16	4,992	(4,976)
Network operator	(1,621)	10,207	(11,828)
Other activities and adjustments	(40)	1,772	(1,812)
COMPARABLE EBIT	***(51,180)***	***(45,985)***	***(5,195)***

Year 2011	*(58,348)*
Year 2010	*(59,302)*
Abs. change	*954*
Change %	*1.6*

Other depreciation and amortization for 2011 amounted to Euro 58,348 thousand, compared to Euro 59,302 thousand for the previous year, with a decrease of Euro 954 thousand.

Depreciation and amortization were classified as follows:

(in thousands of euro)	Year 2011	Year 2010	Change
Depreciation and amortization			
- Depreciation of tangible assets	20,082	20,506	(424)
- Amortization of other intangible assets	38,266	38,796	(530)
Total	**58,348**	**59,302**	**(954)**

Year 2011	*(56,650)*
Year 2010	*0*
Abs. change	*(56,650)*
Change %	*(100.0)*

Reversals/(Impairment) of non-current assets for 2011 amounted to Euro -56,650 thousand and referred to the goodwill writedown subsequent to the impairment test as of December 31, 2011. For further details, the reader is referred to Note 3 on page 189:

Year 2011	*(56)*
Year 2010	*(8,772)*
Abs. change	*8,716*
Change %	*99.4*

Other income and expenses from investments amounted to Euro 56 thousand and included impairment losses recognized on the equity investment in Tiglio 1. The amount for 2010 included impairment losses recognized on the equity investment in Dahlia TV (Euro 8,000 thousand), Aree Urbane (Euro 82 thousand) and Tiglio 1 S.r.l. (Euro 690 thousand). In detail, the impairment loss on the equity investment in Dahlia TV was recognized following the announced liquidation process started by Dahlia TV on January 10, 2011.

(in thousands of euro)	Year 2011	Year 2010	Change
Income from equity investments:			
gains on disposals of equity investments recognized among non-current assets	-	-	-
dividends	-	-	-
Expense from investments	(56)	(8,772)	8,716
Total income (expense) from equity investments	**(56)**	**(8,772)**	**8,716**

Year 2011	*(4,262)*
Year 2010	*(7,682)*
Abs. change	*3,420*
Change %	*44.5*

The balance of financial operations for 2011 was negative at Euro 4,262 thousand, compared to Euro 7,682 thousand in 2010, with an improvement of Euro 3,420 thousand (the 2010 figure included Euro 3,000 thousand in partial writedown on a receivable due from Dahlia TV). Net of the aforementioned items, the improvement was achieved mainly thanks to the sharp decline in debt following the capital increase completed in 2010. In detail:

(in thousands of euro)	Year 2011	Year 2010	Change
Finance income	20	38	(18)
Income from discounting of non-current items	54	136	(82)
Income from accounts receivable included in long-term investments	11	241	(230)
Foreign exchange gains	515	416	99
Positive adjustment to fair value (derivatives and underlying assets)	-	-	-
Finance expenses	(4,046)	(7,524)	3,478
Financial fees paid	(408)	(320)	(88)
Expenses related to discounting of non-current liabilities	-	(100)	100
Foreign exchange losses	(408)	(569)	161
Negative adjustment to fair value (derivatives and underlying assets)	-	-	-
Net finance income (expense)	**(4,262)**	**(7,682)**	**3,420**

The loss before taxes from continuing operations for 2011 was Euro -91,648 thousand, compared to a loss of Euro -62,439 thousand in 2010.
This reduction (Euro -29,209 thousand) was attributable to a decline in the operating result (Euro -41,345 thousand) and the improvement in the balance of financial operations (Euro 3,420 thousand), as well as lower expenses from equity investments (Euro 8,716 thousand).

Year 2011	*8,318*
Year 2010	*10,990*
Abs. change	*(2,672)*
Change %	*(24.3)*

Income tax expense for the year amounted to Euro 8,318 thousand (Euro 10,990 thousand for 2010), a decrease of Euro 2,672 thousand. The decrease in taxes was primarily due to the lower negative taxable income recognized in 2011 than in 2010. Specifically, as a result of the Company's participation in Telecom Italia's National Tax Consolidation, financial year 2011 benefited from deferred tax assets arising from tax losses for the period amounting to Euro 6,929 thousand; such assets amounted to Euro 12,991 thousand in 2010.

Income (loss) for the year can be broken down as follows:

	Year 2011	Year 2010
Attributable to:		
- Equity holders of the Parent company		
> Profit (loss) from continuing operations	(83,025)	(52,601)
> Profit (loss) from discontinued operations/Non-current assets held for sale	26	(1,771)
- Profit/(Loss) for the year attributable to equity holders of the Parent company	(82,999)	(54,372)
- Minority interests		
> Profit (loss) from continuing operations	(305)	1,152
> Profit (loss) from discontinued operations/Non-current assets held for sale		
- Profit (loss) for the period attributable to Minority Interests	(305)	1,152

Year 2011	*26*
Year 2010	*(1,771)*
Abs. change	*1,797*
Change %	*101.5*

The profit (loss) from discontinued operations/assets held for sale in 2011 amounted to Euro 26 thousand. The amount for 2010 included costs for contractual guarantees issued upon the sale of the Buffetti Group (Euro 1,471 thousand), and provisions for risks for the same guarantees issued upon the sale of a 60% stake in TM News (Euro 300 thousand).

The net loss for 2011 attributable to the Parent Company's shareholders was Euro -82,999 thousand (Euro -83,304 thousand including minority interests); the loss was Euro -54,372 thousand in 2010 (Euro -53,220 thousand including minority interests).

Consolidated statements of financial position

(in thousands of euro)	12/31/2011	12/31/2010	CHANGE
ASSETS			
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	126,482	183,132	(56,650)
Intangible assets with finite useful lives	179,312	187,388	(8,076)
	305,794	**370,520**	**(64,726)**
Tangible assets:			
Property, plant and equipment owned	87,252	76,682	10,570
Assets held under finance leases	-	-	-
	87,252	**76,682**	**10,570**
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	-	-	-
Other investments	1,129	1,649	(520)
Non-current financial assets	897	936	(39)
Miscellaneous receivables and other non-current assets	20,422	30,826	(10,404)
Deferred tax assets	13,063	12,690	373
	35,511	**46,101**	**(10,590)**
TOTAL NON-CURRENT ASSETS (A)	**428,557**	**493,303**	**(64,746)**
CURRENT ASSETS			
Inventories	1,544	1,535	9
Trade and miscellaneous receivables and other current assets	122,206	137,841	(15,635)
Current income tax receivables	1,378	420	958
Investments			-
Current financial assets			-
Securities other than shareholdings, financial receivables and other current financial assets	269	218	51
Cash and cash equivalents	5,345	3,440	1,905
TOTAL CURRENT ASSETS (B)	**130,742**	**143,454**	**(12,712)**
TOTAL ASSETS (A+B)	**559,299**	**636,757**	**(77,458)**
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Parent company	204,213	287,182	(82,969)
Equity attributable to Minority Interests	12,099	12,404	(305)
TOTAL EQUITY (C)	**216,312**	**299,586**	**(83,274)**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	100,026	100,026	-
Employee benefits	9,814	10,896	(1,082)
Deferred tax liabilities	22,548	23,871	(1,323)
Provisions	335	252	83
Miscellaneous payables and other non-current liabilities	11,456	11,596	(140)
TOTAL NON-CURRENT LIABILITIES (D)	**144,179**	**146,641**	**(2,462)**
CURRENT LIABILITIES			
Current financial liabilities	45,164	20,076	25,088
Trade and miscellaneous payables and other current liabilities	153,525	168,557	(15,032)
Current income tax payables	119	1,897	(1,778)
TOTAL CURRENT LIABILITIES (E)	**198,808**	**190,530**	**8,278**
TOTAL LIABILITIES (F=D+E)	**342,987**	**337,171**	**5,816**
TOTAL EQUITY AND LIABILITIES (C+F)	**559,299**	**636,757**	**(77,458)**

Non-current assets at December 31, 2011 amounted to Euro 428,557 thousand, a decrease of Euro 64,746 thousand compared to December 31, 2010 (Euro 493,303 thousand). Specifically:

- **intangible assets**, amounting to Euro 305,794 thousand, decreased by Euro 64,726 thousand compared to Euro 370,520 thousand at December 31, 2010. This change was mainly attributable to investments made in 2011 for Euro 30,610 thousand, as described in the section "investments", and depreciation and amortization for the year amounting to Euro 38,266 thousand, as well as Euro 56,650 thousand related to the goodwill writedown as a result of the impairment test.

(in thousands of euro)	Net intangible assets
12/31/2010	**370,520**
Movements for the year	
Investments	30,610
Amortization rate	(38,266)
Writedown of goodwill	(56,650)
Change in consolidation area and other movements	(420)
Total movements	**(64,726)**
12/31/2011	**305,794**

In further detail, intangible assets at December 31, 2011 included Euro 126,482 thousand in consolidation goodwill, referring to acquisitions of equity investments and business units carried out in previous years. In accordance with IAS 36, goodwill was not amortized and was tested for impairment, showing the above-mentioned impairment loss.

Intangible assets with finite useful lives are presented below:

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	12/31/2010	Investments	Depreciation	Disposals	Other movements	12/31/2011
Industrial patents and intellectual property rights	41,990	28,425	(28,426)	(392)	2,906	44,503
Trademarks	331	230	(76)			485
TV concessions and frequencies	122,908		(7,106)	(48)		115,754
Licences	89		(68)			21
Irrevocable rights of use	18,204		(2,590)			15,614
Other intangible assets						
Work in process	3,866	1,955			(2,886)	2,935
TOTAL GROUP	**187,388**	**30,610**	**(38,266)**	**(440)**	**20**	**179,312**

- **tangible assets** amounted to Euro 87,252 thousand, with an increase of Euro 10,570 thousand compared to Euro 76,682 thousand at December 31, 2010:

(in thousands of euro)	Net tangible assets
12/31/2010	**76,682**
Movements for the year	
Investments	30,765
Depreciation rate	(20,082)
Change in consolidation area, writedowns and other movements	(113)
Total movements	**10,570**
12/31/2011	**87,252**

The breakdown by nature is provided below:

NET TANGIBLE ASSETS	12/31/2010	Investments	Depreciation	Disposals	Other movements	12/31/2011
Industrial and civilian buildings	144	11	(22)			133
Plant and machinery	56,526	22,125	(16,621)	(4)	6,123	68,149
Manufacturing and distribution equipment	1,411	294	(690)		267	1,282
Other tangible assets	5,910	1,591	(2,749)		674	5,426
Work in process	12,691	6,744		(89)	(7,084)	12,262
TOTAL GROUP	**76,682**	**30,765**	**(20,082)**	**(93)**	**(20)**	**87,252**

Plant and equipment included assets owned by Telecom Italia Media Broadcasting S.r.l. for Network Operator activities with a value of Euro 58,851 thousand.

Other non-current assets decreased by Euro 10,590 thousand, falling from Euro 46,101 thousand at December 31, 2010 to Euro 35,511 thousand at December 31, 2011, chiefly as a result of the reclassification of the 2010 tax losses to miscellaneous receivables and other current assets. In this connection, the amount of Euro 18,879 thousand is expected to be collected by June 2012. The foregoing decrease was partially offset by the recognition of the new receivable relating to the National Tax Consolidation program (Euro 8,460 thousand). The amount at December 31, 2011 and December 31, 2010 included Euro 11,400 thousand of receivables from Dahlia TV for the financial strengthening transaction finalized in August 2010 and carried out by converting the receivables previously acquired by the Parent Company Telecom Italia S.p.A. and guaranteed by the same on a “with recourse” basis.

Year 2011	*61,411*
Year 2010	*69,878*
Abs. change	*(8,467)*
Change %	*(12.1)*

Total capital expenditure for 2011 was Euro 61,411 thousand (Euro 69,878 thousand in 2010) and was classified as follows:

(in thousands of euro)	Year 2011	Year 2010	Change
Investments in intangible assets	30,610	34,330	(3,720)
Investments in tangible assets	30,765	32,548	(1,783)
Total industrial investments	***61,375***	***66,878***	***(5,503)***
Investments in financial assets	36	3,000	(2,964)
Total	**61,411**	**69,878**	**(8,467)**
Industrial investments paid for the year	*63,730*	*45,557*	*18,173*

Industrial investments amounting to Euro 61,375 thousand related to the Group's activities were attributable to Telecom Italia Media S.p.A. (Euro 31,100 thousand), the MTV Group (Euro 4,489 thousand), and the Network Operator TIMB (Euro 25,786 thousand). In detail:

- investments in intangible assets included Euro 28,622 thousand (of which Euro 25,649 thousand incurred by Telecom Italia Media and Euro 2,973 thousand by MTV Italia) for the acquisition of multi-year television rights for the use and the economic exploitation of television films, series, animated cartoons and documentaries. TV rights were amortized on an annual straight-line basis in the period of the contractual availability;
- investments in tangible assets of Euro 30,765 thousand included Euro 25,795 thousand in purchases of infrastructure for the development and maintenance of the Digital Terrestrial network and were primarily related to the conversion to digital of TIMB networks in the regions in which the switch-off of analog TV has occurred, and Euro 4,641 thousand investments made by Telecom Italia Media.

Investments in financial assets of Euro 36 thousand are associated with the acquisition of stakes by Telecom Italia Media Broadcasting in Consorzio Antenna Colbuccaro and Consorzio Antenna Tolentino amounting to Euro 24 thousand and Euro 12 thousand, respectively.

12/31/2011	*130,742*
12/31/2010	*143,454*
Abs. change	*(12,712)*
Change %	*(8.9)*

Current assets amounted to Euro 130,742 thousand at December 31, 2011, down by Euro 12,712 thousand compared to December 31, 2010. This decrease was primarily due to the reduction in trade receivables of Euro 15,635 thousand, partially offset by the increase in cash and cash equivalents amounting to Euro 1,905 thousand.

In further detail, current assets include:

- Euro 93,684 thousand in net trade receivables, consisting of Euro 45,098 thousand in trade receivables from third-party clients of Telecom Italia Media S.p.A. (of which Euro 40,473 thousand was recognized by the company's advertising agency, Cairo Communication S.p.A.), MTV Pubblicità (Euro 26,627 thousand), MTV Italia (Euro 10,917 thousand), and Telecom Italia Media Broadcasting (Euro 8,591 thousand), as well as Euro 2,366 thousand in trade receivables from Telecom Italia S.p.A., claimed primarily from Telecom Italia Media S.p.A. (Euro 1,187 thousand) and from MTV Italia (Euro 1,032 thousand);
- miscellaneous receivables and other current assets amounting to Euro 28,522 thousand, including Euro 19,322 thousand for receivables from the Parent Company Telecom Italia S.p.A. to Telecom Italia Media recognized in adherence with the National Tax Consolidation in connection with tax losses for 2010, for which pay-in is expected in June 2012, and Euro 4,171 thousand from the Parent Company Telecom Italia S.p.A to Telecom Italia Media Broadcasting as advance on the expected result for 2011;
- inventories amounting to Euro 1,544 thousand and consisting of Euro 1,225 thousand in inventories of television products, and Euro 308 thousand in film rights.
- cash and cash equivalents amounting to Euro 5,345 thousand and including Euro 5,187 thousand in receivables claimed from Telecom Italia S.p.A. in connection with current accounts held as part of the centralized treasury program, Euro 23 thousand in bank and postal deposits, and Euro 135 thousand in cash and securities at hand.

At December 31, 2011, equity totaled Euro 216,312 thousand (Euro 299,586 thousand at December 31, 2010), of which Euro 204,213 thousand attributable to the Parent Company (Euro 287,182 thousand at December 31, 2010) and Euro 12,099 thousand attributable to minority interests (Euro 12,404 thousand at December 31, 2010).

(in thousands of euro)	Year 2011	Year 2010
At beginning of year	**299,586**	**116,202**
Capital increase:		
Share capital		111,678
Share premium		127,871
Income (loss) for the year of Parent Company and Minority Interests	(83,304)	(53,220)
Other movements	30	(2,945)
At end of year	**216,312**	**299,586**
Of which:		
- Parent Company	204,213	287,182
- Minority Interests	12,099	12,404

Statement of Reconciliation of the Profit for the Year and Equity of Telecom Italia Media S.p.A. with the relevant consolidated figures

(in thousands of euro)	Result for the year		Equity [1]	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Financial Statements of Telecom Italia Media SpA	**(60,759)**	**(153,209)**	**234,300**	**295,030**
Equity and profit of consolidated companies for the year, net of minority interests	(150)	6,087	37,632	37,860
Book value of consolidated equity investments			(182,706)	(182,706)
Consolidation adjustments				
- elimination of goodwill recognized in the Parent Company's financial statements	38,140	96,251	(70,697)	(108,837)
- recognition in the consolidated statements of positive differences arising from purchase of investments and relevant impairment losses	(56,650)		126,396	183,046
- recognition of intangible assets and relevant amortizations, net of the tax effect arising on application of IFRS 3	(4,824)	(4,824)	59,288	62,789
- adjustment of the deferred tax assets provision related to the above-mentioned transaction	1,323	1,323		
- infragroup dividends	(79)			
- elimination of infragroup transactions on investments				
- other adjustments				
Equity and net result attributable to the equity holders of the Parent Company	**(82,999)**	**(54,372)**	**204,213**	**287,182**
Equity and net result attributable to Minority Interests	(305)	1,152	12,099	12,404
Equity and net result in the consolidated financial statements	**(83,304)**	**(53,220)**	**216,312**	**299,586**

[1] Total equity, including net result for the year

12/31/2011	*144,179*
12/31/2010	*146,641*
Abs. change	*(2,462)*
Change %	*(1.7)*

Non-current liabilities amounted to Euro 144,179 thousand at December 31, 2011, with a decline of Euro 2,462 thousand compared to Euro 146,641 thousand at December 31, 2010.

These included non-current financial liabilities owed by Telecom Italia Media S.p.A. (Euro 100,000 thousand), referred to the financial debt to the parent company, Telecom Italia S.p.A., on a soft loan issued by the EIB to fund the Digital Terrestrial network investment program. The figure at December 31, 2011 and December 31, 2010 also included Euro 11,400 thousand associated with the purchase from the Parent Company Telecom Italia S.p.A. of receivables claimed by the latter from Dahlia TV and used to underwrite a hybrid financial instrument consisting of redeemable, convertible privileged shares with limited rights as part of the agreement to strengthen Dahlia TV's financial position.

The item also included Euro 22,548 thousand in provisions for deferred taxes and Euro 9,814 thousand in provisions for personnel.

12/31/2011	***198,808***
12/31/2010	***190,530***
Abs. change	*8,278*
Change %	*4.3*

Current liabilities amounted to Euro 198,808 thousand at December 31, 2011, increasing by Euro 8,278 thousand compared to Euro 190,530 thousand at December 31, 2010, mainly due to the reduction in trade and miscellaneous liabilities amounting to Euro 15,032 thousand, partially offset by the second installment (Euro 25,000 thousand) of the loan agreement underwritten with TI Finance on December 20, 2011 following the approval of the Board of Directors of Telecom Italia Media on December 15, 2011.

These mainly consist of the following:

- the short-term financial payable amounting to Euro 45,090 thousand, including interest, owed by Telecom Italia Media to Telecom Italia Finance SA as per variable-rate (based on EURIBOR) loan agreement signed on December 20, 2011, and providing for the credit facility amounting to Euro 60,000 thousand;
- trade payables of Euro 115,715 thousand, primarily owed by Telecom Italia Media S.p.A. (Euro 55,510 thousand), Telecom Italia Media Broadcasting (Euro 35,753 thousand) and MTV Italia (Euro 16,342 thousand);
- miscellaneous payables and other current liabilities of Euro 37,810 thousand, primarily consisting of payables to personnel (Euro 8,785 thousand), provisions (Euro 12,598 thousand), and contributions to pension and social security institutions (Euro 5,373 thousand), as well as other tax payables (Euro 2,063 thousand).

12/31/2011	*138,679*
12/31/2010	*115,508*
Abs. change	*23,171*
Change %	*20.1*

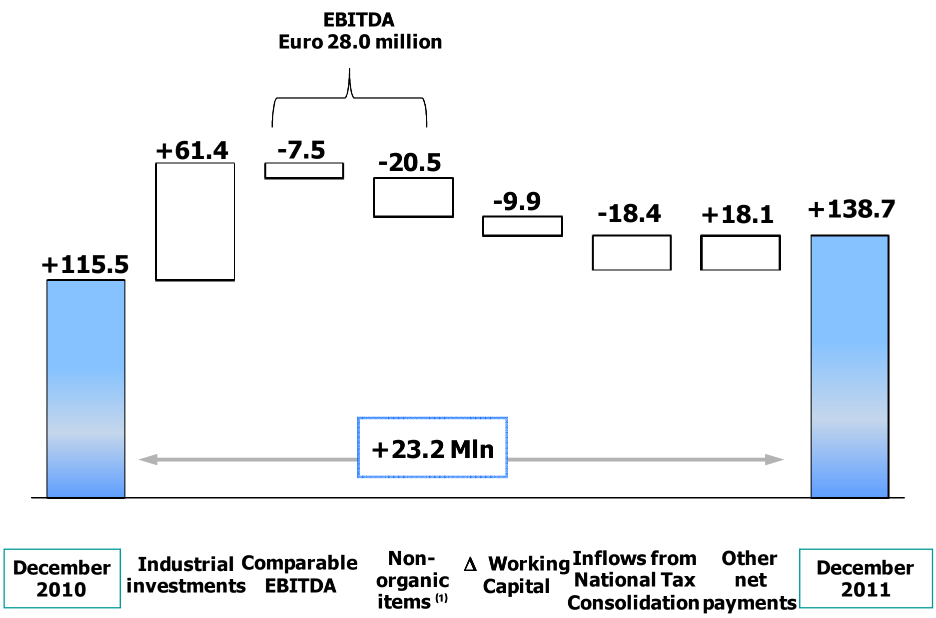
The Group's net financial position amounted to Euro 138,679 thousand at December 31, 2011, reflecting a Euro 23,171 thousand increase in financial debt compared to December 31, 2010 (Euro 115,508 thousand). The following factors contributed to this change:

- a Euro 79,492 thousand increase, broken down as follows:
  - Euro 61,375 thousand for industrial investments made in 2011, primarily in order to acquire television rights amounting to Euro 28,622 thousand, as well as infrastructure for the development and maintenance of the Digital Terrestrial network for a total amount of Euro 25,795 thousand;
  - Euro 18,117 thousand in other net payments consisting mainly of Euro 4,262 thousand for net finance expenses and taxes accrued during the year for Euro 15,098 thousand, partially offset by other net proceeds amounting to Euro 1,243 thousand;

- a Euro 56,321 thousand decrease, broken down as follows:
  - a Euro 20,500 thousand indemnity related to the early termination of the Competence Center agreement;
  - Euro 7,545 thousand as EBITDA result for the year;
  - Euro 9,870 thousand concerning the change in working capital for the year;
  - Euro 18,406 thousand from the collection of the receivable arising from participation in Telecom Italia's Tax Consolidation scheme.

Moreover, it should be noted that in 2011 trade payables amounting to Euro 21,100 thousand were factored without recourse to Mediofactoring S.p.A., a factoring company of the Intesa Sanpaolo Group.

Breakdown of net financial position



(1) Collection of the income related to the indemnity for the early termination of the Competence Center agreement with Telecom Italia.

The breakdown of the net financial position by nature/maturity is given on page 75.

Consolidated Cash Flows Statement

(in thousands of euro)	Year 2011	Year 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year	(83,330)	(51,449)
Adjustments for:		
Depreciation and amortization	58,348	59,302
Impairment losses/reversals of non-current assets (including investments)	56,706	8,772
Net change in deferred tax assets and liabilities	(1,696)	(1,916)
Gains/losses realized on disposals of non-current assets (including investments)	377	(124)
Share of losses/gains of associates accounted for using the equity method		
Change in employee benefits	(1,082)	44
Changes in inventories	(9)	1,100
Change in trade receivables and in net receivables for contract works	18,377	96
Change in trade payables	(7,193)	10,022
Net change in income tax receivables/payables	(1,262)	1,904
Net change in miscellaneous receivables/payables and other assets/liabilities	977	13,872
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**40,213**	**41,623**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets on an accrual basis	(30,610)	(34,330)
Purchase of tangible assets on an accrual basis	(30,765)	(32,548)
Total acquisitions of intangible and tangible assets on an accrual basis	(61,375)	(66,878)
Change in trade payables relating to investing activities	(2,355)	21,321
Total purchase of intangible and tangible assets on a cash basis	(63,730)	(45,557)
Acquisitions of investments in subsidiaries and businesses, net of cash acquired (I)	-	-
Acquisitions of other investments (II)	(36)	-
Change in financial receivables and other financial assets (I)	(12)	363
Proceeds from sale of subsidiaries, net of cash disposed of (II)	(274)	(3,171)
Proceeds from sale/repayment of tangible, intangible and other non-current assets (II)	656	187
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(63,396)**	**(48,178)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in current financial liabilities and other liabilities	25,077	(190,425)
Proceeds from non-current financial liabilities (including current portion)		
Repayments of non-current financial liabilities (including current portion)		(6,020)
Other changes in non-current financial liabilities	11	25
Proceeds from equity instruments		236,546
Amount paid for instruments representing equity		
Dividends paid		
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**25,088**	**40,126**
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	-	-
AGGREGATE CASH FLOWS (E=A+B+C+D)	**1,905**	**33,571**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)	**3,439**	**(30,132)**
Net foreign exchange differences on net cash and cash equivalents (G)	-	-
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR (H=E+F+G)	**5,344**	**3,439**

(I) The amount payable for the acquisition also includes any goodwill and is recognized net of the change in payables resulting from the relevant acquisition

(II) The amount payable for the acquisition is recognized net of change in payables resulting from the relevant acquisition

Additional cash flow information

(in thousands of euro)	Year 2011	Year 2010
Income tax expense (paid)/received	3,308	31,431
Interest expense	(3,199)	(4,266)
Interest income	-	-
Dividends received		

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2011	Year 2010
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:		
Cash and cash equivalents - from continuing operations	3,440	284
Bank overdraft repayable on demand - from continuing operations	(1)	(30,416)
	3,439	**(30,132)**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents - from continuing operations	5,345	3,440
Bank overdraft repayable on demand - from continuing operations	(1)	(1)
	5,344	**3,439**

At December 31, 2011, net financial debt was Euro 138,679 thousand, with an increase of Euro 23,171 thousand compared to December 31, 2010.

(in thousands of euro)	12/31/2011	12/31/2010
Gross financial debt:		
Non-current financial liabilities:		
- Financial payables	100,000	100,000
- Finance lease liabilities		
- Other financial liabilities	26	26
Current financial liabilities:		
- Financial payables	45,155	20,067
- Finance lease liabilities		
- Other financial liabilities	9	9
Total gross financial debt (A)	**145,190**	**120,102**
Financial assets:		
Non-current financial assets:		
- Securities other than investments	-	-
- Financial receivables and other non-current financial assets	897	936
Current financial assets:		
- Securities other than investments		
- Financial receivables and other current financial assets	269	218
- Cash and cash equivalents	5,345	3,440
Total financial assets (B)	**6,511**	**4,594**
Net financial debt (A-B)	**138,679**	**115,508**

The most significant changes compared to December 31, 2010 are explained on the following page:

- **Non-current financial liabilities.** This item amounted to Euro 100,000 thousand, unchanged compared to December 31, 2010, and referred to a debt towards the parent company Telecom Italia. This loan was granted by the parent company Telecom Italia following the establishment of a loan agreement between Telecom Italia S.p.A. and the European Investment Bank. The soft loan was granted by the EIB to the Parent Company to finance Telecom Italia Media's investment program in the Digital Terrestrial network, completed in 2008. The details of the loan, which was issued on December 21, 2006 are outlined below:

Amount	Euro 100 million
Duration	7-year bullet
Interest rate	EURIBOR 6M

- **Current financial liabilities.** At December 31, 2011, this item amounted to Euro 45,155 thousand (Euro 20,067 thousand at December 31, 2010), up by Euro 25,088 thousand. It mainly includes the short-term financial debt of Telecom Italia Media towards Telecom Italia Finance SA for the contract formalized on December 20, 2011, for the credit facility for the total amount of Euro 60,000 thousand, used at December 31, 2011 in the amount of Euro 45,000 thousand.

- **Financial receivables and other current financial assets.** This item amounted to Euro 269 thousand and related primarily to the current share of loans to employees.

- **Cash and cash equivalents.** The item amounted to Euro 5,345 thousand and includes Euro 5,187 thousand in receivables claimed from Telecom Italia S.p.A. in connection with current accounts held as part of the centralized treasury program, Euro 23 thousand in bank and postal deposits and Euro 135 thousand in cash and securities at hand.

- **Financial receivables and other non-current financial assets.** The item amounted to Euro 897 thousand and related to loans to personnel.

ALTERNATIVE PEFORMANCE INDICATORS

In this Report on Operations, in the Consolidated Financial Statements of the Telecom Italia Media Group and in the Separate Financial Statements of the parent company Telecom Italia Media S.p.A. for the year ended December 31, 2011, in addition to the conventional financial indicators established by IFRS, certain non-IFRS measures are presented to allow for a better assessment of the Group and of operating and financial performance. These indicators, which are also presented in the interim financial statements (Half-year Report as of June 30 and interim reports as of March 31 and September 30) should not be construed as a substitute for the conventional ones prescribed by IFRS.

The alternative performance indicators are described below:

- **EBITDA:** Telecom Italia Media uses this indicator as a financial target in internal (business plan) and external (made by analysts and investors) presentations. It provides a useful unit of measurement for assessing the Group's operating performance, both as a whole and at the business unit level, and the performance of the parent company Telecom Italia Media S.p.A., in addition to **EBIT**. These indicators are as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses/(income) from investments
+/-	Share of results of associates and companies under common control accounted for using the equity method
EBIT- Operating Income	
+/-	Impairment losses/(Reversals) of non-current assets
+/-	Losses/(Gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA — Operating result before depreciation and amortization, capital gains/(losses), and impairment reversals/(losses) on non-current assets	

- **Net financial debt:** the Telecom Italia Media Group deems that Net Financial Debt is an accurate indicator of its ability to meet its financial obligations, measured by Gross Financial Debt minus Cash and Cash Equivalents and other Financial Assets. This Report on Operations includes two tables containing the balance sheet values used to calculate the Net Financial Debt of the Group and the Parent Company, respectively.

EVENTS SUBSEQUENT TO December 31, 2011

There were no events to report.

OUTLOOK FOR 2012

Risk factors and uncertainties for Telecom Italia Media during 2012

The following are the main risk factors and uncertainties facing Telecom Italia Media in 2012.

Risks associated with developments in the Italian and international advertising markets

The Group's operations depend to a considerable extent on the performance of advertising investments, which in turn are closely correlated to the general performance of the economy at large and the development of the national and international markets on which advertisers operate, albeit with some differences between the various industries.
In November 2011, the OECD published its semi-annual Economic Outlook, in which it revised Italy's gross domestic product (GDP) growth in 2012 downwards to a decline of 0.5%, thus officially acknowledging the country's state of recession. This situation also leads to the prediction of a decline in advertising investments for the current year.
Accordingly, the Issuer's advertising sales could decrease, with possible repercussions on its earnings, financial position and outlook. Considering that advertisers orient their advertising investment decisions on the basis of the television broadcaster's audience share, it cannot be excluded that there will be a decline in the advertising sales of general interest television networks in favor of new digital channels and new platforms.

Competitive positioning and risks associated with dependence on audience levels in the television sector

Telecom Italia Media is exposed to severe competition, inasmuch as it competes with important television broadcasters operating on the market. In the television sector, severe competition in programming by major industry operators is expected, considering that the Digital Terrestrial platform has already seen the launch of a number of free and paid channels by the major players (RAI, Mediaset and SKY Italia) and new broadcasters on the market as a result of the gradual switch-off of analog signals.
A decrease in the audience share of the Group's channels, possibly due to the intensification of such competition, could result in a decrease in revenues from advertising sales.

Risks associated with the financial stability of the Group's new broadcasting clients

Owing in part to the fact that the transition to Digital Terrestrial only recently resulted in an increase in the number of channels available, the clients and potential clients of Telecom Italia Media Broadcasting that have requested to lease its digital bandwidth as content suppliers are mostly start-up companies, and as such base their financial stability on growth forecasts to be realized over more or less extensive periods of time. Accordingly, such clients could fail to meet the timetables or forecasts set out in their plans, owing to reasons specific to a particular initiative or related to market performance. In this case, such clients could have difficulty continuing to finance their operations with regularity and meeting the costs of the bandwidth made available to them by Telecom Italia Media Broadcasting, just as they could also be forced to discontinue operation in the near or medium term.
Such events could result in a possible loss on receivables and a decrease in the revenues of Telecom Italia Media Broadcasting, with negative consequences for the Group's profitability.

Financial risks

As of December 31, 2011, Telecom Italia Media's net debt amounted to Euro 138.7 million (Euro 115.5 million as of December 31, 2010).

The level of debt reached, in addition to factors beyond the Company's control, such as ongoing disturbances on capital markets and, more broadly, the deterioration of the economic scenario, could have an effect on its ability to reduce its debt exposure. However, it should be noted that Telecom Italia Media participates in the centralized treasury management program conducted by Telecom Italia, which pursues a management policy for financial risks, such as market, credit and liquidity risks, involving the definition at a central level of guidelines orienting operational management and the identification of the most appropriate financial instruments. In further detail, Telecom Italia pursues the goal of an "adequate level of financial flexibility," in the form of maintaining a treasury margin, in terms of cash and cash equivalents and committed syndicated credit lines, that permits it to cover its refinancing needs for at least the next 12 to 18 months, thus ensuring an adequate level of liquidity compatible with the needs of individual companies in connection with individual Group companies' needs.

Risks associated with the stock's market performance

Macroeconomic prospects for 2012 at the global level are not positive: sovereign debt tensions in the euro area and persistent uncertainty as to the process of consolidating government finances in the United States will have a repercussion on the growth prospects of advanced economies. In the final part of 2011, the economic scenario in the euro area weakened and inflationary pressures abated, against the backdrop of moderating costs and weak demand. In addition, in late 2011 increases in indirect taxes resulted in a rise in consumer price levels, and a further rise may be caused by the increases in excise taxes on fuel approved early in the year in certain regions and increases in certain regulated prices.
This international economic scenario could have repercussions on the markets and in particular on cyclical sectors, such as the media sector, in which Telecom Italia Media operates.
During 2011, ordinary shares decreased in value by 32% and savings shares by 46% as a result of the general climate of pessimism caused by the European macroeconomic crisis, which weighed down exchanges and main industry stocks. At December 31, 2011, market capitalization achieved Euro 234.1 million (Euro 345.7 million at December 31, 2010). If the stock price should fall further, resulting in a lower stock market capitalization, the company could be obliged to conduct another impairment test in 2012, which might entail a further decrease in the value of the goodwill carried on the balance sheet.
Considering all of the foregoing risk factors and uncertainties, Telecom Italia Media may nonetheless reasonably and justifiably expect to possess adequate resources to face this situation. In further detail, the expansion of La7's advertising base and the increase in its audience share, given the agreement with Cairo based on guaranteed minimums, as well as on increases in share, represent important elements of the foundation for supporting revenue levels in 2012. In addition, reaching full rental of the three digital multiplexes of the Network Operator TIMB, should allow for an increase in its revenues and profitability.

Outlook

In light of the economic and regulatory environment in which Telecom Italia Media operates, expectations for 2012 include:

- an increase of television advertising sales for the La7 channels, thanks to the growth in audience share and the enhancement of the La7 programming, owing to the launch of new network specific programs and faces;
- a reduction in revenues of the main MTV channel, which might lead to the need to restructure the channel and continue to pursue the cost-efficiency program;
- an increase in revenues and profitability of the Network Operator, as a result of the full rental of the digital MUXes and the completion of the network digitalization, in accordance with the switch-off calendar.

Based on the foregoing, in 2012 Telecom Italia Media expects to achieve results that are at least in line with those of 2011, in comparable terms.

OTHER INFORMATION

- **Attestations pursuant to Article 2.6.2 of the Borsa Italiana Regulations Regarding the Conditions Set Out in Articles 36 and 37 of CONSOB's Market Regulations (No. 16191/2007)**

  With regard to the provisions of Article 36 of CONSOB's Market Regulations, Telecom Italia Media S.p.A. does not hold controlling interests in companies established under and governed by the laws of countries other than EU countries.

  Since Telecom Italia Media S.p.A. is a listed company, is a subsidiary of Telecom Italia S.p.A. and is subject to administration and control by Telecom Italia S.p.A., the Board of Directors has verified that Telecom Italia Media S.p.A. meets all conditions set out in Article 37 of CONSOB's Market Regulations. In detail, these include:

  a) fulfillment of the publication obligations set out in Article 2497-*bis* of the Italian Civil Code;
  b) negotiation autonomy in customer and supplier relationships;
  c) centralized treasury relationship with Telecom Italia, which is in line with the interests of the company;
  d) presence of a Board of Directors consisting of 13 directors and 7 independent directors in accordance with the criteria specified in Italian Legislative Decree No. 58/98 and the provisions of the Governance Code.

- The Corporate Governance Report is available for consultation on the website www.telecomitaliamedia.it under Governance.

SUSTAINABILITY SECTION

INTRODUCTION

The constant commitment of the Telecom Italia Media group to become a key player in the media and in broadcasting, providing an effective response to the tastes and preferences of its users, continues to meet a stronger and stronger approval, thus consolidating the positioning of the Group on the market.

SOCIAL RESPONSIBILITY

In line with the social responsibility policies of the Telecom Italia Group, within its companies TI Media is very active in the area of social commitment, through communication initiatives in specific channels.

As part of its commitment to promote and implement the UN Global Compact's ten principles in the areas of human rights, labor standards, environment protection and fight against corruption, Telecom Italia Media has worked to enact corporate responsibility policies. For Telecom Italia Media, sustainability is a corporate value that has also been transformed into a planning, management and control instrument.

LETTER OF INTRODUCTION TO THE CORPORATE SOCIAL RESPONSIBILITY REPORT BY GIOVANNI STELLA, VICE CHAIRMAN AND MANAGING DIRECTOR

In 2011, the considerable work done by the Telecom Italia Media Group over the years allowed it to continue to build an increasingly strong identity in the economic backdrop in which it operates and reach significant milestones in a constantly changing and highly competitive marketplace.

La7 enjoyed considerable growth in 2011, both in terms of audience share and advertising sales. La7 ended the year with average audience share of 3.85%, marking an increase of approximately 25% compared to the previous year, its best result ever, proof of the editorial choices made for an increasingly demanding and selective part of the television audience.

MTV was most affected by the change in the television scenario relating to the viewing of music channels, which saw an explosion of media offerings (e.g., Youtube, Facebook, Twitter, etc.) that have changed the habits of the public, and of the youth segment in particular. Accordingly, the channel embarked upon a process of transformation, taking up the challenge of change.

After reporting a decline in revenues in 2011 due to the discontinuation of the Dahlia TV channels, at year-end, the Network Operator achieved the goal of full rental of its multiplexes thanks to the arrival of new customers, laying the foundation for considerable growth in 2012. Important steps forward were also taken from an industrial standpoint by continuing with the conversion to digital and enhancing the efficiency of the broadcasting network throughout the country, in full harmony with the switch-off calendar. Progress was also made in the area of technological innovation, with continuing experimentation with the evolving new standard for digital terrestrial TV (DVBT.2), further expansion of the technological fleet used to produce and manage content created directly by La7 in high definition, and additional testing of 3D technology. New developments on the Web included the launch of a new channel, La7-Youtube, while the mobile market saw development of La7 programming (such as TGLa7) through the market of themed apps.

In pursuing its business objectives, our Group has continued to devote considerable attention to its stakeholders, with the aim of ensuring that they are fully satisfied by focusing on sustainable communication in all of its forms: from editorial content to technological innovation, the wellbeing of the company's workforce and social awareness-raising.

I would like to draw attention in particular to the significant technological changes made in order to produce content in high definition, thus ensuring a high level of quality of the product aired thanks to the use of highly professional staff and equipment: from the implementation of specific lighting systems that allowed considerable energy savings to the use of supporting materials with a smaller environmental impact and a high degree of reusability and thus a lesser amount of hazardous materials to be disposed of.

Although the socioeconomic backdrop remained rather complex, our Group continued to ensure that its employees have all the tools they need to enhance their individual growth processes and supported them in establishing company awareness with which they can identify, starting with the principles enunciated by the Code of Ethics, which is inspired by the Global Compact — principles that our Group has adopted since 2004, thus confirming its commitment to becoming a socially responsible enterprise.

I am convinced that a great deal may still be done and that this will depend not only on market conditions, but also the enthusiasm created by the results achieved and, to an even greater extent, the goals that the Group ambitiously sets for itself, thus creating a virtuous cycle of increasingly exacting demands by stakeholders and the Group's increasingly close focus on meeting those demands.

Giovanni Stella

CODES, CHARTERS AND VALUES

Telecom Italia Media has set up an Internal Control System comprised of procedures, layouts and checks aimed at ensuring ethically impeccable behavior towards all stakeholders.

CODE OF ETHICS

The Code of Ethics summarizes the principles and values to be complied with by all corporate bodies, management, employees, outside consultants and third parties engaging in business dealings with the Company, and constitutes the basis of the Organizational Model and the Group's structured Internal Control System.

ORGANIZATIONAL MODEL 231

As part of its overall Internal Control System, the Group has implemented an Organizational Model Pursuant to Legislative Decree No. 231 of June 8 aimed at preventing certain offenses, such as bribery, solicitation of bribery and corporate offenses.
The OM 231, introduced in 2003, has been revised, internally and externally, to incorporate all of the Control Schemes associated with "231 offenses", which have been added to the Model over time, up to the most recent version, 6.4.9, adopted in the reporting year.
In support of the adoption of the Organizational Model, in accordance with the methods applied by Telecom Italia, the Group provides all of its employees with training modules, activities and projects on 231 issues according to the following scheme:
1. targeted training, aimed specifically at updating and honing skills pertinent to the Model possessed by persons in positions at the company with the greatest involvement in terms of both the responsibilities set out in the Organizational Model 231 and from the standpoint of direct dealings with government entities; and
2. general training aimed at very broad segments of the company population, typically without distinction, including the whole journalistic area.

INVESTOR-PROTECTION LAW (262/05 — Provisions on the protection of investors and the regulation of financial markets)

The primary goal of the certification process is to achieve **compliance with Law No. 262/05** ("Protection of Savings") and, for all Telecom Italia Group companies, US SOX legislation (**Sarbanes-Oxley Act** of 2002). Achieving the objectives laid down in Law 262/05 and SOX allows the Group to guarantee the **reliability of company information**, both internally (in relation to management) and externally (in relation to investors). At the same time, the need to comply with the dictates of the new legislation in question represented an opportunity to achieve improvement of the **internal control system**. In detail, the following benefits have been obtained in recent years: training and development of personnel, improved efficiency of administrative processes, elimination of useless/redundant activities and greater efficiency of accounting and governance procedures.

CORPORATE GOVERNANCE CODE OF LISTED COMPANIES

The previous Preda Code has been replaced by the Corporate Governance Code, which focuses on the "institutional and governance" structure of Group companies. It regulates the composition of the Board of Directors, as well as committees and the adoption of oversight measures.

AGCOM

The Company's Intranet site features a link to the AGCOM website so as to allow for immediate, easy consultation of all sector-specific regulations and resolutions. For an update on AGCOM's activities that have an impact on the Company, refer to the Telecom Italia Media Group's Report on Operations, specifically the section concerning the Regulatory Framework.

ADVERTISING SELF-DISCIPLINARY AGREEMENT

The Advertising Self-Regulatory Code by the Advertising Self-regulatory Institute (IAP) was first issued in 1966 and is now in its 53rd edition (effective as of November 21, 2011). The Code is aimed at enforcing the principle that while commercial communications play a particularly useful role in the economic process, it must meet certain public service requirements, especially in light of its influence on consumers. The Code defines the activities that fail to meet the aforesaid requirements, albeit without conflicting with the applicable laws, and lays down the rules and regulations with which all forms of advertising must comply, as far as customs and communications activities are concerned. The Agreement is binding for users, agencies, advertising and marketing consultants, managers of advertising vehicles of all kinds and all those who have accepted it directly or through an association. Telecom Italia Media is a party to the Agreement through the association FRT.

SELF-REGULATORY AGREEMENT ON MINORS AND THE MEDIA

The website www.la7.it presents the general principles of the Self-Regulatory Agreement on Minors and the Media, along with rules of conduct, application criteria and enforcement methods. The Code, signed by TI Media along with the major public and private broadcasting companies in 2002 in the form of a private agreement, was ratified into statute by system law 112/04, in turn incorporated into the Consolidated Law, Legislative Decree No. 177/05, as amended by Legislative Decree No. 44/10. The enactment of these statutes has made the Agreement binding for all broadcasters, regardless of whether they are parties thereto or the type of platform employed (analog, satellite, digital terrestrial, IPTV). Implementation of the Agreement has been entrusted to a committee of 15 standing members, representing, in equal measure, the television broadcasters that are parties to the Agreement, institutions and users (the latter by indication of the National Council of Users within the Communication Supervisory Authority).

SELF-REGULATORY CODE ON SPORTS AND THE MEDIA

The Code on Sports and the Media, aimed at the self-regulation of information regarding sports, was signed on July 2007 by the major public and private broadcasting companies and all broadcasters' associations, the Journalists' Association, the Italian Press Federation, Italian Athletic Press Union and the Italian Newspaper Publishers' Federation. The parties to the Code undertake to spread the positive values of sport, condemn, in the public opinion, violence relating to athletic events, especially football, and not to transmit messages that may incite or legitimize acts of violence.

VOLUNTARY SELF-REGULATION OF REPORTING ON ONGOING LEGAL PROCEEDINGS IN THE BROADCAST MEDIA

In accordance with the provisions of the Self-Regulatory Code governing reporting on ongoing legal proceedings in the broadcast media, signed on May 21, 2009 by Telecom Italia Media and the representatives of RAI, Mediaset, the associations of local broadcasters FRT and Aeranti Corallo, the National Press Federation and the National Order of Journalists, a committee was formed on December 17, 2009 to investigate possible violations of the Code and implement any corrective measures.
The Code's objective is to temper the right to information concerning legal proceedings with the respect for inviolable personal rights through the observance of the principles of objectivity, thoroughness and impartiality.

SELF-REGULATION PRINCIPLES AND PROCEDURES FOR PRODUCT PLACEMENT

In November 2010, pursuant to Article 40-*bis*, paragraph 5, of Legislative Decree No. 177/05, Telecom Italia Media S.p.A. and MTV Italia S.r.l., along with their respective advertising agencies, Cairo Communication S.p.A. and MTV Pubblicità S.r.l., adopted documents that lay out the general principles and methods of implementation to be observed by the companies and their respective agencies when placing products in programming produced or commissioned by the above companies in accordance with the cited legislation.

PRIVACY

The website www.La7.it also features the full text of the Privacy Policy regulating the disclosure of operating procedures through which Telecom Italia Media protects the privacy of customers/users who consult the website www.La7.it, owned and operated directly by Telecom Italia Media. The site also links to a list of the company's privacy managers as required under current regulations.

OUR VALUES

Telecom Italia Media's system of values hinges on eight cardinal rules providing a constant benchmark for the conduct of all those working in the Group, and creating a sense of belonging to a unique enterprise:

1. Focus on the customer
Considering the client as the main employer and customer satisfaction as the core value. Being ready to listen to both internal and external customers and taking steps to anticipate and respond rapidly to their requirements.

2. Taking responsibility
Rising to the challenge of achieving tangible results and accepting delegation as an opportunity, without referring upwards problems that can be solved within one's own remit.

3. Innovation
Assuring the development of innovative solutions and promoting new methods to improve existing processes and systems, in order to reinforce the Company's positioning on the market.

4. Proactivity
Being proactive by anticipating and influencing events. Seizing and developing opportunities presenting within one's own context, even if initially unpromising, and advancing proposals and initiatives designed to achieve the goals of the Company and the Group.

5. Time management
Considering that time is an important resource and that its optimization impacts on the service delivered and the ability to establish and retain the loyalty of internal and external customers. Meeting needs and problems and dealing with multiple and incomplete inputs, defining timely and practical solutions.

6. Integration
Working together as a team, minimizing conflict and maximizing the effectiveness of the exchange of information and professional contribution in order to achieve a common goal for the Company and the Group.

7. Transparency
Ensuring ethically-correct business conduct; maintaining fair and proper internal and external relations to encourage the flow of information.

8. Professional excellence
Developing one's own skills on an ongoing basis taking personal responsibility for one's own professional development and hence contributing to the success of the Company and the Group.

ENVIRONMENT AND SERVICES

Respect for the Environment constitutes an integral part of the Telecom Italia Media Group's commitment to adopt Sustainability as one of the principal reference values.

Regarding waste disposal, at the end of 2010, all companies of the Telecom Italia Media Group had signed up to SISTRI (Waste Traceability Control System), a new system developed on the initiative of the Ministry of the Environment and Territorial and Marine Protection to computerize the entire special waste chain at national level.
With particular reference to Telecom Italia Media Broadcasting, the objective was to identify all environmental aspects and impacts related to its business operations and to ensure that these are carried out in accordance with current environmental legislation, whether this be local, Italian or European.
One of the objectives is to promote all possible measures to reduce the environmental impact to a minimum with the aid of continuous monitoring and internal checks using electromagnetic field and noise measurements.
To achieve this result the basic task is to foster the environmental awareness of Personnel, through training/information, to enhance their understanding of a sustainable use of the resources available (reduction of atmospheric emissions and optimization of vehicle transport) and a greater focus on waste reduction, encouraging sorting of waste and more recycling where possible.

In particular, following a thorough environmental analysis, Telecom Italia Media Broadcasting has identified the following consumption levels, which it has managed to reduce considerably:

- Electricity: …
consumption down due to the purchase of low-consumption transceivers and the lower radiofrequency power use compared to analog.

- Water usage and consumption of raw materials (paper): …
by raising personnel awareness;

- Noise: …
purchase of silenced generating sets;

- Electromagnetic pollution: …
abatement linked to the use of digital technology allowing 75% less irradiated power to be emitted compared to analog;

HEALTH AND SAFETY

The Risk Assessment Document required under the statutory framework regulating workplace safety constitutes the main point of reference on health and safety matters for all Telecom Italia Media Group companies.

First and foremost, the document analyses the risks to which employees are exposed as a result of their professional activities, as well as offices layout. The document then identifies appropriate risk-containment measures, both already implemented and to be implemented, which are aimed at maintaining an adequate level of safety. Lastly, the document lays down a timetable for the implementation of the new risk-containment measures recommended in the document itself. Risk Assessment Documents are prepared by all Group companies and therefore cover all the employees of the Group.

Risk analysis of the working environment and work methods and processes has not revealed any specific risks or hazards. The aforesaid risks are always addressed in the periodic updates of the aforesaid Risk Assessment Documents which, together with the Emergency Plans and evacuation ground plan, are subject to revision at pre-established intervals.

Work continued during the year on raising awareness about environmental and safety issues with ad hoc training initiatives, as well as on accident-prevention measures to be adopted and first aid, delivering special training for designated fire-prevention and first-aid officers, in full accordance with the reference statutory framework.

As always, Telecom Italia Media S.p.A. has collected all certifications of sets, audio, video and electrical systems, etc., thus maintaining a high standard of safety in both its internal and external television productions.

Regular medical visits, at precise intervals, continued relating to the risks identified in the work environments and particularly for Telecom Italia Media Broadcasting's high-frequency engineers who every year undergo eye tests, cardiology visits with phonometric examinations and blood tests.

Numerous improvements were carried out in 2011 on technological installations and office premises.
In particular, almost all the air processing systems in the Via Novaro and Via della Pineta Sacchetti sites were constructed from new or completely overhauled, with the aim of improving air quality and climate control in company premises, to the full benefit and comfort of people accessing them on a daily basis (employees and visitors, as well as the numerous guests taking part in television programs).
In addition, radical refurbishment has been carried out at the Via Novaro site involving the editorial areas of the entire premises, with the aim of improving workstation ergonomics (these have all been built from scratch) and making the time spent by employees in these areas more amenable and comfortable.
The work will continue during 2012 particularly at the Via della Pineta Sacchetti site, as well as in the new office facilities acquired in the vicinity of the Via Novaro TV production center.

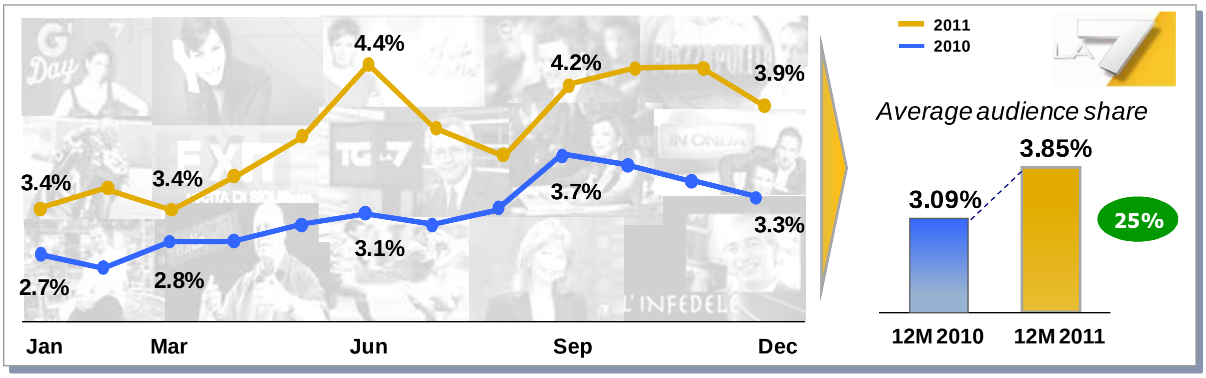
Finally, 2011 saw the update of the "Operating Procedure for the management and correct and secure use of the company's IT resources and services provided to users", which can be viewed on the Intranet site dedicated to company Information Security: http://security.la7.it.

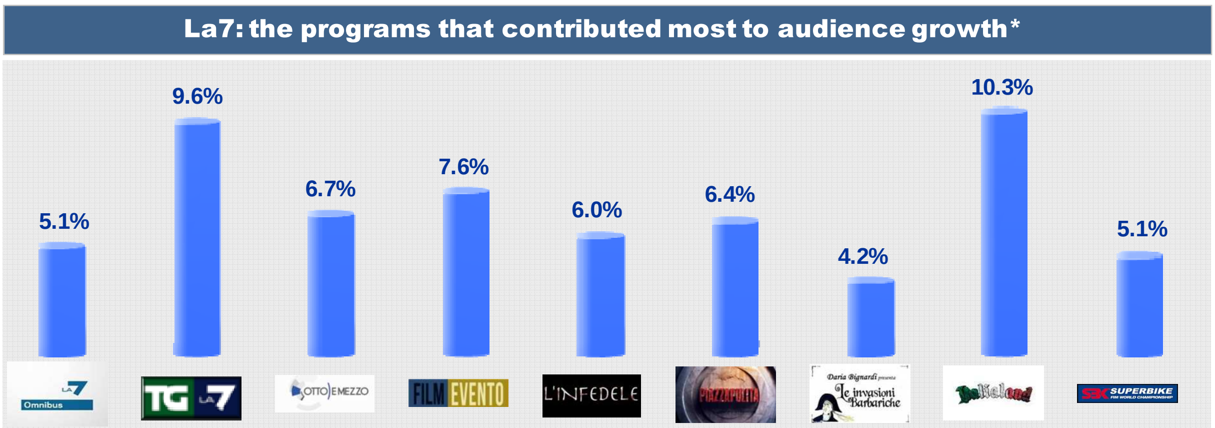
The procedure refers to all users of the company's IT systems, employees and external consultants and provides guidance on the correct and secure use of internal IT systems and services: PCs, notebooks, printers, e-mail, Internet browsing, WiFi networks, etc.

The aim is to ensure that they are used securely, as well as to avoid unwitting actions by users or external IT attacks, in order to safeguard the principles of confidentiality, integrity and availability of information resources.

CUSTOMERS

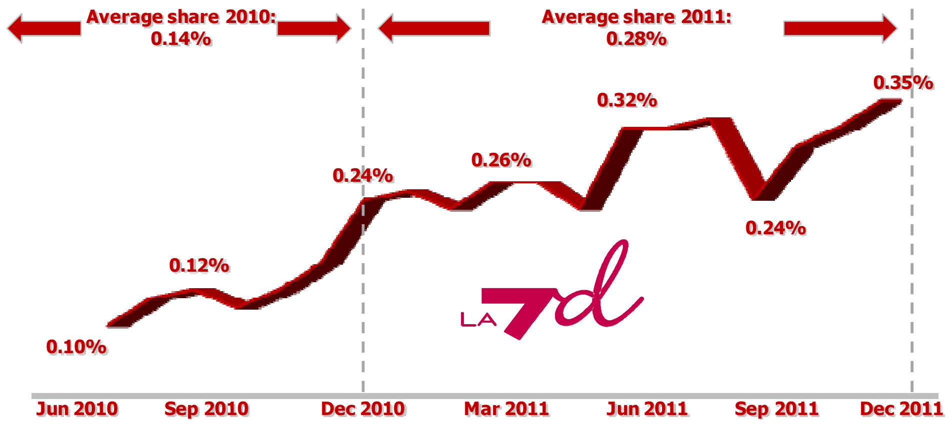
Telecom Italia Media Group continues to interpret the needs of its users and guarantee them a service that is technologically innovative and high quality both in editorial and production terms. Specifically for La7, these factors are very clear in the viewing trends and daily contacts recorded:





(*) Average audience share for the period from January 1 to December 31, 2011

"La7d" continues to rise in importance not only making possible a vision of the main programs on the La7 schedule in a different time slot than the original, but also expanding its programming to exclusive content having a broad international reach, achieving its objective of reaching new audience segments.



La7d: the programs that contributed most to audience growth*

Chef PER UN GIORNO	0.52%	S.O.S. TATA	Mon. 9:15p.m. 0.63% Mon-Fr. 7:30p.m. 0.34%	La Mala Educaxxxion	0.74%
Cuochi e Fiamme	0.71%	Benedetta	Mon-Fr. 7:40p.m. 0.55%	Al Spasso nel Cinema	0.29%

(*) Average audience share for the period from January 1 to December 31, 2011

MTV Italia and its branded channels, on the other hand, continue to adapt to the tastes and trends of today's youth. These channels are distinguished by their capacity to bring to this rather complex target audience topics of important social relevance, using a language and communication methods designed to engage them completely.

La7 and La7d's program schedules are also available on channels 7 (La7), 107 (La7+1), 507 (La7HD), 29 (La7d), 229 (La7d+1) and 529 (La7d HD) on the channel list, whilst MTV Italia's schedules are available on the following channels: 8 (MTV: Music Television), 108 (MTV: Music Television+1), 67 (MTV+), 156 (MTV Classic), 157 (MTV Hits), 256 (MTV Classic+1), 257 (MTV Hits+1), 267 (MTV+ +1), 508 (MTV: Music Television HD), 555 (MTV Hits HD), 556 (MTV Classic HD) and 567 (MTV+ HD).

It is important to consider the huge innovative boost that TI Media provides to its viewers, who can reach the main channel's programs in HD and thus enjoy a high quality signal.

The distribution of television content is also ensured on platforms other than the specific television channel, thanks to applications that allow programs to be enjoyed through "non linear" program scheduling.

The Web Channel is covered primarily through the La7.it website (www.la7.it) which presents detailed information and extracts of La7 and La7d complete programming. Actual mini-websites dedicated to each new production are created when television seasons are launched, offering numerous tools for interacting with the public, as well as sections dedicated to videos.
Live streamed events also gather important feedback allowing users to make live commentary and communicate with one another and with those responsible for La7 productions.
A very important target for interaction with viewers was achieved in 2011 when the 'Social Connect' function was introduced giving the opportunity to users, who are active on the La7.it website, to interconnect with their friends on Facebook and Twitter.

Implementation of the Web TV channel continues through **La7.TV** (www.la7.tv), which shows, over the Internet and in full-screen television quality, the original programming produced and broadcast by La7 and La7d, allowing users to enjoy content aired over the past seven days at any time of day. The TV Web Channel features highly developed technologies that ensure high quality in the transmission of its content and are also ahead of its major competitors thanks to the use of Flash Video technologies (Adobe) and MPEG4-based encoding tools.
La7's Web circuit (la7.it and la7.tv) has recorded a veritable boom in accesses in the past year, reaching 63,641 unique users on average day (source: Audiweb), which represented a 75% increase over November 2010.

Telecom Italia Media has also expanded its on-demand offerings by presenting the first interactive application for Digital Terrestrial Television (DTT), allowing users to view programming broadcast on the channels La7 and La7d over the past seven days on demand on their own television screens, in addition to providing access to an archive of over 300 cult classics.
The MHP solution, which has been available for Gold Stamp decoders since June 2010, uses the return path of the ADSL line that may be connected to the Ethernet port featured on this type of television decoder in order to call up the contents of La7's Web TV channel (La7.tv) directly.
The technology employed, Broadband for Broadcast by Tilab, allows broadcast-quality videos to be distributed on television, while also providing the typical functions of content navigation, pausing, fast-forwarding and rewinding without duplicating distribution platforms.

In December 2010, Telecom Italia Media's publication inaugurated its first information service for smartphones with the launch of the TG LA7 MOBILE application, which offers content updated in real time for the sections: Top News, with TG video news; Flash News, with the latest ten breaking news stories in plain text format; Latest Editions, with full reruns of the last 5 days.

The service mode implemented ensures top video quality depending on the connection band actually available for the user. The application is provided both for the iPhone and for Android.

La7's YouTube channel (www.youtube.com/la7) has also been recently introduced. Thanks to an exclusive partnership agreement signed in December 2010, La7 is the first broadcaster in Italy to have its own completely branded channel, with personalized graphics and specific functions for all programs and with all the editorial content of the television channel, in its two La7 and La7d versions.
This means that the opening page for La7's YouTube channel, featuring a flash widget allowing the promotion and direct access to the television shows, represents a useful and easy-to-navigate information platform for users since it is implemented in continuity with the network graphics (e.g., TgLa7, Piazzapulita, Italialand, Invasioni Barbariche, etc.).
The result is a platform inside YouTube that allows La7 to give extra service to its public and cover the most important video portal in the world in an original way.

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TI MEDIA broadcasts La7 channel in Standard Definition (SD) on the channel 7 of the Digital Terrestrial.
Moreover, TI Media launched an experimental phase about a year ago in which it began to broadcast (on channel 507) the La7 programs in HD Upscaled quality. The SD content is submitted to a process that artificially increases the resolution and therefore the quality.
As from September 2011, a new phase of experimentation will begin where La7 will start to air programs in the prime time slots in HD Native. It will be an absolute innovation in Italy.
This important change was implemented thanks to the collaboration of the entire television technological chain.
The "revolution" began a few years ago with an important road map and increasingly growing investments.
The first step was the conversion of the Production Center aimed at creating programming in full-HD 1080p format (1920x1024).
Gradually all the equipment along the technological chain was replaced, from the filming systems to broadcasting apparatus.
Replacements concerned, in particular, cameras, sorting matrix, satellite receiving systems, fiber optic receiving systems, recording systems, graphics systems, video servers, monitors, editing and storage systems. The wiring of the entire system was also realized in a 3G configuration.
Video signal production with these new methods will also allow produce and broadcast the audio signals in multi-channel format, from stereo to Dolby Digital, 2.0 and 5.1.
One of the most critical and important phases of this evolution was the HD upgrade of all the broadcasting systems or: replacement of the satellite and fiber optic receiving systems, the sorting matrix, the Play Out Engine systems, the recording and control systems, and the storage and management of audio signals in Dolby Digital.

A number of very important innovations were introduced in the second half of the year as regards the productions carried out in our Rome Production Center in Via Novaro.
The native HD transmission of prime-time programs such as "Ottoemezzo" and "In Onda", using our technical facilities already set up for this essential changeover.
The quality level has risen significantly due to this innovation.

Virtual set designs have been tried out inside Television Studios and used, in this initial phase, by the "Atlantide" and "Prossima Fermata" programs.
The space freed up from the old stage sets has meant that additional daily discussion programs have been able to be introduced in the studio, optimizing space and resources and increasing productivity.

The chain allowing video-recorded services to be implemented has been finalized and upgraded; in fact, the process, apart from in exceptional circumstances is carried out completely in File format, an essential requisite for obtaining a completely tapeless supply chain.
In this context training courses have been planned and carried out both for technical and production personnel on the new platform for managing ingestion flows, editing, research and archive consolidation.
There has been a significant increase in support for our Web platforms with the publication in real time of news and other information programs.
Work has been started on constructing the Production Center's new IT Center, with the consequent rearrangement and optimization of working areas in the via Umberto Novaro production center.
Finally a number of staff posts have been consolidated to ensure the continuity of news-related activities.
Regarding shooting at external television Studios, all productions are carried out in Full HD, using selected partners with a high international profile.
The television cameras and optics used, the fully HD production chain with redundant structures and the signal's transfer via fiber optics or satellite with band supporting the enormous quantity of HD data combine to ensure that our programs reach the viewer in the best quality possible among unencrypted TV broadcasters.
Programs such as "Piazza pulita", "L'Infedele", "Invasioni Barbariche" and the Crozza, Dandini and Paolini shows confirm our network's success, not only due to the wealth of content but also, undoubtedly, to the sharpness of the images and perfect visual definition.
Particular mention should be made of lighting system construction since HD recording requires technical lighting devices and solutions that can only be provided by highly professional personnel and equipment. In addition, the new LED technology technical lighting equipment allows significant energy saving compared to the past when incandescent lamps were used.
External filming, through the ENG troupes, also ensure very high quality levels.
Our main programs and shows such as "Missione Natura", "Atlantide", "La Valigia dei Sogni", etc. include standard HD broadcasts, using very high-performance technologies and recording on media such as XDCam discs or memory cards that ensure high quality and virtually no critical aspects. The environmental impact is also reduced due to the fact that they can be reused and so there is a reduced quantity of hazardous materials (tapes) to be disposed of.
There are continued troupe-related economic savings thanks to the ongoing attention paid to this issue.
Hugely important changes have taken place in the Broadcasting Area overall.
The operating Area dedicated to Broadcasting has been completely restructured, so that playout is possible for Full HD programs.

The restructuring concerned Group and third party channel playout, teleporting, signal distribution, tape acquisition, quality control, third party warehouses with related flow and resource optimization. In this context particular attention was paid to setting up new playout channels;
a new third party channel (CanalOne) has been purchased;

the Broadcasting's IT Center has been completely redone, with cabling already in line with a future changeover to 3G featuring fiber connections with a significant saving on the material used.
So all the equipment has now been changed over to native HD, whilst keeping the old SD formats fully compatible both in transmission and reproduction terms;
this area has also seen significant progress in the changeover to the tapeless system, where magnetic tapes are not used for viewing, editing, playout and conservation of images; this new workflow will produce significant savings both in terms of materials purchases (tapes), and their storage, and the disposal of materials that are no longer suitable.

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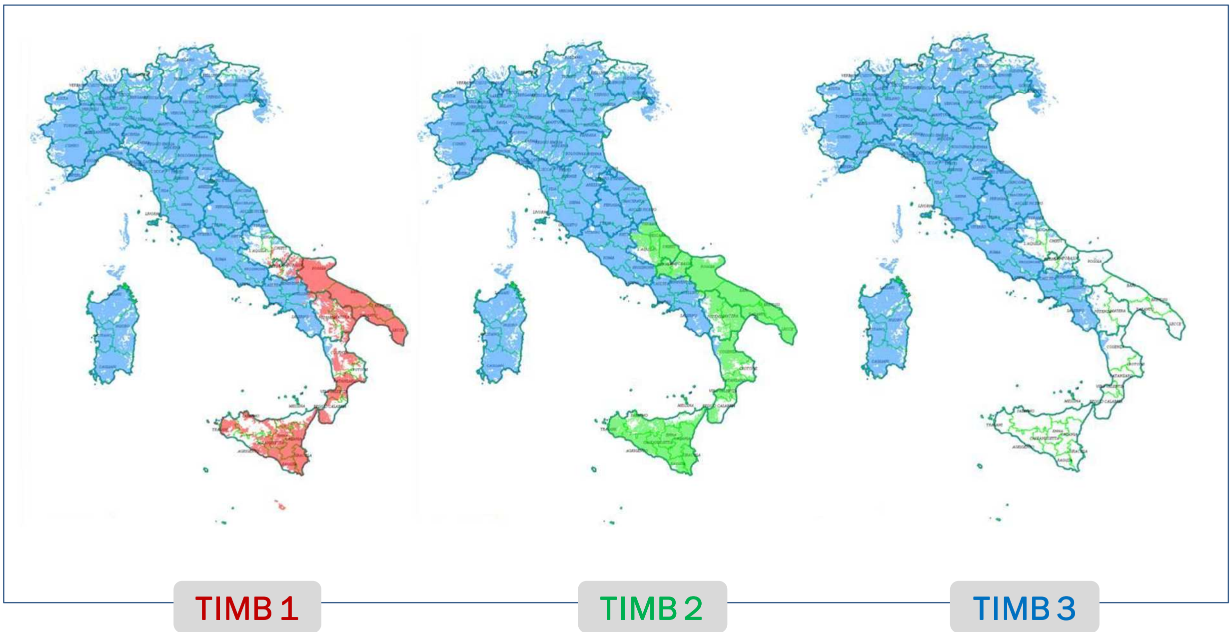
Following the switch-offs which took place in 2010 Telecom Italia Media Broadcasting's three multiplexes achieved coverage of the Italian population of 90.1% (Timb1), 94.2% (Timb2) and 75% (Timb3), respectively.
The analog coverage of channel La7, following the above switch-offs, reaches 21.1% of the population, whilst the MTV channel reaches 20.2%.

In 2011, the analog network management service continued for the La7 and MTV networks solely in the national territory were the switch-off has yet to take place.



OFFERINGS WITH A SOCIAL AND ENVIRONMENTAL SUSTAINABILITY CONTENT

The most significant initiatives achieved or hosted during the 2011 by Telecom Italia Media, on the various channels, are illustrated below. A particular attention is given to the World Environment Day held on June 5.

THE FOLLOWING CONTENT WAS SHOWN ON CHANNEL LA7:

- NANGA PARBAT - "La montagna del destino" + Vertical promo (June 5)

  The film traces the 1970 adventure of the Messner mountaineering brothers on the summit of Nanga Parbat,
  the ninth highest mountain on earth (8,125 meters);
  the exploration ended up in tragedy for Günther, whilst Reinhold was saved.

- SPECIALE - "ALLARME ITALIA" – Viaggio nel paese delle emergenze (June 5) + Promo (in a vertical rotation from May 18 to June 5) and December 30 + Promo – in celebration of Environment Day.
  Mario Tozzi hosts a journey into the Italian environmental emergencies, to relate the discomfort suffered and efforts made to improve the territory.

- THE DAY AFTER TOMORROW - movie (December 30) + Promo

  A film that miraculously manages to combine an incredible and unbeatable visual spectacle with a great degree of social and political/environmental depth, since it has many topical references, such as the debate on the Kyoto Treaty, rejected by the United States Vice-President. During a mission to the Antarctic a paleo-climatologist named Jack Hall discovers that an enormous block of ice has broken away due to global warming. This event will have disastrous chain reactions for the climate of the whole planet.In fact, he soon has to try to save his son Sam who is with friends in New York, struck by a real new ice age.

THE FOLLOWING CONTENT WAS SHOWN ON CHANNEL LA7d:

- SOS TATA – episode 4 (May 8)
  

  SOS Tata targets families with children under-12, where the parents are completely controlled by their young and disobedient charges (who are real pests!) and issue a cry for help to keep them in line and regain control of their lives.
  The families participating can use the services of a specialized nanny, with years of experience in child rearing and education, that help the parents in the most problematic areas of their children's growth.
  After receiving the cry of help from parents, a team of three nannies decides which one of them is best equipped to solve the specific problem. The selected nanny then goes to live with the family for a week. At first, the nanny merely observes the family dynamics; after a period of observation, she becomes an active participant, giving advice and setting rules to achieve harmony in the home.
  The intervention of the nanny is aimed especially at mothers and fathers, with recommendations and strategies to encourage them to make changes in situations of greatest difficulty.
  The nanny delivers advice and rules to follow both for the parents and the children.
  The show aims to provide real assistance and points to ponder, in a light and friendly atmosphere.

- SOS TATA – episode 14 (May 8)
  Nanny Lucia, the veteran of the group who has participated in the show since its first season, is back to pay a visit to the Guerra family five years after her first visit to see how things are going.

- 1) "MIKE" (May 8)
- 2) "SE CI DOBBIAMO ANDARE ANDIAMOCI"(May 8)
- 3) "IO PARLO!" (May 8)
  3 short films whose players and co-players are problem children and/or children with behavioral issues.

- "MAMMA HA PRESO L'AEREO" – Speciale un anno dopo (May 8) + Promo (From May 1 to May 8)
  

  In "Mamma ha preso l'aereo…un anno dopo" Barbara Di Cursi and Michele Randone, the duo of adoption agency coaches who have worked with La7 (CIFA non-profit organization) visited four of the six families from last season to learn their joys and sorrows in the first year living with the adopted children and their parents.
  A sort of post-adoption manual which will be very useful to people who have recently adopted, are about to adopt, are thinking about adoption, have friends or relatives who have adopted or simply enjoy the emotional stories such as these.
  "Mamma ha Preso l'aereo un anno dopo" is a follow up on the road which will involve Barbara di Cursi (psychologist, expert in adoption, and mom to Matteo, 4 years old) and Michele Randone (volunteer general practitioner at CIFA and adoptive father to two Cambodian children) travelling Italy in a car and commenting and relating the stories of these families.
  Between video flashbacks and advices of the experts, the story of this first year of these families will be retold, for a close up view of a difficult but emotional journey into international adoption.

- NANGA PARBAT - "La montagna del destino" + biographical film (June 5)
  The movie retraces the 1970 adventure of the mountain-climbing Messner brothers on the steep face of Nanga Parbat, the ninth tallest mountain on earth (8,125 meters); the exploration ended tragically for Günther, while Reinhold survived.

- Rebroadcast SPECIALE - "ALLARME ITALIA" - Viaggio nel paese delle emergenze (June 5 and 15) + Promo (in vertical rotation from June 11 to June 15)
  The promos of the Special were broadcast in rotation from May 8 to June 15.

IN THE MULTIMEDIA ARENA, MAINLY ON LA7.it, THE FOLLOWING INITIATIVES WERE HOSTED:

- **April 21:** combining the initiative of the web tv altra.tv, Rita101+ was a live web broadcast of the celebrations of the 102nd birthday of Rita Levi Montalcini, with the participation of hundreds of women researchers who work in Italy and around the world, in addition to the participation of Margherita Hack. La7 promoted the initiative in addition to broadcasting it by live streaming, dedicating a space on the home page of www.La7.it

- **April 21-30:** the La7 Web circuit aired the banner communications campaign of the “Make A Wish” Foundation, whose mission is to grant the wishes of terminally ill kids aged 3 to 17.

- **May 8:** for Mother’s day, La7.it has supported the communications of the social campaign Save the Children “Every one – to banish infant mortality” beginning with real assistance to mothers on the day that La7 dedicated exclusively to the family: on **www.la7.it** the **blog Every One** was reopened in partnership between LA7 and Save The Children, and scheduled the Web direct “Mamma Ha preso l’aereo-un anno dopo” (relating the stories of the adoptive families of children from Vietnam, Brazil and Ukraine).

- **From June 5**: www.la7.it/ambiente is dedicated to the Environment, which includes a review of the best videos produced by the Network, a blog on environmental issues (which began with a correspondence from Japan entitled, “Letters from Fukushima”); a section is promoted in conjunction with the periodical Terra, the first ecological daily paper published in Italy. Furthermore, www.la7.it celebrated World Environment Day (June 5) with the live broadcast of “ALLARME ITALIA – Viaggio nel paese delle emergenze” a documentary on the environmental emergencies in Italy, to relate the problems suffered and the efforts taken to improve the territory and crowned by success.

- From October 21 to November 2: **FESTIVAL DELLA SCIENZA,** the whole program of meetings, exhibitions, laboratories, special events and shows organized as part of the event http://www.festivalscienza.it/site/home.html was displayed on the home page www.la7.it including special promotional formats;

- December 16: **UNA VOCE PER L'AFRICA,** the website's home page www.la7.it publicized the project promoted by TELECOM ITALIA during which the NOA concert http://unavoceperlafrica.telecomitalia.com/ was live streamed.

THE FOLLOWING CONTENT WAS SHOWN ON SEVERAL MTV-BRANDED CHANNELS:

- IL TESTIMONE:
  Episode 101/R "Addio Pizzo" (the ins and outs of the anti-Mafia organization, to eliminate dirty money in Palermo)
  Episode 206/R "Eroe per scelta" (the life of young Red Cross volunteers)
  Episode 301/R (profile of a very special journalist who criticizes organized crime in Sicily)
  Episode 302/R "Il Tumore" (young cancer survivors tell their stories)
  Episode 309/R "Futbol de Rua" (a soccer campus organized in Rio de Janeiro by Rome's sports company for youth in Brazil's favelas)
  Episode 310/R "Le famiglie arcobaleno" (encounters with two different families with gay parents, one just with fathers, the other just with mothers)

- NAVIGATOR: program on road safety, in association with the Ministry of Education

- IO VOTO: (from April 21, 2011) a multiplatform project by MTV Italia to encourage young people to participate in political life, to vote and become involved on all levels, from high school to Parliament.

❖ **MTV NEWS "IO VOTO":** (from June 6 to 12) a special episode dedicated to young people who are involved in politics at various levels.

❖ **IO VOTO CONTRO LA VIOLENZA:** to respond to the violence of the black blocs in the demonstration of the *indignados* (the "outraged") in Rome on October 15, MTV decided to create a campaign against violence, the follow-on to "Io Voto". "Io Voto contro la violenza" is a campaign that reminds young people of the importance of taking part in the social and political life of our country in a peaceful and non-violent manner. The campaign is based on adverts with the testimonies of musicians and young people, and online activities on the Io Voto blog and MTV's social media.
To launch the campaign, the history of MTV NEWS "IO VOTO" (see above) was rescheduled, and specially re-edited to promote non-violent participation with the title "Io Voto contro la violenza".
The "Io Voto contro la violenza" campaign started on Tuesday October 18, tacking on to the individual artist idents (which were already programed as the Io Voto campaign) a voiceover referencing the Rome events of October 15 and an invitation to vote against violence.
The artists were asked to post their testimony regarding the initiative and in the week from October 17 to 23 they answered and posted videos and articles on the blog: J-Ax, Max Pezzali, Grido, Zero Assoluto, Negramaro, Daniele Silvestri, Nina Zilli and Giorgia. The video posts also included Mattia Calise and Cecilia (protagonists of the MTV NEWS "Io voto contro la violenza" stories).
In addition, 9 video idents of outraged youngsters were recorded and produced, and then posted in the Blog's video section. 4 of these were aired in rotation on all the network's channels from October 31 to November 7 and 5 articles were also posted in blogs linked to the topic.
The broadcasts were divided as follows. During the campaign's launch from October 18 to November 15
MTV ONE saw 467 broadcasts overall with an average of 16 broadcasts a day (including Artisti Io Voto "revised" with voice over "Io Voto contro la violenza" and "ragazzi contro la violenza" idents)
MTV MUSIC: 537 total broadcasts with a daily average of 18 broadcasts a day;
MTV HITS: 467 total broadcasts with a daily average of 16 broadcasts a day;
MTV CLASSIC: 467 total broadcasts with a daily average of 16 broadcasts a day.

❖ **MTV NEWS** - Socially relevant stories:

LIBIA: I RAGAZZI E LA RIVOLUZIONE: the youth of Benghazi talk about the revolution and their desire for democracy and freedom.
On air from April 4 to 10: 5 4' clips per day x 5 days + 1 20' special per day x 5 days + 1 60' special premiered on Saturday, repeated on Sunday.
Winner of the Ilaria Alpi Prize and best reportage throughout 2011.
Public showing at the 2011 Rimini Meeting in the review of best international reportages for the year.

RICOSTRUIAMO: stories of young people in Aquila who, a year after the earthquake, are taking an active role in society to improve the conditions in their town.
On air from April 11 to 17: 5 4' clips per day x 5 days + 1 20' special per day x 5 days + 1 60' special premiered on Saturday, repeated on Sunday.

I RAGAZZI CONTRO LA MONNEZZA: stories of young people in Naples and the province battling for waste recycling and against pollution in their areas.

On air from May 30 to June 5: 5 4' clips per day x 5 days + 1 20' special per day x 5 days + 1 60' special premiered on Saturday, repeated on Sunday.
IO VOTO: see above

A GENOVA IO C'ERO: the Genoa social forum movements, 10 years later.
On air from July 18 to 24: 5 4' clips per day x 5 days + 1 20' special per day x 5 days + 1 60' special premiered on Saturday, repeated on Sunday.

GLI EROI DI LAMPEDUSA: the stories of young people in the Italian Coast Guard in full immigration emergency.
On air from September 26 to October 2: 5 4' clips per day x 5 days + 1 20' special per day x 5 days + 1 60' special premiered on Saturday, repeated on Sunday.
Public showing as part of the Harbor Authority's activities at the 2011 Genoa Boat Show.

CATTIVE RAGAZZE: In the week against violence sponsored by the Ministry for Equal Opportunities, Mtv News reports on stories of female bullying, young girls who are in turn victims of a difficult social situation, with non-existent families and school truancy.
On air from October 10 to 16: 5 4' clips per day x 5 days + 1 20' special per day x 5 days + 1 60' special premiered on Saturday, repeated on Sunday.

I RAGAZZI DI BELFAST: on the occasion of the EMAs in Belfast, MTV News reports on the hard reality of Catholic and Protestant children who live in the Northern Ireland capital. Children of the civil war, they continue to suffer its daily consequences with episodes of sectarianism and violence. MTV NEWS, in the city which still has 40 walls dividing the Catholic community from the Protestant, has chosen to tell the stories of young people who are committed to building a future of peace and co-existence between the two communities.
On air from October 31 to November 6: 5 4' clips per day x 5 days + 1 20' special per day x 5 days + 1 60' special premiered on Saturday, repeated on Sunday.

- **MISCELLANEOUS:**

Video clip by Amy Winehouse's "Body and Soul" with a fund-raising crawl for the Winehouse Foundation
MTV ONE:
2 BROADCASTS (only on September 14)
MTV MUSIC
8 BROADCASTS (only on September 14)
14 BROADCASTS/a day (from September 15 to date)

MTV international's MTV VOICES :
a worldwide blog in various languages in which young people can tell all their peers throughout the world about their social experiences. Italy is one of the countries piloting the blog with MTV Italia active in editing and searching material.

COMMUNITY

The Telecom Italia Media Group has decided to prioritize activities in which its know-how and skills can bring value added to the Community.
Nevertheless, the Telecom Italia Media Group also strives to sustain social causes, supporting initiatives designed to publicize the importance of environmental respect and protection, as well as those aiding the community.

Again in 2011, Telecom Italia Media resumed its campaign for the environment, the most important commitment of which involves World Environment Day on June 5. We have raised public awareness through a multi-platform offer: La7 and its website www.la7.it have emphasized the importance of the event with broadcasting the special platform “Allarme Italia – Viaggio nel paese delle emergenze”, a documentary on Italian environmental emergencies which relates the problems suffered and the efforts taken to improve the territory and crowned by success.

Telecom Italia Media has also sponsored the “Pink Tie Ball” initiative of the Susan G. Comen Association, which supports breast cancer research, and has made a donation in its favor. As has been the case for some years now, it was decided to turn to the Peter Pan Onlus (Italian non-profit social organization), making a contribution to the construction of accommodation for families who do not live in Rome and come to the city for their children affected by cancer to receive treatment. This was done through a donation linked to the creation of Christmas cards distributed during December.

The donation made by Telecom Italia Media Broadcasting to the Associazione Lega del Filo D’Oro had the same aim — in exchange for the contribution it produced Christmas greetings cards with the logos of the TIMB and the Association.

An essential contribution by MTV Italia which has become an instrument for raising awareness with its audience:

- MTV EXIT: (89 airings from February 14 to March 14) — a social campaign promoted by MTV International against human trafficking, featuring the videoclip “When will I feel love” by the Black Iris Collective.

- MTV PER IL GIAPPONE: (from March 17, 2011) an MTV International fundraising effort for the Red Cross Japan.

- MTV NEWS “ANORESSIA”: (from May 9 to 15, 2011) stories of social value of young girls suffering from eating disorders — the ABA (Association for bulimia and anorexia), whose toll free number was also broadcast, has helped more than 650 young women, after airing this episode.

LA7 PROGRAMS ADAPTED TO HEARING-IMPAIRED AUDIENCE

Period	Cultural programs			Programs adapted to hearing-impaired audience		
	Hours	Net of advertising	On 24 hours	Hours	Net of advertising	On 24 hours
January	185:59:10	29.4%	25.0%	0:00:00	0.0%	0.0%
February	212:38:04	37.2%	31.6%	3:08:55	0.6%	0.5%
March	223:04:03	35.3%	30.0%	6:29:21	1.0%	0.9%
April	191:28:45	31.2%	26.6%	1:33:50	0.3%	0.2%
May	160:51:05	25.5%	21.6%	0:00:00	0.0%	0.0%
June	155:10:32	26.0%	21.6%	4:59:26	0.8%	0.7%
July	128:26:32	20.3%	17.3%	1:38:13	0.3%	0.2%
August	119:46:12	18.7%	16.1%	0:00:00	0.0%	0.0%
September	139:47:07	22.8%	19.4%	0:00:00	0.0%	0.0%
October	157:41:45	24.9%	21.2%	0:00:00	0.0%	0.0%
November	167:24:21	27.3%	23.3%	0:00:00	0.0%	0.0%
December	170:24:52	26.8%	22.9%	0:00:00	0.0%	0.0%
Total 2011	**2012:42:28**	**27.0%**	**23.0%**	**17:49:45**	**0.2%**	**0.2%**

LA7d PROGRAMMING DEVOTED TO CULTURAL PROGRAMS

Period	Cultural programs		
	Hours	Net of advertising	On 24 hours
January	149:28:38	22.6%	20.1%
February	222:06:36	37.3%	33.1%
March	219:30:41	33.6%	29.5%
April	208:22:29	32.6%	28.9%
May	211:30:20	32.3%	28.4%
June	227:09:51	35.5%	31.6%
July	240:07:45	36.5%	32.3%
August	201:52:47	29.5%	27.1%
September	176:11:10	27.6%	24.5%
October	141:58:36	21.5%	19.1%
November	137:50:38	21.2%	19.1%
December	113:22:46	17.0%	15.2%
Total 2011	**2249:32:17**	**29.2%**	**25.7%**

LA7 PROGRAMMING SLOTS DEVOTED TO THE BROADCASTING OF SOCIAL CAMPAIGNS:

TOTAL		January	February	March	April	May	June	July	August	September	October	November	December	Total
		263	186	249	228	464	209	212	377	207	268	262	331	3,256
A.C.L.I.	ACLI 5 X 1000				24	56								80
A.I.G.R.	A.I.G.R.										19	17		36
A.I.S.M.	ASS.IT.SCLEROSI MULTIPLA									16				16
A.I.S.M.	LA GARDENIA DELL'AISM		9	21										30
A.I.S.O.S	OSTEOSARCOMA							24						24
AGIRE	EMERGENZA SICCITA' AFRICA							10	177	1				188
AGIRE	TERREMOTO HAITI	3												3
AIRETT	ASS. SINDROME DI RETT					14								14
AISLA	ASS. SCLEROSI LATERALE AMIOTROFICA						21							21
ALICE ITALIA	GIORNATA MONDIALE CONTRO ICTUS										23			23
ALT	ALT MALATTIE CARDIOVASCOLARI				9									9
ANLAIDS	GIORNATA MONDIALE LOTTA AIDS											7	3	10
ANMIL	ANMIL									18	15			33
ARCHE'	ASSISTENZA BAMBINI SIEROPOSITIVI					12						26	8	46
ASS.AMICI	AMICI PETCARE							19						19
ASS.AMICI CENTRO DINO FERRARI	ASS.AMICI CENTRO DINO FERRARI										15			15
ASS.COMUNITA' PAPA GIOVANNI XXIII	ASS.COMUNITA' PAPA GIOVANNI XXIII												21	21
ASS.LIBERA	LIBERA CONTRO LE MAFIE					7	27							34
ASS.PETER PAN	PETER PAN		31	63	35	37	55	115	110			1		447
ASS.PIU'VITA	PIU' VITA ONLUS						23							23
ASS.VIVI DOWN	ASS.VIVI DOWN											27		27
BABY NEL CUORE	EFORPEOPLE	4	21											25
C.I.A.I.	CENTRO ITALIANO AIUTI INFANZIA												31	31
CAF	CAF ASSISTENZA FAMIGLIE									35	16			51
CBM	MESE DELLA VISTA										16			16
CESVI	CESVI								56	12				68
CESVI	CONTRO AIDS NEONATALE												40	40
CIPSI	WALKING AFRICA NOBEL PACE					28								28
COOPI	COOPI									48				48
COORDOWN	COORDOWN												31	31
DYNAMO CAMP	DYNAMO CAMP				18									18
FAI FONDO AMBIENTE ITALIANO	FAI SALVIAMO L'ITALIA										87	1	24	112
FED.ALZHEIMER IT.	PRONTO ALZHEIMER	4	24											28
FITOT	FONDAZIONE INCREMENTO TRAPIANTI ORGANI											20	23	43
FONDAZ.AIUT.I BAMB.	CUORE DI BIMBI		34											34
FONDAZ.CITTA' ITALIA	GIORNATA DELL'ARTE												30	30
FONDAZ.EXODUS	EXODUS					22								22
FONDAZ.GRIGIONI	FOND.GRIGIONI MORBO PARKINSON				14									14
FONDAZ.IT.RICERCA CANCRO	FOND.IT.RICERCA CANCRO					35								35
FONDAZ.THEODORA ONLUS	FONDAZIONE THEODORA	34												34
FOR A SMILE	FOR A SMILE	35												35
FRATELLI DELL'UOMO	FRATELLI DELL'UOMO	5	20											25
GREENPEACE	GREENPEACE				24									24
L.I.C.E.	LEGA IT.CONTRO EPILESSIA				21	4								25
L'AFRICA CHIAMA	L'AFRICA CHIAMA				14									14
L'ALBERO DELLA VITA	L'ALBERO DELLA VITA										2	34		36
LEGA ITALIANA LOTTA FIBROSI CISTIC	LEGA ITALIANA LOTTA FIBROSI CISTICA												28	28
LEGAMBIENTE	PULIAMO IL MONDO								22	36				58
LIMPE	GIORNATA NAZ. LOTTA PARKINSON											23		23
MATTI PER LA VELA	MATTI PER LA VELA						9							9
MEDICI SENZA FRONTIERE	MEDICI SENZA FRONTIERE					76						10	42	128
MIN.INFRASTRUTTURE	PON RETI E MOBILITA'	72												72
MIN.INFRASTRUTTURE	SULLA BUONA STRADA	31	20											51
MIN.LAVORO-P.SOC.	SICUREZZA SUL LAVORO	5	5	25										35
MIN.POL.AGRIC.	FRUTTA NELLE SCUOLE				37									37
PRES. CONSIGLIO MINISTRI	FORZA L'AQUILA	8	4											12
PRES. CONSIGLIO MINISTRI	RIFIUTA L'OMOFOBIA	4												4
PUBBLICITA' PROGRESSO	PUBBLICITA' PROGRESSO												38	38
SAVE THE CHILDREN	SAVE THE CHILDREN	1	9			12				20	43	27	12	124
SEMI DI PACE	SEMI DI PACE			15										15
SOLELUNA	PALERMO SOLELUNA FESTIVAL						45	44						89
SOLETERRE	SOLETERRE				22									22
TELECOM ITALIA MEDIA	LA7 IL PIANETA CHE SAREMO					63	24							87
TELEFONO AZZURRO	TELEFONO AZZURRO											13		13
TELETHON	TELETHON WALK OF LIFE					81								81
TERRE DES HOMMES	TERRE DES HOMMES										21	56		77
TWINS INT.	ALICE FOR CHILDREN		4	46					12	21				83
UNHCR	GIORNATA MONDIALE RIFUGIATO						5							5
UNIONE IT. LOTTA DISTROFIA MUSCOI	U.I.L.D.M			31	10									41
VIDAS	VIDAS	37	5											42
WALCE	SENSIBILIZZAZIONE MORTALITA' TU	20												20
WWF	60 L'ORA DELLA TERRA/WWF Istituz.			18		17					11			46
MINISTERO DELLE COMUNICAZIONI	LA 7 TV A TUTELA DEI MINORI CS			30										30

LA7d PROGRAMMING SLOTS DEVOTED TO THE BROADCASTING OF SOCIAL CAMPAIGNS:

LA7d	01/1	01/2 - 8	01/9 - 15	01/16 - 22	01/23 - 29	01/30 - 31	02/1 - 5	02/6 - 12	02/13 - 19	02/20 - 26	02/27 - 28	03/1 - 5	03/6 - 12	03/13 - 19	03/20 - 26	03/27 - 31	04/1 - 9	04/10 - 16	04/17 - 23	04/24 - 30	05/1 - 7	05/8 - 14	05/15 - 21	05/22 - 28	05/29 - 31	06/1 - 4	06/5 - 11	06/12 - 18	06/19 - 25	06/26 - 30	07/1 - 2
ACLI 5X1000																				X	X	X	X								
AGIRE																															
AIGR																															
AIRETT																								X							
AISM											X	X	X																		
A.I.S.O.S. Osteosarcoma																															
ALICE FOR CHILDREN											X	X	X	X																	
ALICE - ICTUS																															
ALT - Killer ALT																			X	X											
AMICI DINO FERRARI																															
AMICI PETCARE																															
ANLAIDS																															
ANMIL																															
ARCHE'																						X									
ASS. SLA																												X	X		
BABY NEL CUORE						X	X	X	X																						
CAF																															
CBM																															
CESVI																															
CIAI																															
CIPSI																						X	X	X							
COMUNITA' PAPA GIOVANNI XXIII																															
COOPI																															
COORDOWN																															
DYNAMO CAMP																		X	X												
EXODUS																					X										
FAI																															
FED. ALZHEIMER IT.						X	X	X	X																						
FITOT																															
FOND. AIUTARE I BAMBINI									X	X	X																				
FOND. CITTA' ITALIA																															
FOND. GRIGIONI PARKINSON															X	X	X														
FOND. THEODORA					X	X	X																								
FOR A SMILE			X	X	X																										
FRATELLI DELL'UOMO						X	X	X	X																						
GREENPEACE																	X	X													
L'AFRICA CHIAMA																		X	X												
L'ALBERO DELLA VITA																															
L'AQUILA - IL CORAGGIO DI...							X	X	X	X	X	X	X	X																	
LEGA ITALIANA FIBROSI CISTICA																															
LEGAMBIENTE																															
LIBERA																									X	X	X				
LICE																				X	X										
LIMPE																															
MATTI PER LA VELA																										X	X	X			
PETER PAN									X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
PIU' VITA																											X	X	X		
PUBBLICITA' PROGRESSO																															
SAVE THE CHILDREN																						X	X								
SEMI DI PACE															X	X															
SOLELUNA																														X	X
SOLETERRE																		X	X	X											
TELEFONO AZZURRO																															
TELEFONO DONNA																															
TERRE DES HOMMES																															
UILDM															X	X	X														
UNHCR																												X	X		
VIDAS					X	X	X	X																							
VIVI DOWN																															
WWF															X									X	X						

LA7d	07/3 - 9	07/10 - 16	07/17 - 23	07/24 - 30	07/31	08/1 - 6	08/7 - 13	08/14 - 20	08/21 - 27	08/28 - 31	09/1 - 3	09/4 - 10	09/11 - 17	09/18 - 24	09/25 - 30	10/1	10/2 - 8	10/9 - 15	10/16 - 22	10/23 - 29	10/30 - 31	11/1 - 5	11/6 - 12	11/13 - 19	11/20 - 26	11/27 - 30	12/1 - 3	12/4 - 10	12/11 - 17	12/18 - 24	12/25 - 31
ACLI 5X1000																															
AGIRE				X	X	X	X		X	X																					
AIGR																				X	X	X									
AIRETT																															
AISM															X	X	X	X													
A.I.S.O.S. Osteosarcoma		X	X																												
ALICE FOR CHILDREN										X	X	X	X																		
ALICE - ICTUS																			X	X											
ALT - Killer ALT																															
AMICI DINO FERRARI																		X													
AMICI PETCARE		X																													
ANLAIDS																								X	X	X	X				
ANMIL														X	X	X	X	X													
ARCHE'																									X	X	X				
ASS. SLA																															
BABY NEL CUORE																															
CAF														X	X	X	X	X													
CBM																		X	X												
CESVI									X	X	X	X																X	X	X	
CIAI																													X	X	
CIPSI																															
COMUNITA' PAPA GIOVANNI XXIII																													X	X	X
COOPI													X	X																	
COORDOWN																														X	X
DYNAMO CAMP																															
EXODUS																															
FAI																X	X	X	X	X	X										
FED. ALZHEIMER IT.																															
FITOT																									X	X	X	X			
FOND. AIUTARE I BAMBINI																															
FOND. CITTA' ITALIA																													X	X	
FOND. GRIGIONI PARKINSON																															
FOND. THEODORA																															
FOR A SMILE																															
FRATELLI DELL'UOMO																															
GREENPEACE																															
L'AFRICA CHIAMA																															
L'ALBERO DELLA VITA																					X	X	X	X							
L'AQUILA - IL CORAGGIO DI...																															
LEGA ITALIANA FIBROSI CISTICA																														X	X
LEGAMBIENTE										X	X	X																			
LIBERA																															
LICE																															
LIMPE																								X	X						
MATTI PER LA VELA																															
PETER PAN	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X							X	X	X	X	X	X	X	X	X	X
PIU' VITA																															
PUBBLICITA' PROGRESSO																														X	X
SAVE THE CHILDREN																	X	X	X	X	X	X	X								
SEMI DI PACE																															
SOLELUNA	X																														
SOLETERRE																															
TELEFONO AZZURRO																								X	X						
TELEFONO DONNA																									X						
TERRE DES HOMMES																				X	X	X	X	X	X						
UILDM																															
UNHCR																															
VIDAS																															
VIVI DOWN																							X	X							
WWF																			X												

MTV ITALIA PROGRAMS ADAPTED TO HEARING-IMPAIRED AUDIENCE:

Period	Cultural programs			Programs adapted to hearing-impaired audience		
	Hours	Net of advertising	On 24 hours	Hours	Net of advertising	On 24 hours
January	50:46:59	7.3%	6.8%	137:10:07	19.7%	18.4%
February	49:58:19	8.1%	7.4%	71:10:50	11.5%	10.6%
March	76:32:16	11.4%	10.3%	75:31:14	11.2%	10.2%
April	47:13:39	7.4%	6.6%	56:03:34	8.7%	7.8%
May	57:03:08	8.6%	7.7%	82:53:58	12.4%	11.1%
June	68:00:54	10.4%	9.4%	107:01:09	16.4%	14.9%
July	66:53:40	9.8%	9.0%	102:21:52	15.0%	13.8%
August	54:03:44	7.7%	7.3%	139:31:13	19.9%	18.8%
September	81:56:29	12.4%	11.4%	129:13:30	19.6%	17.9%
October	85:49:48	12.8%	11.5%	157:09:46	23.4%	21.1%
November	62:47:22	9.7%	8.7%	176:29:13	27.2%	24.5%
December	67:00:00	9.8%	9.0%	166:57:56	24.4%	22.4%
Total 2011	**768:06:18**	**9.6%**	**8.8%**	**1401:34:22**	**17.5%**	**16.0%**

SUPPLIERS

Telecom Italia Media guarantees its internal clients and external stakeholders that the procurement process is aimed at the acquisition of products and services under the best possible market conditions, while also observing the prerequisites of quality, safety and respect for the environment. In order to achieve this goal, it draws on the management and coordination provided by Telecom Italia to all Group companies, which also include the criteria for approving suppliers, rating vendors and acting transparently in dealings with suppliers.

› The qualification process

The qualification can be of three types, each preliminary to the next:

- basic (turnover, safety and civil liability, respect for environmental policies, etc.);
- operating and financial (examination of financial statements with consequent evaluation of the specific ratios);
- technical and organizational (effective capacity to produce/supply the product/performance/service).

During the qualification process, suppliers are also asked to commit to principles related to human rights, labor, and the environment contained in the “Global Compact” promoted by the United Nations upon which the Code of Ethics of the Telecom Italia Group is based.

The qualified parties are inserted in the Suppliers’ Register of the Telecom Italia Media Group per commodity category.

The procurement policy of the Telecom Italia Media Group is based on competition between qualified Suppliers on the basis of parameters of purchase cost, procurement times and quality of the supplies. As regards sub-contractors an analogous checking process is carried out — although simplified with respect to that for suppliers — and the outcome of this process conditions the authorization to sub-contracting agreements for technical and organizational work (actual ability to produce/supply the product/work and render the service). Certification of sub-contractors is normally the responsibility of the Company Protection and Prevention Service, in full compliance with applicable provisions of law governing safety and hygiene in the workplace (request to view the Consolidated Workers Register, in compliance with the requirements set out in Legislative Decree No. 81/08, the Ministerial Decree of March 10, 1998 — fire-prevention rules — and Legislative Decree No. 106/09).

› Vendor Rating

The quality of the supplies/services is controlled by way of a specific “Vendor Rating” for the product/performance/service on the basis of the technical, commercial and administrative valuations. In special cases third-party audits are carried out.

EQ controls, according to the type of Product and Service, can be made:

☐ before delivery/provision at the suppliers premises and/or at the premises of their authorized subcontractors;

☐ at certified test laboratories (usually in the early stages of the products supply or following critical issues emerged in the field);

☐ "on site" during the stages of products/systems commissioning or service provision.

In addition to controls on Products and Services, audits are carried out on suppliers that apply for qualification or subcontracting, on products/processes identified as non-compliant during operation and with regard to the subject of Corporate Social Responsibility (e.g., environment, health, safety).

The controls take place both at a centralized level at the moment of the qualification of the Supplier, and by the individual Telecom Italia Media Group companies during the life of the contract.

› Transparency

The transparency of relationships with the suppliers is guaranteed by way of:

- submitting the results of the "Vendor Rating" to suppliers in order to coordinate actions for improvement; submission to each Supplier can be omitted in critical cases (e.g., audits in progress or completed, or more generally incorrect behavior); it may be omitted even if requested by supplier;
- communication of the control system by way of documents annexed to contracts and in which are contained all the aspects relative to the specific monitoring;
- online tenders through the Telecom Italia Corporate website with the possibility for Suppliers to know in real time their performance and the final outcomes;
- insertion of elements relative to conduct which the Suppliers must fulfill in terms of health and safety, respect for the environment, etc. in documents annexed to the procurement tenders and relative specifications.

SHAREHOLDERS

In 2011, the Telecom Italia Media Group continued its commitment to bring constant and timely financial communication, ensuring transparent and reliable reporting on the consolidated financial results of the Group and the individual companies (La7, MTV, TIMB), in accordance with the interests of analysts and rules established by the Authorities in charge at the government and financial market surveillance bodies. Towards this end, information and data are made available to the public through press releases and the publication of institutional documents both print or online (compulsory and optional quarterly operating and financial statements — such as the Sustainability Report — and documents providing information on general meetings and specific transactions effected on the market).

Given the increasing use of computerized communications, Telecom Italia Media has continued to update its website www.telecomitaliamedia.it, which features a section dedicated exclusively to investors. The information is updated in real time and relates, among other things, to the company's structure, shareholder body, stock market performance, major corporate events, past operating and financial data, annual and quarterly financial reports. The subjects Corporate Governance Rules and Sustainability are dealt with in separate sections of the website.

During the course of the year, institutional meetings with the financial community (analysts, national and international institutional investors) have been organized. In particular, quarterly conference calls and attendances at group and one-to-one meetings with national and international Funds, combined with the day-to-day dealings with all the financial analysts and institutional investors, through direct and telephone meetings, so as to discuss matters significant for the purposes of their analyses and management of the equity investment.

HUMAN RESOURCES

The Telecom Italia Group's Code of Ethics is based on the Global Compact promoted by the United Nations and sets forth a large number of principles pertaining to Human Resources, such as health and safety at the workplace, respect for employees' rights, the enforcement of equal opportunity policies and the promotion of professional growth. The Telecom Italia Group also follows the OECD guidelines, as well as the ILO principles (International Labor Organization).

Telecom Italia Media acknowledges the central role of Human Resources, respects workers' rights, ensures safety at the workplace and protects employees' health. Group's Human Resources policies are targeted at ensuring equal opportunities and promoting the professional growth of each and every employee.

TELECOM ITALIA MEDIA GROUP

Workforce at 12/31/2011	Workforce at 12/31/2010	Delta
728	733	- 5

At December 31, 2011, the workforce numbered 728 units, showing a decrease of 5 units compared to December 31, 2010. This decline included an overall decrease of 10 units in definite-term employees (TI Media +1, MTV Group -11) and an overall increase of 5 units in indefinite-term employees (TI Media +15, Operatore di Rete -1, MTV Group -9).

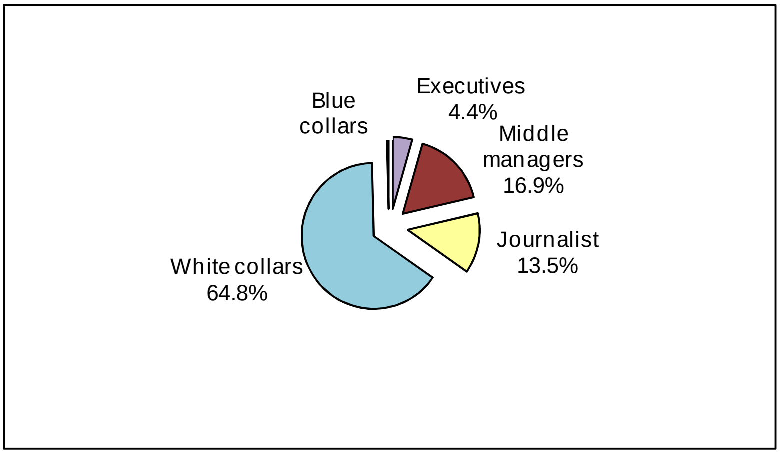
(units)	12/31/2011	12/31/2010	Change
TI Media SpA	497	481	16
MTV Group	181	201	(20)
Network operator	50	51	(1)
Group Total	**728**	**733**	**(5)**

The workforce by category at year-end is shown in the following table:

(units)	12/31/2011	12/31/2010	Change
Executives	32	30	2
Middle managers	123	119	4
Journalists	98	97	1
White collars	472	484	(12)
Blue collars	3	3	-
Group Total	**728**	**733**	**(5)**

The breakdown of Telecom Italia Media S.p.A. workforce by professional category was as follows:

Telecom Italia Media Group

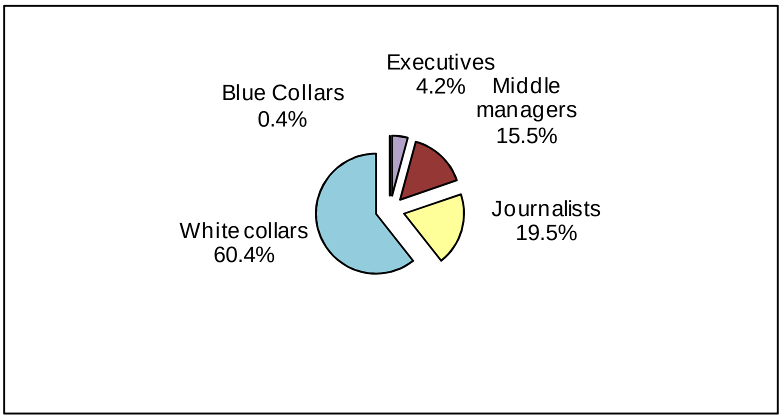


TELECOM ITALIA MEDIA S.p.A.

Workforce at 12/31/2011	Workforce at 12/31/2010	Delta
497	481	16

Telecom Italia Media S.p.A. employed a workforce of 497 at December 31, 2011, up by 16 resources compared to December 31, 2010.
In detail, the increase in the workforce included 15 units in indefinite-term employees, primarily attributable to the stabilization of some employment relationships and the internalization of Public Relations activities, and 1 unit in definite-term employees.
The breakdown of Telecom Italia Media S.p.A. workforce by professional category was as follows:

Telecom Italia Media S.p.A.



ORGANIZATION

Pursuant to organizational instruction No. 84 dated April 5, 2011, the operational management responsibility, entrusted to the Deputy Chairman and Managing Director, has been defined within the Digital Content Function. At the same time, within the Network and Multimedia Department, which reports to General Management, responsibility for the Multimedia Function was assumed in the interim by Quintilio Tombolini.

On April 8, the Board of Directors of Telecom Italia Media S.p.A. appointed Severino Salvemini Chairman of the Company.

Pursuant to organizational instruction No. 85 dated May 13, 2011 and under the direct responsibility of the Deputy Chairman and Managing Director, the External Relations function was introduced and entrusted to Federica Moroni; it is composed of the Press and Market Communications Office.

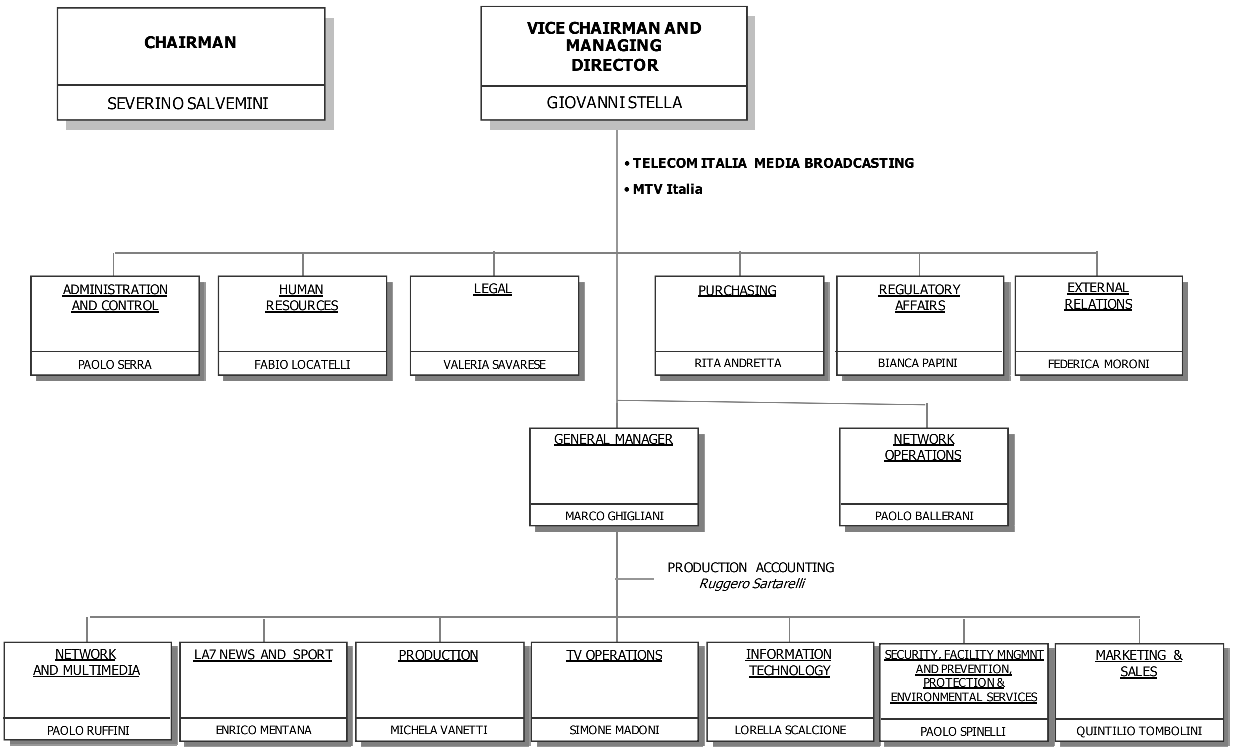
With organizational instruction No. 86 of September 8, 2011, the Rights Management Function was set up within the Network and Multimedia Department.

With organizational instruction No. 87 of October 12, 2011, within General Management, the Network and Multimedia Department was allocated to Paolo Ruffini and organized into the Network Programming and Image, Program Development, Rights Management and Multimedia Functions.

With organizational instruction No. 88 of October 12, 2011, within General Management, the Marketing & Sales Function was allocated to Quintilio Tombolini and organized into the Marketing and Advertising and Sales Programming and Partnership Management Functions. At the same time, the Editorial Marketing and Advertising Programming and Content Distribution and Partnership Management Functions were shut down.

Finally, with organizational instruction No. 89 of October 14, 2011, the Digital Content Function was closed down at the same time as termination of the related service contract with the parent company Telecom Italia.

ORGANIZATIONAL CHART



DEVELOPMENT/TRAINING AND INCENTIVES

Training activities carried out in 2011 resulted in the total provision of approximately 8,000 hours of training, which is equivalent to a per capita average of approximately 11.3 hours (calculated based on the average workforce employed at 12/31/2011).
The themes upon which the training investment has been most focused were:

- refresher or specialized training for certain positions, conducted by external providers, with a special focus on in-depth professional learning (eg., contract management, fiscal system, Law and Information Technology). In MTV Italia two internally taught projects were developed, the first aimed at disseminating knowledge of the different channels' program structure, related editorial content and operating processes; the second, aimed at analyzing and interpreting "Auditel" audience share figures

- regarding Safety issues, work continued on investing in the concept of "Culture of Safety", in order to develop the regulatory conduct (legal provisions) of our resources so that it is based on self-prevention and prevention for other colleagues. These initiatives include, for example, courses about the proper management of equipment inside Studios (Lift trucks).

  In the second half of the year, Telecom Italia Media embarked on a major program of investment in technical training, regarding the functionalities of a new computer system known as "Edit Share". This system enhances the capacities for accessing and managing audio/video content included in La7's digital libraries. The course involved 65 colleagues in the *TV Operations and Production* Functions.

- In addition, a "Public Speaking" training initiative, targeted at Senior Managers and designed to enhance their communication skills, was started.

The above-mentioned training activities represented 81% of the total.

Other training activities for 2011 concerned:

- language training, aimed at the development and dissemination of English through individual courses; this accounted for 13% of the total;

- the completing of training activities regarding the organizational model pursuant to Law No. 231, targeted to journalists; this represented 6% of the total.

The relationship with the world of education was further strengthened by the organization of internships, mainly regarding the Program Production and Development area, thus consolidating the relations with prestigious Universities (Luiss, Lumsa, and Almed).

Regarding the **Resource Development Systems,** the work of the Assessment Center continued, involving seven resources between Professionals and Middle Managers, after which development projects were defined in support of the areas for improvement. These initiatives include both on-the-job training, with the active contribution of managers, and classroom training.

With regard to **Internal Communication**, the Company is constantly updating and improving its corporate Intranet which gives special emphasis to our programs, audience share, as well as daily press coverage.

This year's edition of Telecom Italia Group's customary Open Doors event in May, during which employees' children were given an opportunity to visit the offices where their parents work and better understand their work environment.

In December, an event was organized, during which a large number of employees, together with several network celebrities, shared the results of the year and had the chance to exchange Christmas greetings. A sum of money was donated to the "Peter Pan" Onlus Non-profit organization during these festivities.

As regards ***Remuneration*** processes***,*** management of the remuneration component was concentrated primarily at the year-end and was handled with rigorous selective criteria; the fixed component, aimed at rewarding staff possessing distinctive skills, the role covered and continuous positive performance, mainly regarded resources working within business Functions.

The variable "one off" component rewarded particularly significant performance, expressed during the year, only for staff not covered by the incentive systems.

In line with Telecom Italia Group policies, the managerial incentive system (MBO) was launched involving the most highly regarded managers and professionals, with the aim of guiding them towards the Company's short-term strategic objectives. In 2011, the system covered all Senior Managers and about 75% of Middle Managers.

The 2011 incentive plan was based on three types of objectives:

- economic/financial objectives of the Telecom Italia Group (common for all), represented by the "TI Group Net Financial Position" and "TI Group EBITDA";
- economic objectives of the Telecom Italia Media Group, represented by the "EBITDA", with a "threshold" value relating to Sales to Third Parties;
- specific objectives, relating to the role covered and responsibilities assigned.

Quantitative parameters were primarily used when assigning specific objectives.

INDUSTRIAL RELATIONS

During the year, dialog with representatives from journalists' unions focused essentially on further exploration of issues relating to specific regulations contemplated in the National Labour Contract and company agreements.

With regard to industrial relations with the unions not representing journalists, on May 20, 2011, Telecom Italia Media S.p.A. and Telecom Italia Media Broadcasting S.r.l., together with the National, Regional and Local trade unions and the Corporate Single Union Representative body of Telecom Italia Media S.p.a., signed an agreement governing the mode of election of the Single Union Representative bodies and the Workers Representative for Safety.

It should be noted that, in accordance with the provisions of the union agreement regulating the payment of the Performance Bonus, Telecom Italia Media Broadcasting S.r.l. did not pay out the Performance bonus associated with the objectives established for the year 2010. In accordance with a union agreement, Telecom Italia Media Broadcasting S.r.l. paid out an exceptional and one-off amount to all workers employed as middle managers, office staff and blue collars, excluding employees recipients of specific corporate incentive plans.

On December 21, 2011, an agreement was entered into with the Corporate Single Union Representative (RSUs) of Telecom Italia Media S.p.A., and that is to say, the Italian national and local trades unions SLC CGIL, UILCOM UIL and FISTEL CISL, regarding the extension of the statutory maximum duration of fixed-term employment relationships. This ceiling, established at a total of 36 months pursuant to article 5, paragraph 4-*bis*, of Legislative Decree No. 368 of September 6, 2001, as amended by Law No. 133/2008, was raised to 63 months. The agreement also regulated certain aspects of fixed-term and indefinite-term employment contracts, as well as personnel management.

Telecom Italia Media Broadcasting S.r.l.'s RSUs and the Workers Representative for Safety (RLS) were elected in July 2011.

LAW No. 183/2010

As of January 31, 2012, legal proceedings have been launched in respect of 23 of the 56 out-of-court contestations raised against Telecom Italia Media S.p.A. pursuant to the labour law reforms introduced through Law No. 183/2010 commonly known as "*Collegato lavoro*".
Moreover, following settlement negotiations conducted through trades unions, 7 of the 56 employees who raised out-of-court contestations have waived their rights to bring legal proceedings.

REGULATORY FRAMEWORK

Broadcasting Consolidation Law

The Telecom Italia Media Group's activity is primarily governed by Legislative Decree No. 177 of July 31, 2005, as amended, most recently by Legislative Decree No. 44 of March 15, 2010 (the amended version of Legislative Decree No. 177/05 is also referred to hereinafter as the "Consolidated Law"), which lays down the general principles for the provision of audiovisual and radio media services.

In further detail, Legislative Decree No. 44/2010, issued in adoption of Directive 2007/65/EC on audiovisual media services, amended the old Consolidated Law to include not only new rules governing authorizations, but also general provisions on advertising, European works promotion obligations, freedom of the press, corrections and the protection of minors, including with regard to non-linear (i.e., on-demand) services.

The Consolidated Law defines an audiovisual media service as a service that is under the editorial responsibility of a media service provider and the principal purpose of which is the provision of programs in order to inform, entertain or educate the general public by electronic communications networks.

With regard to market operators, the Consolidated Law identifies: (i) media service provider: *party "who has editorial responsibility for the choice of the audiovisual content of the audiovisual media service and determines the manner in which it is organized"; (ii)* a provider of associated interactive services or conditional-access services: *"a party who provides the public or third parties with conditional-access services, including pay-per-view, by distributing numerical keys enabling programs to be viewed, services to be billed and, in some cases, equipment to be supplied, or a party who provides information society services as defined by Article 2 of Legislative Decree No. 70 of April 9, 2003 or who provides an electronic programming guide"; and (iii)* network operator: *a party who "holds the right to install, operate and provide an electronic communications network on terrestrial frequencies using digital technology, by cable or by satellite, as well as equipment for the broadcasting, multiplexing, distribution and dissemination of the frequency resources that permit programs to be transmitted to users*."

By resolutions No. 606/10/CONS and 607/10/CONS, towards the end of December 2010, AGCOM issued regulations for linear audiovisual media services, for other means of electronic communications (WebTV), as well as for audiovisual media services on demand. These rules have no significant impact on the Telecom Italia Media Group's business given that the group is already covered under the provisions of the Consolidation Law insofar as it operates as a provider of media and associated interactive services, as well as the Digital Terrestrial network operator.

By means of Resolution No. 353/11/CONS of June 30, 2011, the national regulatory authority (AGCOM) issued the new regulation on digital terrestrial television, finally replacing resolution No. 435/01/CONS.

On October 14, 2011, TIMB challenged the new Regulations. It specifically objected to the provision that allows for audiovisual media services from national content providers to be transferred to local operators' networks. It also objected to the provision that would seem to extend the scope of the license fee — amounting to 1% of turnover from analog television broadcasting — to all digital activities. This extension is not compatible with Community Law which separates administrative contributions from turnover.

In the context of the digital terrestrial migration process, the Telecom Italia Media Group, already the holder of an analog concession for La7 and MTV, has taken steps to be in a position to act as digital terrestrial broadcaster and digital terrestrial network operator.

Specifically, Telecom Italia Media Broadcasting has been the Group's network operator, and Telecom Italia Media and MTV Italia have had editorial responsibility, since May 2006.

In further detail, on May 5, 2010 the Ministry for Economic Development – Department of Communications issued the authorization allowing Telecom Italia Media S.p.A. and MTV Italia S.r.l. to act as national broadcasters for the transmission via the digital terrestrial platform of the national channels La7 and MTV (former analog concessions). Telecom Italia Media has also received general authorization to act as interactive service provider on the digital terrestrial platform.

Regulation of Channels

In resolution No. 366/10/CONS of July 15, 2010 (published in Italy's Official Journal on August 10, 2010), AGCOM laid down the automatic numbering plan for Digital Terrestrial television channels, assigning former analog channels with information obligations (known as "generalist" channels) the first nine positions and attributing position 7 to La7 and 8 to MTV.
Telecom Italia Media and MTV Italia have filed their appearance to resist various lawsuits challenging, on a series of grounds, the lawfulness of the allocation of remote control channel positions 7 and 8 to La7 and MTV respectively.
On May 11, the Council of State is scheduled to hear the challenge against the constitutionality of resolution No. 366/10/CONS, raised by the European Group TLC, Società Italiana Televisioni, et al., as well as the case brought by SKY Italia contesting not only the decision not to assign the position 10 to its “Cielo” channel, but also the constitutionality of the entire regulatory framework governing channels, with specific reference to AGCOM’s above-mentioned resolution No. 366/10/CONS on the automatic channel numbering plan.
The proceedings brought before the Regional Administrative Court of Lazio by Videolina, the Region of Sardinia and TBS Rete Capri, impugning the decision not to assign local broadcasters single-digit channel positions, have been adjourned pending the Council of State’s ruling in the LCN case.

Transposition of the revised European framework for electronic communications networks and services, into Italian law, and national use of local bandwidth

Law No. 217 of December 15, 2011, entailing the publication of the Community Law 2010 in the Italian Official Journal on January 2, 2012 and requiring the Italian Government to transpose the revised regulatory framework for electronic communications networks and services into Italian law (by appropriately amending the Electronic Communications Code, Legislative Decree No. 259/03) within three months, also enables local network operators to host content and programming supplied by Italian audiovisual media service providers. This provision, which is prejudicial to the Telecom Italia Media Group’s network operator, has already been subject to challenge in proceedings brought by Telecom Italia Media Broadcasting contesting the revised Digital Terrestrial regulations set forth in resolution No. 353/11/CONS. It would be useful to conduct an in-depth analysis of the defensive legal strategies to be launched in order to protect Telecom Italia Media Broadcasting’s interests in light of the regulations to be issued in implementation of the aforesaid law.

With specific reference to the transposition of European Directives No. 2009/140/EC and No. 2009/136/EC which form part of the revised framework for electronic communications, the Ministry of Economic Development has launched a consultation on the draft text of two proposed legislative decrees bringing amendments to the Electronic Communications Code and the Personal Data Protection Code. Telecom Italia Media availed of the opportunity offered by that consultation to seek the reform of the clause precluding trading in bandwidth assigned free of charge, and the inclusion of a specific regulatory link regarding the administrative charges and bandwidth licensing fees payable by digital terrestrial network operators.

Digital Frequencies and Switch Off

Article 8-*novies* of Decree-Law No. 59/08 converted into Law No. 101/08 amending article 15, paragraph 1, of Legislative Decree No. 177/05, as well as consequently, AGCOM resolution 181/09/CONS, were introduced following the Community infringement procedure through which certain provisions of the Gasparri Law regulating the digitalization of analog television broadcasting networks were found not to be compliant with the EU framework. Under Law No. 101/08, digital terrestrial network operators are subject to general authorization, in accordance with the Electronic Communications Code. The resolution No. 181/09/CONS, essentially programmatic in nature and transposed into primary legislation by the 2008 Community Law, set the rules for the full digitalization of national terrestrial television networks.
In accordance with 181/09/CONS, the digital frequency assignment plan called for 21 national networks covering approximately 80% of Italian territory to be earmarked for digital terrestrial television broadcasting (DVB-T) and for four additional national networks to be used for television broadcasting to mobile handsets (DVB-H). The resolution set forth a national digital dividend of no less than five DVB-T networks and one DVB-H frequency to be awarded through competitive procedures in the beauty contest based on objective, proportional, transparent and non-discriminatory criteria, in accordance with the principles of Community Law, and reserving a part of them for new entrants and minor operators, and the other for any bidder. If an entity has obtained access to five networks at the end of the tender, which represents the maximum number

("cap") of MUXes that can be obtained by any individual operator, that entity shall be required to sell 40% of the fifth network's broadcasting capacity to third parties.

National Digital Frequency Assignment Plan

The National Digital Frequency Assignment Plan (PNAFD) was approved by resolution No. 300/10/CONS. It calls for 25 national networks, of which 4 DVB-H and introduces the k-SFN technique for certain networks that otherwise would not have coverage of 80% of the territory.
The Plan fixes an internal digital dividend (5 DVB-T networks and 1 DVB-H network) to be assigned in a competitive beauty contest, and an external digital dividend (channels 61-69 UHF) dedicated to mobile communication services.
By resolution No. 330/11/CONS, AGCOM, cancelling the regional coordination round tables, initiated the process of completing the frequency planning with the detailed planning of resources for local broadcasters and RAI in the areas still under digitization process.

Timetable for Switch-off

In accordance with Law No. 101/08, the Decree of the Ministry for Economic Development of September 10, 2008, as amended, defined the timetable for the switch off and indicated the geographical areas affected and the respective deadlines, with the aim of ensuring the conclusion of the process by 2012.
The 2008 Ministerial Decree divides Italy into 16 technical areas, largely coinciding with the regions, the transition to digital of which is coordinated by the National Digital Italy Committee (the "Committee"), established by decree of the Ministry of Communication dated August 4, 2006, as well as by individual regional task forces.
Following Sardinia's transition to all-digital in 2008, the plan to shut down analog broadcasting in Valle d'Aosta, Western Piedmont (the provinces of Turin and Cuneo), Trentino Alto Adige, Lazio and Campania was completed in 2009, and in 2010 the switch-off was completed in all the North of Italy. In 2011, the digitalization process interested the regions of Liguria, Tuscany, Umbria and Marche, reaching 80% of the Italian population.
By the decree passed on December 14, 2011, the Ministry for Economic Development fixed the switch off calendar aiming at completing the digitalization process on the whole country by June 30, 2012. The following calendar refers to the remaining analog areas:

- Abruzzo and Molise (the province of Foggia included): from May 7 to May 23;
- Basilicata and Puglia (including the provinces of Cosenza and Crotone): from May 24 to June 8;
- Sicily and Calabria: from June 11 to June 30.

Contest for the 800 Band

The Stability Law of 2011 requires the 790-862 MHz frequencies (formerly the television channels CH 61-69 UHF), or "800 band" in short, originally assigned to local television broadcasters, to be earmarked for broadband mobile communications services and auctioned to sector operators. The contest took place on the 2011 summer season, generating an overall amount of about Euro 4 billion.
Legislative Decree No. 34 of March 31, 2011 lays down measures for streamlining the radioelectric spectrum. In particular, the decree set forth the ultimate date, i.e. June 30, 2012, to release the channels 61-69, already allocated to the local broadcasters during the switch off stages of 2008, 2009 and 2010. The overall indemnity amounts to about Euro 175 million.

Beauty Contest

By resolution 497/10/CONS, AGCOM established the criteria to be applied during the competitive procedure for the assignment of the internal digital dividend.
The resolution erroneously places Telecom Italia Media on the same footing as RAI and Mediaset, incumbent operators in the terrestrial network market, with the result that, like the latter companies, Telecom Italia Media is also barred from participating in the tender for Lot A, which is open exclusively to incumbents operating no more than one analog network and new market entrants, a category under which AGCOM has classified SKY Italia that was admitted to the competitive procedure by the EU Commission.
The call for tenders and related rules were published on July 6, 2011 and on the subsequent September 5, Telecom Italia Media Broadcasting, the Group's network operator, submitted three separate applications for the allocation of Lots B.1, B.2 and C.1. The Commission admitted:

- Europa 7 for Lot A.1,
- Dfree, H3G and Canale Italia for Lot A.2
- Dfree and Canale Italia for Lot A.3
- Rai, Mediaset and Telecom Italia Media Broadcasting for Lot B.1
- Rai, Mediaset and Telecom Italia Media Broadcasting for Lot B.2
- Telecom Italia Media Broadcasting for Lot C.1.

SKY Italia, which was permitted to bid for Lot A.2, withdrew from the tender on November 30.

Following the approval of three parliamentary motions on statutory implementation raised by the political parties Italy's Democratic Party, Italy of Values and Northern League, requiring the government to suspend the assignment of television frequencies through beauty contest and to draw up a procedure for the assignment of the said bandwidth in the general public interest, taking due account not only of financial aspects but also the reinforcement of pluralism in television broadcasting and news media, on January 20, 2012, TIMB was served formal notice by the Ministry of Economic Development announcing the suspension of the beauty contest for ninety days, and, at the same time, granting TIMB sixty days to forward its comments and/or observations in such regard.
In its reply on February 1, TIMB requested a round-table discussion to be called with a view to identifying possible remedies for the harm sustained by the Group during the digitalization of analog networks, as well as resolving the dispute on the whole.

Main Legal Proceedings Concerning Digital Frequencies

1. Conversely to events in Sardinia, the implementation of the television network digitalization criteria laid down in resolution No. 181/09/CONS resulted in the Telecom Italia Media Group being awarded frequency resources for the construction of only three digital multiplexes, and thus the inability to convert all of the analog and digital networks operated by the Group.
   Following the Ministry's failure to approve petitions seeking annulment under the self-protection system, the Group submitted an appeal to the Regional Administrative Court of Lazio (after initially submitting the appeal to the President of the Republic, Telecom Italia Media only filed with the Regional Administrative Court following the transposition of Rete A/L'Espresso Group), challenging the Ministry's determinations regarding the assignment of digital frequencies made in violation of the principle upheld by industry legislation and reiterated in resolution No. 181/09/CONS, whereby all operators are entitled to convert all legitimately operated digital and analog networks to digital (known as the "one-to-one" criterion)
   seeking, primarily:
   - the annulment of the ministerial decisions assigning Telecom Italia Media just three frequencies (CH 47 UHF, CH 48 UHF, CH 60 UHF) all inferior in quality to the frequencies assigned to RAI and Mediaset;
   - a finding at law that Telecom Italia Media Broadcasting is entitled to the assignment of four frequencies for the digitalization of the networks the Group operates (La7, MTV, TIMB1, MBONE), which cover at least 80% of Italian territory and all provincial capital cities;

   and subordinately:
   - an award of damages (reflecting the market value of a multiplex, and that is to say, at least Euro 240,000,000) covering the deprivation of the Group's rights to fully digitalize all the analog and digital networks it operates.

   In the same proceedings, Telecom Italia Media also impugned, on additional grounds, (i) the National Plan for digital bandwidth allocation (resolution No. 300/10/CONS), (ii) the Rules of the beauty contest (resolution No. 497/10/CONS), (iii) all the bandwidth allocations subsequently effected in respect of the all-digital areas 2009, 2010 and 2011, and (iv) the allocation of CH 60 UHF, insofar as quality levels cannot be sustained as a result of interference with LTE-800, a problem that does not seem to affect the frequencies assigned to other national broadcasters.

2. By application filed on August 8, 2011, Telecom Italia Media has objected to the beauty contest tender and Rules and Regulations thereof claiming the unlawfulness of
   - the ban from bidding in Lot A, imposed on Telecom Italia Media, placing it on equal footing with RAI and Mediaset;
   - considering SKY as a new entrant and, conversely, imposing on Telecom Italia Media the same restrictive measures established for RAI and Mediaset as "incumbent" operators;
   - the financial and technological limitations imposed on Lot C.1 which for five years will only be usable in DVB-H format (not market competitive) or DVB-T2 (which has no commercial attractiveness as the market penetration of this technology — currently non-existent — is expected no earlier than five years after the switch off);
   - the scoring criteria which tend to favor operators in a dominant position (RAI and Mediaset);
   - the failure to impose asymmetric measures on RAI (State-owned), whose participation in the competition alters competitive dynamics.
3. On November 8, 2011, Telecom Italia Media Broadcasting brought proceedings seeking pre-trial relief, as well as the annulment of order authorizing RAI to participate in the beauty contest, alleging a variety of tender rules violations, including: (i) the fact that RAI already operates the maximum number of five DVB-T networks that may be controlled by a single broadcaster under current EU regulations; and (ii) non-compliance with various tender rules, especially the requirement of corporate separation between publishers and digital terrestrial broadcasters. Following deliberations on January 11, 2012, the case was adjourned to April 4, 2012.

The DMT-Elettronica Industriale Merger

AGCOM authorized the DMT-Elettronica Industriale merger, subject to a series of conditions, given the finding that the post-merger entity would hold a dominant position that could potentially (i) exclude competitors on downstream markets; (ii) give rise to incentives for the total, as well as partial preclusion of factors of production, and (iii) result in exclusionary effects on the digital terrestrial television broadcasting, as well as the television advertising markets.
The conditions to which the merger is subject, include obligations to: (i) provide access to its infrastructure at fair, transparent and non-discriminatory terms; (ii) publish a price list and Service Level Agreement; (iii) ensure internal/external equality of treatment and separate bookkeeping; (iv) provide for independent governance and contestable corporate control.

Copyright

The public consultation launched by AGCOM by means of Resolution No. 398/11/CONS, concerning the draft regulation on the protection of copyright on electronic communications networks, was completed in September 2011.
In response to this public consultation, Telecom Italia Media proposed the simplification of the procedure for notice and take down and the introduction of voluntary alternative procedures to that proposed by AGCOM, in order to reduce the impact on existing structures and procedures.
The draft regulation has been submitted to the EU Commission which has requested the Italian Communications Regulator AGCOM to provide further clarifications on certain aspects of the proposed text. The regulation is expected to be formally adopted in the first half of 2012.

Collecting Societies

Agreements are currently being re-negotiated and amended with Collecting Societies for the acquisition of broadcasting rights by the authors and holders of related rights in order to extend them to the new La7d channel and catch-up Tv services.
New licensing agreements have been entered into Nuova IMAIE; AFI – Associazione Fonografici Italiani; SCF – Società Consortile Fonografici and SIAE – Music, DOR (Dramatic works, Operettas and Revues), OLAF (Literary works and Figurative Arts) and Lyrical Sections, whilst negotiatives are underway in respect of the agreements with SIAE's Cinema and Multimedia Sections

Auditel

At the meeting of Auditel's Board of Directors on November 28, 2011, Telecom Italia Media raised:

1) the issue of the understatement of La7's viewership estimates and the loss of advertising revenue occasioned through the resulting inability to take full advantage of the corresponding advertising sales market;
2) the failure to implement a corporate governance system fit to effectively ensure that Auditel is managed independently of its majority shareholders RAI and Mediaset, as recommended by the Communications Regulator, AGCOM.

Should the above issues not be adequately addressed within a reasonable timeframe, and that is to say, in the first quarter of 2012, Telecom Italia Media would be compelled to take further action to protect its interests.

Acting on a complaint filed by SKY, the Antitrust Authority fined Auditel for abusing its dominant position.
The Authority ruled that Auditel committed serious abuses of its dominant position by:

1. unjustifiably obstructing the daily publication television viewership data broken down by channel and by broadcasting platform (although the technical meter problem had been solved in June 2009);
2. obstructing the daily publication of data for the 'OTHER DIGITAL TERRESTRIAL' category, up to January 2010, at the behest of one of its main shareholders, Mediaset, which only in January 2010 authorized the publication of the said data (despite the absence of technical and/or statistical obstacles, and bearing in mind the prevailing context and the benefits secured by Auditel's largest shareholders through non-disclosure of the said data);
3. erroneously attributed viewership figures to the population of non-TV owners.

With regard to foreigners, AGCOM found, on the other hand, that the delay was beyond Auditel's control, being caused by privacy issues that hindered access to the related personal data.
The regulatory violations were considered serious, and in the absence of mitigating circumstances, resulted in a fine of Euro 1,806,604 calculated on the basis of Auditel's turnover in 2009 (Euro 17.3 million) and 2010 (Euro 17.2 million), as well as the imposition of the following disciplinary measures for each instance of abuse.

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GLOSSARY

AfS: Financial Assets Available-for-Sale.

AGCOM: The Italian Communications Regulator, based in Naples, Centro Direzionale, Isola B5, Torre Francesco.

BULLET BOND: A bond whose principal is paid only on the final maturity date.

AUDIENCE SHARE: Index which values the audience of a TV program by the percentage of viewers of a certain channel and the total number of viewers with their TVs turned on at that time. Auditel S.r.l. measures this index through a small device (meter) installed in the houses of a significant sample group of Italian households and connected to each television in the house as well as to the phone line, which records the channel to which the television is tuned to.

EIB: European Investment Bank.

BOUQUET: A group of TV channels broadcast for free and/or against payment by the same TV provider. Besides TV channel, it may include radio and interactive services such as pay-per-view and video on demand.

BRAND: Qualities, ideas and expectations that consumers associate with a specific brand and service.

BROADCASTER: A body broadcasting simultaneously the same data to all devices connected to it.

BUSINESS UNIT: A homogeneous grouping of costs and revenues pertaining to the same business line treated as a separate entity from the parent organization.

FREE CHANNELS: TV channels that can be viewed for free.

COMEDYCENTRAL.IT: Portal of the Sky 115 satellite channel (Comedy Central) dedicated to all-round comedy.

CONTENT COMPETENCE CENTER: Role taken up in the Telecom Italia Group as of 2007 by Telecom Italia Media as exclusive advisor in the concept devising and creation of the TV content for innovative platforms (IPTV, DVB-H, etc.).

CNID: Comitato Nazionale Italia Digitale (Italian Digital national committee).

DAHLIA TV: Dahlia TV S.p.A., with registered office in Rome, Via Valadier No. 42.

DAYTIME: Television shows intended for airing during the daytime hours.

DGTVI: Associazione italiana per il Digitale Terrestre (Italian associaton for digital terrestrial television) that includes both national broadcasters RAI, Mediaset, Telecom Italia Media and D-Free, and local broadcasters represented by FRT and Aeranti-Corallo. The association aims at promoting and disseminating digital terrestrial television.

DIGITAL TERRESTRIAL: Transmission of digital audio and video signals through a conventional aerial.
In Europe this system is implemented through the DVBT (Digital Video Broadcasting -Terrestrial) system, according to the standards set out by the DVB consortium.

DISCONTINUED OPERATIONS: Discontinued operations/assets held for sale. These items are reported separately on the income statement, as envisaged by IFRS 5 - *Non -current Assets Held for Sale and Discontinued Operations*

DTT: Digital Terrestrial Television (see DIGITAL TERRESTRIAL).

DVB-H:	Standard for "mobile" television broadcasts, the Digital Video Broadcast-Handheld is similar to the DVBT (- Terrestrial) standard used by Digital Terrestrial Television, with several modifications to reduce current consumption and improve reception for mobile terminals (mobile phones and palmtops). DVBH is a broadcast technology characterized by the fact that the same content can be received simultaneously by a very large number of users, thanks to the use of IP protocol.
DVBT:	Digital Video Broadcasting-Terrestrial.
EBIT:	Earnings Before Interest and Tax(es) – Economic value which coincides with the Operating Profit, before deduction of financial management and income taxes.
EBITDA:	Earnings Before Interest, Tax, Depreciation and Amortization – Economic value which identifies the Operating Profit before amortization and depreciation, capital gains or losses and value reinstatement/write-downs of non-current assets.
EPG	Electronic Program Guide provides users of television, radio and media applications with continuously updated menus displaying scheduling information for current and upcoming programming.
FAHfT:	Financial Assets Held for Trading.
FAIR VALUE:	Market value – the amount at which an asset can be exchanged, or a liability discharged, between willing and informed parties in a transaction between third parties.
FLAC:	Financial Liabilities at Amortized Cost.
FLHfT:	Financial Liabilities Held for Trading.
SOURCE - NIELSEN:	Nielsen Media Research, the official source for measuring advertising investments. It provides a service covering all operators and advertisers in the industry. A fundamental aid in optimising communications strategies.
FREE TO AIR:	Television broadcasts released "free", which can be received without subscriptions or decoders.
FULL TIME EQUIVALENT (FTE):	Method of measurement of personnel. FTE 1 means that the person is a full-time employee, FTE 0.5 means that the person is a part-time employee.
VIACOM GROUP:	Collectively, the corporate Group headed by Viacom,owner of the MTV music network and brand, with TV networks in many countries throughout the world.
HtM:	Financial Assets Held- to-Maturity.
IAS:	International Accounting Standards issued by the International Accounting Standards Board (IASB).
IFRS:	International Financial Reporting Standards.
IMPAIRMENT TEST:	The aim is to define the conditions to identify, measure and enter impairment losses in asset value on the balance sheet, so that no asset is entered for an amount higher than that which could be recovered from its use or sale.
IP:	Internet Protocol. It is a protocol used for communicating data across computers through the Internet. Each computer connected to the Internet has at least an IP address, which identifies it univocally. When sending or receiving data through the Internet, the information is divided in many small units, called packets. Each of them contains the IP address of the source host and the destination host. The packets are then sent from a gateway to the other, until one of them recognizes the recipient's IP and delivers the packet to its destination.
IPTV:	IPTV (Internet Protocol Television) is a system designed to use IP transport infrastructure to distribute digital TV content through a broadband Internet connection.
LaR:	Loans and Receivables.
LEADERSHIP:	A position of influence.

GASPARRI LAW: Law No. 112 dated May 3, 2004 on the "Principle regulations on the structure of the radio and television system and RAI -Radiotelevisione Italiana S.p.A. and Government's delegated power to issue the consolidates law on radio and television", as amended.

MASS MEDIA: Newspapers, magazines, television and interactive services.

MOBILE: Mobile telephony.

MSE (Ministero dello Sviluppo Economico): Italian Ministry of Economic Development (formerly Ministry of Communications).

MTVBRANDNEW.IT: Website entirely devoted to music lovers.

MTVHITS.IT: Website dedicated to stars, with videosm, news and in-depht information.

MTV ONE: The historic free MTV channel offering a programming focused on music. MTV is the owner of the concession for the private radio broadcasting on terrestrial frequencies of this channel in Italy and is entitled to test digital TV broadcasting.

MULTI CHANNEL: A way of distributing information which provides systems and services that transmit the requested information through a channel selected by the end user (such as e-mail, text messages, multimedia messages, Postel, voice interaction).

MULTI PLATFORM: Software program or hardware device which operates on more than one system or platform.

DIGITAL MULTIPLEX: Network apparatus through which TV, radio and data signals are combined into a single flow.

NETWORK: Infrastructure that provides services and content connected to the type of network used.

NEW MEDIA: Term used to mean the various types of communication enabled by a PC, as opposed to mass media which means newspapers, magazines, television and most of all interactivity.

NICKTV.IT: Portal of the Sky 604 satellite channel (Nickelodeon) focusing on preschool and school children.

ON DEMAND: Term which means a certain type of service requested. Video on demand is one of the best interactive television services. It enables (for payment or even free of charge) a TV program (documentary, TV serial, concert, film, football match, etc.) to be viewed at any time of day, at the user’s request.

NETWORK OPERATOR: A body broadcasting simultaneously the same data to all devices connected to it.

OTTV: Over the top TV. This system enables the user to freely access all the Internet multimedia services, such as Web TV free and YouTube, receive digital terrestrial broadcasts and render pay VOD services. The content is available to any television through a device connected to the TV, such as the Telecom Italia's Cubovision.

PROGRAM SCHEDULING: All of the programs scheduled by a broadcaster over a certain period (a day, a week, a month, a quarter). The program schedule gives the viewing time, title and type of each program, plus any extra details.

PAY PER VIEW: Technology that allows users to view events broadcast at pre-set times (for payment). Only users who have paid will be able to view them.

PAY-TV: Private pay-TV, which enables the user to access the content only after paying a fee.

PLATFORM: Platform is a synonym of bouquet.
Televisions, radios and interactive services on the television platform share the same technology (i.e., the same technological standards). The word platform relates to the concept of technological platform.

PLAYMAKER: Organizational unit set up within MTV Italia.

PLAYOUT: The service of creation of a channel to be given to the Network Operator, complete with graphic elements. The service includes receiving and managing the content, charging the same on digital libraries or video servers, managing playlists organized by the content provider.

PRIME TIME: In the TV world, prime time is the time slot with the greatest number of viewers. Since advertising income is based on audience, this is also the most profitable time for broadcasters. Prime time is the most important of the two peak times of the day. Commonly known as “prima serata” in Italy.

SATELLITE: Broadcasting platform exchanging the radio and television signal through telecommunications transmitters installed on geostationary artificial satellites.

SDH: Synchronous Digital Hierarchy – physical protocol used to transmit data on geographical networks standardized by the International Telecommunications Union (ITU).

SHARE: Index which values the audience of a TV program by the percentage of viewers of a certain channel and the total number of viewers with their TVs turned on at that time.

ICS: Integrated Communications System – a term introduced by the Gasparri law, including daily newspapers and periodicals, publishing (...) also via Internet, radio and TV, cinema and advertising.

SIMULCAST: A way of broadcasting a program through one or more media or service at the same time.

STOCK OPTIONS: When it issues a stock options plan, a company provides an incentive to its employees by allowing them to acquire or subscribe a certain number of the company's shares at a predetermined price within a given deadline. The number of shares, exercise price and expiry date are all parts of the plan.

SWITCH-OFF: The changeover from analog systems to digital ones.

TARGET: In economics, advertising and many other fields, this means the user or category of people at whom a product or service is aimed.

TV CELLPHONE: A TV cellphone is a new-generation mobile phone that uses DVB-H technology to transmit Digital Terrestrial TV broadcasts directly on the phone's display.

VERTICAL: A vertical market (often referred to simply as "vertical") is a group of similar businesses and customers that engaged in trade based on specific and specialized needs.

VIDEO ON DEMAND OR VOD: An interactive television service enabling the user to access a free or pay TV program at any time of the day, upon request.

WEB: The Internet system of codes and languages connecting the multimedia documents contained in servers all over the world in hypertext mode, and allowing the universal sharing of information, making any information accessible regardless of its physical location.

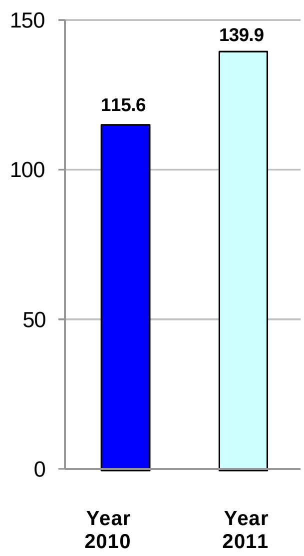
TELECOM ITALIA MEDIA S.p.A.

TELECOM ITALIA MEDIA S.P.A. – OPERATING AND FINANCIAL HIGHLIGHTS

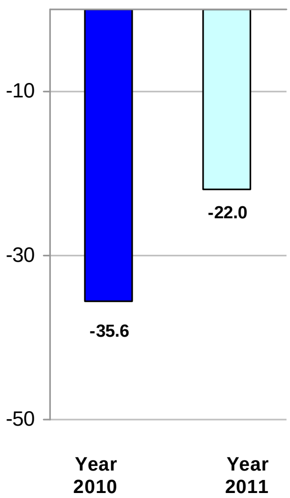
FOREWORD

Due to the early termination of the Competence Center agreement with Telecom Italia effective October 1, 2011, Telecom Italia paid Telecom Italia Media an indemnity of Euro 20.5 million. Moreover, in 2011, following the results of the impairment test, goodwill was written down by Euro 38.1 million (Euro 96.3 million in 2010). In the interest of greater clarity and a consistent basis of comparison with 2010, in these Financial Statements for the year ended December 31, 2011 earnings results have been presented both in comparable terms, i.e., showing the relevant amounts separately, and in overall terms.

Revenues (in millions of euro)



Operating income before depreciation and amortization (EBITDA) comparable
(in millions of euro)



(in millions of euro)		Year 2011	Year 2010
OPERATING AND FINANCIAL HIGHLIGHTS			
Revenues		**139.9**	**115.6**
EBITDA [1]		**(1.5)**	**(35.6)**
	% on revenues	*(1.1)*	*(30.8)*
Comparable EBITDA [2]		**(22.0)**	**(35.6)**
	% on revenues	*(15.7)*	*(30.8)*
Operating profit (loss)		**(67.2)**	**(159.2)**
	% on revenues	*(48.0)*	*(137.7)*
Comparable operating profit [3]		**(49.6)**	**(62.9)**
	% on revenues	*(35.5)*	*(54.4)*
Profit (loss) before tax from continuing operations		**(69.0)**	**(170.4)**
Profit/(loss) for the year		**(60.8)**	**(153.2)**
Investments:			
- Industrial		**31.1**	**31.6**
- Financial		**-**	**3.0**
		12.31.2011	12.31.2010
BALANCE SHEET HIGHLIGHTS			
Invested capital		**292.2**	**344.0**
Equity		234.3	295.0
Net financial position		57.9	49.0
EMPLOYEES		12.31.2011	12.31.2010
Personnel (at year-end) [4]		**497**	**481**
		Year 2011	Year 2010
Average employees		481.4	461.4
Revenues/Personnel (in thousands of euro)		290.6	250.5

(1) Operating income before depreciation and amortization, gains/(losses), and write-ups/(write-downs) of non-current assets.
(2) The amount does not include the income of Euro 20.5 million related to the indemnity for early termination of the Competence Center agreement with Telecom Italia.
(3) The amount does not include the income of Euro 20.5 million related to the indemnity for early termination of the Competence Center agreement with Telecom Italia and the goodwill writedown of Euro 38.1 million for 2011 (Euro 96.3 million in 2010).
(4) This figure does not include 40 temporary staff at December 31, 2010 and 29 temporary staff at December 31, 2011.
(5) This figure does not include 55.8 temporary staff at December 31, 2010 and 63.4 temporary staff at December 31, 2011.

OPERATING AND FINANCIAL PERFORMANCE OF TELECOM ITALIA MEDIA S.p.A.

OPERATING PERFORMANCE FOR THE YEAR

FOREWORD

Due to the early termination of the Competence Center agreement with Telecom Italia effective October 1, 2011, Telecom Italia paid Telecom Italia Media an indemnity of Euro 20.5 million. Moreover, in 2011, following the results of the impairment test, goodwill was written down by Euro 38,1 million (Euro 96.3 million in 2010). In the interest of greater clarity and a consistent basis of comparison with 2010, in these Financial Statements for the year ended December 31, 2011 earnings results have been presented both in comparable terms, i.e., showing the relevant amounts separately, and in overall terms.

Separate income statement

(in thousands of euro)	Year 2011 (a)	Year 2010 (b)	Change (a-b)	%
Revenues	139,867	115,616	24,251	21.0
Other income	26,408	3,935	22,473	571.1
Of which : Income related to the early termination of the Competence Center contract	*20,500*			
Total operating revenues and other income	**166,275**	**119,551**	**46,724**	**39.1**
Acquisition of goods and services	(118,486)	(105,553)	(12,933)	(12.3)
Employee benefits expenses	(44,922)	(43,149)	(1,773)	(4.1)
Other operating expenses	(4,620)	(5,786)	1,166	20.2
Changes in inventories	204	(681)	885	n.a.
Internally generated assets	-	-	-	-
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(1,549)**	**(35,618)**	**34,069**	**95.8**
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA) COMPARABLE	**(22,049)**	**(35,618)**	**13,569**	**38.2**
Depreciation and amortization	(27,487)	(27,291)	(196)	(0.7)
Gains (losses) realized on disposals of non-current assets	1	(47)	48	n.a.
Impairment reversals /(losses) on non-current assets	(38,140)	(96,251)	58,111	60.4
OPERATING PROFIT (LOSS) (EBIT)	**(67,175)**	**(159,207)**	**92,032**	**57.8**
OPERATING PROFIT (LOSS) (EBIT) COMPARABLE	**(49,535)**	**(62,956)**	**13,421**	**21.3**
Income/(expenses) from investments	(56)	(8,772)	8,716	99.4
Finance income	2,904	2,665	239	9.0
Finance expense	(4,632)	(5,126)	494	9.6
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(68,959)**	**(170,440)**	**101,481**	**59.5**
Income tax expense	8,200	17,231	(9,031)	(52.4)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(60,759)**	**(153,209)**	**92,450**	**60.3**
Profit (loss) from discontinued operations/Non-current assets held for sale	-	-	-	-
PROFIT (LOSS) FOR THE YEAR	**(60,759)**	**(153,209)**	**92,450**	**60.3**

STATEMENT OF COMPREHENSIVE INCOME

Profit (loss) for the year	**(60,759)**	**(153,209)**
Other components of the statement of comprehensive income	-	-
Comprehensive profit (loss) for the year	**(60,759)**	**(153,209)**

Year 2011	*139,867*
Year 2010	*115,616*
Abs. change	*24,251*
Change %	*21.0*

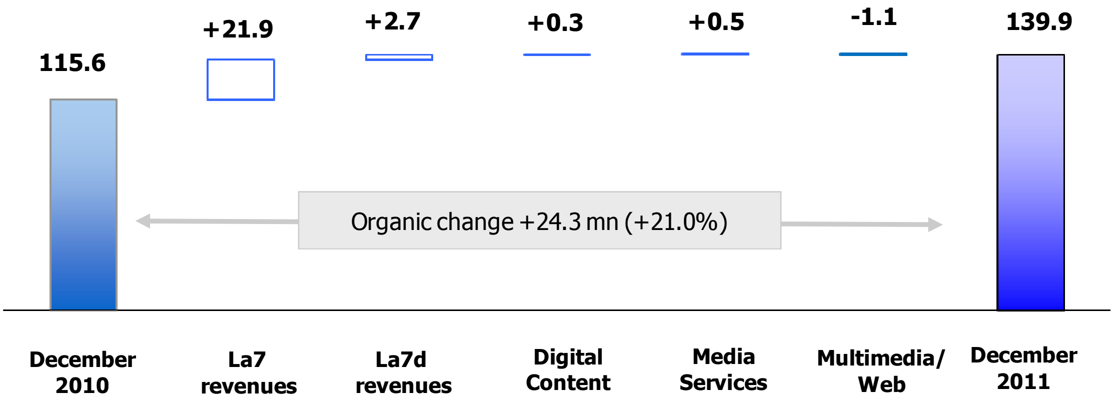
Sales and service revenues for 2011 amounted to Euro 139,867 thousand, up Euro 24,251 thousand compared to Euro 115,616 thousand for the previous year (+21.0%).

In detail, revenues of the TV channel La7 increased by Euro 21,894 thousand (+23.0%), going from Euro 95,222 thousand for 2010 to Euro 117,116 thousand for 2011. The channel La7d, which was launched in late March 2010, generated Euro 6,953 thousand in revenues compared to Euro 4,302 thousand for 2010 (+61.6%). Such improvements were achieved thanks to the 32.1% growth in total gross advertising sales compared to 2010.

By contrast, revenues of the Multimedia/Web operations decreased (Euro -1,087 thousand).

Breakdown of Revenue Performance

(in millions of euro)



(in thousands of euro)	Year 2011	Year 2010	Change
La7 TV channel advertising sales	117,116	95,222	21,894
La7D TV channel advertising sales	6,953	4,302	2,651
Digital Content	13,268	12,919	349
Media Services	829	385	444
Multimedia/Web (La7.it and La7.tv)	1,701	2,788	(1,087)
Total revenues	**139,867**	**115,616**	**24,251**

Year 2011	*26,408*
Year 2010	*3,935*
Abs. change	*22,473*
Change %	*571.1*

Other income for 2011 amounted to Euro 26,408 thousand, up by Euro 22,473 thousand compared to 2010 and include the Euro 20,500 thousand indemnity paid by Telecom Italia to Telecom Italia Media S.p.A. for the early termination of the Competence Center Agreement. Net of the above-mentioned income, the improvement amounted to Euro 1,973 thousand and includes the release in provisions as a result of the extinction of several legal and contractual litigations. The item is broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change
Use of writedown provisions, operative provisions and extraordinary provisions	3,281	2,175	1,106
Recovery of personnel costs	24	-	24
Recovery and reimbursements of acquisition of goods, services, use of property not owned	283	134	149
Other reimbursements	7	7	-
Other revenues and extraordinary income	2,313	1,619	694
Income related to the early termination of the Competence Center agreement	***20,500***		
Total other income	**26,408**	**3,935**	**22,473**

Year 2011	*(1,549)*
Year 2011, comparable	*(22,049)*
Year 2010	*(35,618)*
Abs. change	*34,069*
Abs. change, comparable	*13,569*
Change %	*95.8*
Change % (comparable)	*38.2*

Operating result before depreciation and amortization EBITDA amounted to Euro -1,549 thousand for 2011, increasing by Euro 34,069 thousand compared to 2010 (Euro -35,618 thousand), thanks to the contribution of the income of Euro 20,500 thousand related to the indemnity for the early termination of the Competence Center Agreement. Excluding this income, and therefore on a like-for-like basis, EBITDA amounted to Euro -22,049 thousand, improving by Euro 13,569 thousand. This performance was influenced by the higher contribution of revenues as associated, to a larger extent, to the programming costs of the channels La7 and La7d.

In detail, the following factors impacted the performance of EBITDA at December 31, 2011:

Year 2011	*(118,486)*
Year 2010	*(105,553)*
Abs. change	*(12,933)*
Change %	*(12.3)*

Acquisition of materials and services totaled Euro 118,486 thousand, an increase of Euro 12,933 thousand over 2010 (+12.3%). In particular, this increase is attributable to higher operating costs associated, to a larger extent, to the programming costs of La7 and La7d channels. The main items are analyzed below:

(in thousands of euro)	Year 2011	Year 2010	Change
Acquisition of goods and services	**1,935**	**1,665**	**270**
Services	**93,918**	**80,493**	**13,425**
Professional services and consultancy	18,197	16,640	1,557
Television programs under contract	26,065	18,082	7,983
Electricity	680	565	115
Travel and accommodation	1,439	1,568	(129)
Commissions, fees and other commercial expenses	392	354	38
Location filming and troupes	4,899	5,456	(557)
Agencies and news and sport services	3,583	3,769	(186)
Advertising and promotion expenses	3,067	2,333	734
Signal conveyance, connections, inter-connections, telephone	3,105	2,805	300
Editing of external operations	790	1,020	(230)
Outsourcing	2,571	2,104	467
Distribution and stocking costs	889	495	394
Insurance	153	165	(12)
T&E services	100	99	1
Other costs for services	27,988	25,038	2,950
			-
Use of property not owned	**22,633**	**23,395**	**(762)**
Royalties and other rights paid	13,296	13,930	(634)
Fees for the use of satellite and high-frequency systems	1,061	2,271	(1,210)
Real estate rents	3,688	3,406	282
Rental fees	4,495	3,728	767
Other costs for the use of property not owned	93	60	33
Total acquisition of goods and services	**118,486**	**105,553**	**12,933**

Year 2011	*(44,922)*
Year 2010	*(43,149)*
Abs. change	*(1,773)*
Change %	*(4.1)*

Employee expenses for 2011 amounted to Euro 44,922 thousand, rising by Euro 1,773 thousand compared to Euro 43,149 thousand in 2010 (+4.1%), and included Euro 2,207 thousand (Euro 2,481 thousand in 2010) primarily attributable to provisions for employment-related disputes with employees and social-security institutions. In 2010, this item also accounted for redundancy costs of Euro 300 thousand.

Net of the above-mentioned effect, employee expenses amounted to Euro 42,715 thousand, increasing by Euro 2,347 thousand (Euro 40,368 thousand in 2010) as a result of the normal contractual dynamics and the renewal of the Italian national labor collective agreement and the rise in the average workforce (+27.6).

At year-end, the **workforce** numbered 497, an increase of 16 staff over December 31, 2010. In particular, the increase (+15) in indefinite-term employees was mainly attributable to the stabilization of some employment relationships and the internationalization of External Relations activities.

The following table shows the year-end average workforce totals broken down by category:

EXACT WORKFORCE	12/31/2011	%	12/31/2010	%	Change
Executives	21	4.2	18	3.7	3
Middle managers	77	15.5	74	15.4	3
Journalists	97	19.5	96	20.0	1
White collars	300	60.4	291	60.5	9
Blue collars	2	0.4	2	0.4	-
Total workforce	**497**	**100.0**	**481**	**100.0**	**16**
Temporary staff	29		40		(11)

AVERAGE WORKFORCE	Year 2011	%	Year 2010	%	Change
Executives	19.0	3.9	18.0	3.9	1.0
Middle managers	73.7	15.3	71.6	15.5	2.1
Journalists	93.2	19.4	85.2	18.5	8.0
White collars	293.5	61.0	284.6	61.7	8.9
Blue collars	2.0	0.4	2.0	0.4	0.0
Total workforce	**481.4**	**100.0**	**461.4**	**100.0**	**20.0**
Temporary staff	63.4		55.8		7.6

Year 2011	*(4,620)*
Year 2010	*(5,786)*
Abs. change	*1,166*
Change %	*20.2*

Other operating expenses for 2011 amounted to Euro 4,620 thousand, a decrease of Euro 1,166 thousand compared to 2010 (Euro 5,786 thousand). They included:

(in thousands of euro)	Year 2011	Year 2010	Change
Writedowns and charges connected with receivables management	1,367	1,501	(134)
Provisions for risks and other provisions	365	828	(463)
Concession fees for the exercise of TLC activities	1,101	1,089	12
Taxes, stamps and levies	104	106	(2)
Associations fees	225	187	38
Other expenses and charges	1,458	2,075	(617)
Total other expenses	**4,620**	**5,786**	**(1,166)**

Year 2011	*(67,175)*
Year 2011, comparable	*(49,535)*
Year 2010	*(159,207)*
Year 2010, comparable	*(62,956)*
Abs. change	*92,032*
Abs. change (comparable)	*13,421*
Change %	*57.8*
Change % (comparable)	*213*

Operating result for 2011 was Euro -67,175 thousand, improving Euro 92,032 thousand on 2010. Excluding the aforementioned Euro 20,500 thousand indemnity and the goodwill writedown (Euro 38,140 thousand in 2011 compared to Euro 96,251 thousand in 2010), operating result amounted to Euro -49,535, marking an improvement of Euro 13,421 thousand. This trend substantially mirrors the change in EBITDA, as previously described, and a rise in amortization and depreciation, as follows:

Year 2011	*(27,487)*
Year 2010	*(27,291)*
Abs. change	*(196)*
Change %	*(0.7)*

Depreciation and amortization amounted to Euro 27,487 thousand in 2011 compared to Euro 27,291 thousand in the previous year, increasing by Euro 196 thousand, chiefly as a result of leasehold improvements. Depreciation and amortization were classified as follows:

(in thousands of euro)	Year 2011	Year 2010	Change
Depreciation and amortization			
- Depreciation of tangible assets	3,786	3,590	196
- Amortization of intangible assets	23,701	23,701	-
Total	**27,487**	**27,291**	**196**

Year 2011	*(38,140)*
Year 2010	*(96,251)*
Abs. change	*58,111*
Change %	*60.4*

Reversals/(Impairment) of non-current assets amounted to Euro -38,140 thousand in 2011 (Euro -96,251 thousand in 2010) and related to the goodwill writedown resulting from the impairment test, mainly due to the decline in the value of Telecom Italia Media's stock in 2011 (-32%). For further details, the reader is referred to note 3 on page 293.

Year 2011	*(56)*
Year 2010	*(8,772)*
Abs. change	*8,716*
Change %	*99.4*

Other income (loss) from equity investments amounted to Euro -56 thousand compared to Euro -8,772 thousand in 2010, down by euro 8,716 thousand. The item included negative adjustments to the equity investments in Tiglio 1; in 2010 it accounted for negative adjustments to equity investments in Dahlia TV (Euro 8,000 thousand), Aree Urbane (Euro 82 thousand) and Tiglio 1 S.r.l. (Euro 690 thousand). In particular, the impairment loss on the equity investment in Dahlia TV was recognized following the announced liquidation process of the company started on January 10, 2011. The main changes are presented below:

(in thousands of euro)	Year 2011	Year 2010	Change
Income from equity investments			
Expense from investments	(56)	(8,772)	8,716
Dahlia TV		(8,000)	
Aree urbane		(82)	82
Tiglio 1	(56)	(690)	634
Other income/(expenses) from equity investments	**(56)**	**(8,772)**	**8,716**

Year 2011	*(1,728)*
Year 2010	*(2,461)*
Abs. change	*733*
Change %	*29.8*

The balance of financial operations for 2011 was Euro -1,728 thousand compared to Euro -2,461 thousand in 2010, thus improving by Euro 733 thousand, primarily thanks to the sharp reduction in financial debt as a result of the capital increase finalized in 2010.

In detail:

(in thousands of euro)	Year 2011	Year 2010	Change
Finance income	2,783	2,567	216
Foreign exchange gains	121	98	23
Finance expenses	(4,534)	(4,818)	284
Foreign exchange losses	(98)	(308)	210
Net finance income (expense)	**(1,728)**	**(2,461)**	**733**

The result before taxes from continuing operations for 2011 amounted to Euro -68,959 thousand, compared to Euro -170,440 thousand in 2010.
The improvement (Euro 101,481 thousand) is attributable to the operating result (Euro 92,032 thousand), lower expense from equity investments (Euro 8,716 thousand) and total financial operations (euro 733 thousand).

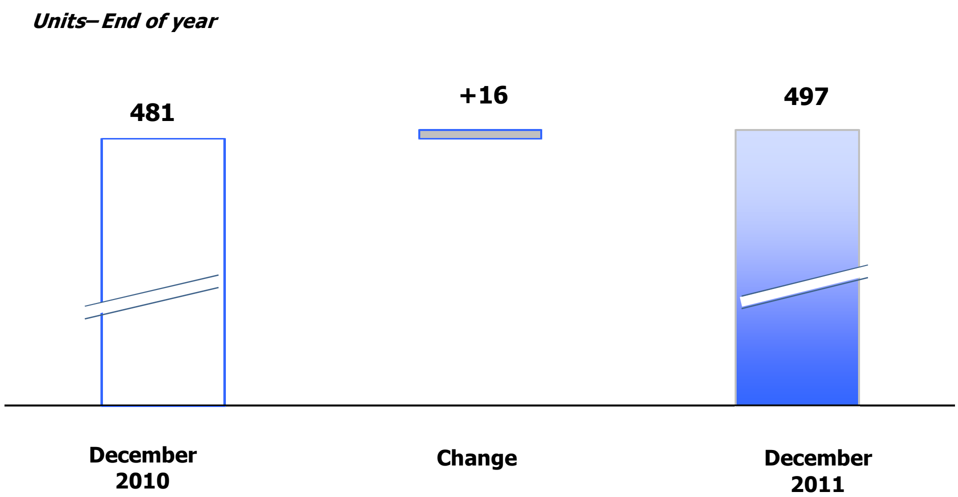
Year 2011	*8,200*
Year 2010	*17,231*
Abs. change	*(9,031)*
Change %	*(52.4)*

Income tax expense for the year amounted to Euro 8,200 thousand (Euro 17,231 thousand for 2010), decreasing by Euro 9,031 thousand. Specifically, as a result of the Company's participation in Telecom Italia's National Tax Consolidation, financial year 2011 benefited from tax assets on tax losses for the year amounting to Euro 8,460 thousand; such assets amounted to Euro 18,869 thousand in financial year 2010.

The net result for 2011 was Euro -60,759 thousand compared to Euro -153,209 thousand for the previous year.

At December 31, 2011, workforce numbered 497 (481 at December 31, 2010), increasing by 16 units. This rise reflected the change both in the definite-term employees (+1) and indefinite-term employees (+15). In particular, the increase (+15) in indefinite-term employees was mainly attributable to the stabilization of some employment relationships and the internationalization of External Relations activities.

Workforce



Stetements of financial position

(in thousands of euro)	12/31/2011	12/31/2010	CHANGE
ASSETS			
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	70,697	108,837	(38,140)
Intangible assets with finite useful lives	40,714	37,692	3,022
	111,411	**146,529**	**(35,118)**
Tangible assets:			
Property, plant and equipment owned	11,593	11,002	591
Assets held under finance leases	-	-	-
	11,593	**11,002**	**591**
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	-	-	-
Other investments	183,443	183,999	(556)
Non-current financial assets	726	752	(26)
Miscellaneous receivables and other non-current assets	22,899	33,328	(10,429)
Deferred tax assets	6,171	6,754	(583)
	213,239	**224,833**	**(11,594)**
TOTAL NON-CURRENT ASSETS (A)	**336,243**	**382,364**	**(46,121)**
CURRENT ASSETS			
Inventories	1,371	1,167	204
Trade and miscellaneous receivables and other current assets	68,252	76,046	(7,794)
Current income tax receivables	27	27	-
Investments	-	-	-
Current financial assets			
Securities other than shareholdings, financial receivables and other current financial assets	70,192	70,181	11
Cash and cash equivalents	18,128	3,379	14,749
TOTAL CURRENT ASSETS (B)	**157,970**	**150,800**	**7,170**
TOTAL ASSETS (A+B)	**494,213**	**533,164**	**(38,951)**
EQUITY AND LIABILITIES			
EQUITY			
#NOME?	212,188	212,188	-
- Share premium account	82,871	235,995	(153,124)
Other reserves and retained earnings (accumulated losses), including profit for the year	(60,759)	(153,153)	92,394
TOTAL EQUITY (C)	**234,300**	**295,030**	**(60,730)**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	100,021	100,023	(2)
Employee benefits	7,722	8,635	(913)
Deferred tax liabilities	-	-	-
Provisions	-	-	-
Miscellaneous payables and other non-current liabilities	14,400	14,400	-
TOTAL NON-CURRENT LIABILITIES (D)	**122,143**	**123,058**	**(915)**
CURRENT LIABILITIES			
Current financial liabilities	46,893	23,329	23,564
Trade and miscellaneous payables and other current liabilities	90,758	91,747	(989)
Current income tax payables	119	-	119
TOTAL CURRENT LIABILITIES (E)	**137,770**	**115,076**	**22,694**
TOTAL LIABILITIES (F=D+E)	**259,913**	**238,134**	**21,779**
TOTAL EQUITY AND LIABILITIES (C+F)	**494,213**	**533,164**	**(38,951)**

At December 31, 2011, **non-current assets** amounted to Euro 336,243 thousand, a decrease of Euro 46,121 thousand compared to December 31, 2010 (Euro 382,364 thousand). Specifically:

- **intangible assets** amounted to Euro 111,411 thousand, down by Euro 35,118 thousand compared to Euro 146,529 thousand at December 31, 2010. The change was due to both the goodwill writedown as result of the impairment test (Euro 38,140 thousand) and amortization charges for the year of Euro 23,701 thousand, partially offset by the investments undertaken during the reporting year (largely film rights) of Euro 26,701 thousand.

(in thousands of euro)	Net intangible assets
12/31/2010	**146,529**
- Investments	26,701
- Amortisation for the year	(23,701)
- Amortization of goodwill	(38,140)
- Disposals and other movements	22
Total movements	*(35,118)*
12/31/2011	**111,411**

Intangible assets with finite useful lives are presented below:

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	12/31/2010	Investments	Amortization	Disposals	Other movements	12/31/2011
Industrial patents and intellectual property rights	36,189	24,855	(23,579)		745	38,210
Trademarks	293	220	(64)			449
TV concessions and frequencies	-		(58)			(58)
Licences	75					75
Other intangible assets	-					-
Work in process	1,135	1,626			(723)	2,038
TOTAL	**37,692**	**26,701**	**(23,701)**	**-**	**22**	**40,714**

- **tangible assets** amounted to Euro 11,593 thousand, with an increase of Euro 591 thousand compared to Euro 11,002 thousand at December 31, 2010:

(in thousands of euro)	Gross tangible assets	Accumulated depreciation	Net tangible assets
12/31/2010	**41,800**	**(30,798)**	**11,002**
movements for the year			
- Investments	4,399		4,399
- Depreciation for the year		(3,786)	(3,786)
- Disposals and other movements	(1,197)	1,175	(22)
Total movements	*3,202*	*(2,611)*	*591*
12/31/2011	**45,002**	**(33,409)**	**11,593**

The breakdown by nature is provided below:

NET TANGIBLE ASSETS	12/31/2010	Investments	Depreciation	Disposals	Other movements	12/31/2011
Industrial and civilian buildings	12		(1)			11
Plant and machinery	6,816	3,250	(2,110)		214	8,170
Manufacturing and distribution	7		(2)			5
Other tangible assets	3,376	947	(1,673)		516	3,166
Work in process	791	202			(752)	241
TOTAL	**11,002**	**4,399**	**(3,786)**	**-**	**(22)**	**11,593**

- **Other non-current assets** decreased by Euro 11,594 thousand, from Euro 224,833 thousand at December 31, 2010 to Euro 213,239 thousand at December 31, 2011.
  The amount of other miscellaneous receivables from third parties at December 31, 2011 and December 31, 2010 included Euro 14,400 thousand deriving from the transaction aimed at improving the financial solidity of the investee Dahlia TV carried out in 2010 through the subscription of newly issued preference shares (designated "class B shares").
  Telecom Italia Media subscribed those shares by converting trade receivables previously acquired from Telecom Italia Media Broadcasting and Telecom Italia S.p.A. in the amounts of Euro 3,000 thousand and Euro 11,400 thousand, respectively, on a with-recourse basis.
  It should be recalled that on January 10, 2011 Dahlia TV was placed in liquidation.

  The decrease in the item equity investments of Euro 556 thousand primarily relates to the sale of the investment in TI Audit S.c.a.r.l. to Telecom Italia S.p.A:, the consideration for the disposal (Euro 500 thousand), which was in line with the carrying amount of the equity investment, was determined by an appraisal prepared by an independent expert appointed jointly by Telecom Italia Media S.p.A. and Telecom Italia S.p.A.

Year 2011	*31,100*
Year 2010	*34,574*
Abs. change	*(3,474)*
Change %	*(10.0)*

Total capital expenditure for 2011 was Euro 31,100 thousand (Euro 34,574 thousand in 2010) and was classified as follows:

(in thousands of euro)	Year 2011	Year 2010	Change
Investments in intangible assets	26,701	27,642	(941)
Investments in tangible assets	4,399	3,932	467
Total industrial investments	*31,100*	*31,574*	*(474)*
Investments in financial assets		3,000	(3,000)
Total	31,100	34,574	(3,474)
Industrial investments paid for the year	*30,807*	*29,058*	*1,749*

Industrial investments of Telecom Italia Media S.p.A. amounted to Euro 31,100 thousand and decreased by Euro 474 thousand compared to 2010. In detail:

- investments in intangible assets included Euro 25,649 thousand associated with the acquisition of multi-year television rights to the usage and economic exploitation of films, television films, series and documentaries. TV rights were amortized on an annual straight-line basis in the period of the contractual availability. The item also included Euro 591 thousand in investments in indefinite-term software rights;
- investments in tangible assets included Euro 2,581 thousand associated with the implementation of the signal for low-frequency television broadcasting systems, Euro 625 thousand associated with leasehold improvements consisting of the renovation and expansion of the premises at the Rome office, Euro 308 thousand associated with basic hardware and software, and Euro 259 thousand in other plant.

12/31/2011	*157,970*
12/31/2010	*150,800*
Abs. change	*7,170*
Change %	*4.8*

At December 31, 2011, **current assets** amounted to Euro 157,970 thousand, increasing by Euro 7,170 on the figure at December 31, 2010; this rise was mainly attributable to the increase in cash and cash equivalents (Euro 14,749 thousand) including Euro 12,827 thousand from Telecom Italia Media Broadcasting regarding the current account, only partially offset by a reduction in trade receivables (Euro 6,969 thousand).

Equity at December 31, 2011 amounted to Euro 234,300 thousand (Euro 295,030 thousand at December 31, 2010).

(in thousands of euro)	Year 2011	Year 2010
At beginning of year	**295,030**	**211,637**
Capital increase		239,549
Profit (loss) for the year	(60,759)	(153,209)
Other movements	29	(2,947)
At end of year	**234,300**	**295,030**

12/31/2011	*122,143*
12/31/2010	*123,058*
Abs. change	*(915)*
Change %	*(0.7)*

Non-current liabilities amounted to Euro 122,143 thousand at December 31, 2011 compared to Euro 123,058 thousand for the previous year and decreased by Euro 915 thousand.
These mainly included non-current financial liabilities (Euro 100,000 thousand), referred to the financial debt to the parent company, Telecom Italia S.p.A., on a soft loan issued by the EIB to fund the Digital Terrestrial network investment program. The figure at December 31, 2011 and December 31, 2010 also included Euro 14,400 thousand associated with the purchase from Telecom Italia and Telecom Italia Media Broadcasting of receivables, on a with recourse basis, claimed by the latter from Dahlia TV and used in 2010 to underwrite a hybrid financial instrument consisting of redeemable, convertible privileged shares with limited rights as part of the agreement to strengthen Dahlia TV's financial position. The amount also included Euro 7,722 thousand in employee benefits.

12/31/2011	*137,770*
12/31/2010	*115,076*
Abs. change	*22,694*
Change %	*19.7*

At December 31, 2011, **current liabilities** amounted to Euro 137,770 thousand, compared to Euro 115,076 thousand at December 31, 2010, increasing by Euro 22,694 thousand mainly as a result of higher current financial liabilities of Euro 23,564 thousand.

12/31/2011	*57,868*
12/31/2010	*49,040*
Abs. change	*8,828*
Change %	*18.0*

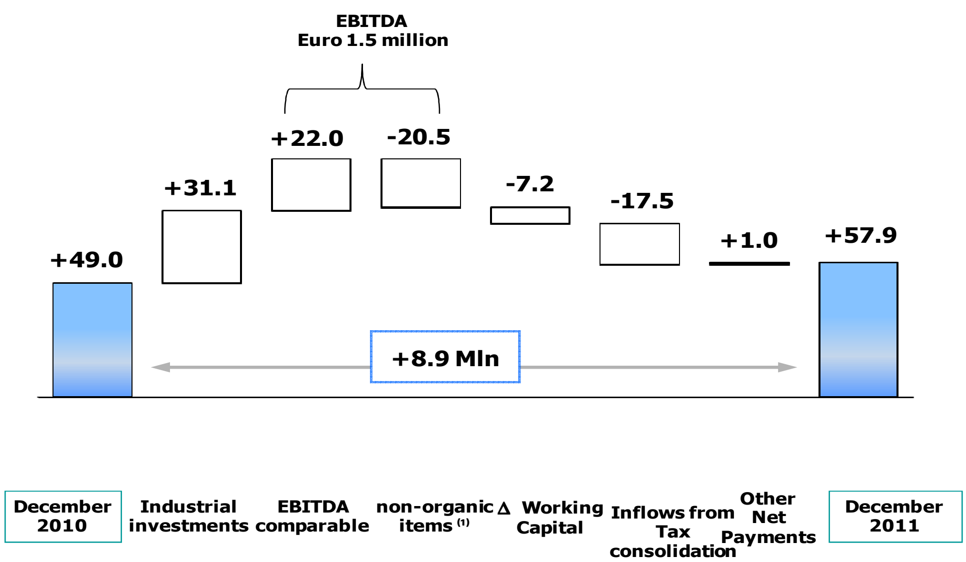
Telecom Italia Media S.p.A.'s **net financial position** at December 31, 2011 was a debt of Euro 57,868 thousand, up by Euro 8,828 thousand compared to a debt of Euro 49,040 thousand at December 31, 2010. The following factors contributed to this change:

- a Euro 54,070 thousand increase, broken down as follows:
  - Euro 31,100 thousand for industrial investments made in 2011, mainly regarding the acquisition of television rights, amounting to Euro 25,649 thousand;
  - Euro 22,049 thousand as result of the operating activity for the year (EBITDA);
  - Euro 921 thousand in other net payments consisting mainly of Euro 1,728 thousand for net finance expenses, partially offset by other net proceeds arising from the sale of the stake in TI Audit and amounting to Euro 500 thousand;

- a Euro 45,242 thousand decrease, broken down as follows:
  - a Euro 20,500 thousand indemnity related to the early termination of the Competence Center Agreement;
  - Euro 7,265 thousand concerning the change in working capital for the year;
  - Euro 17,477 thousand from the collection of the receivable arising from participation in Telecom Italia's Tax Consolidation.

Moreover, it should be noted that in 2011 trade payables amounting to Euro 21,100 thousand were factored without recourse to Mediofactoring S.p.A., a factoring company of the Intesa Sanpaolo Group.

Breakdown of net financial position



(1) Collection of the income related to the indemnity for early termination of the Competence Center agreement with Telecom Italia.

The breakdown of the net financial position by nature/maturity is indicated on page 156.

Cash Flow Statements

(in thousands of euro)	Year 2011	Year 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year	(60,759)	(153,209)
Adjustments for:		
Depreciation and amortization	27,487	27,291
Impairment losses/reversals of non-current assets (including investments)	38,196	105,023
Net change in deferred tax assets and liabilities	583	1,875
Gains/losses realized on disposals of non-current assets (including investments)	(1)	47
Share of losses/gains of associates accounted for using the equity method		
Change in employee benefits	(913)	(43)
Changes in inventories	(204)	682
Change in trade receivables and in net receivables for contract works	6,969	(5,209)
Change in trade payables	(3,335)	8,705
Net change in income tax receivables/payables	-	-
Net change in miscellaneous receivables/payables and other assets/liabilities	13,455	4,148
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**21,478**	**(10,690)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets on an accrual basis	(26,701)	(27,642)
Purchase of tangible assets on an accrual basis	(4,399)	(3,932)
Total acquisitions of intangible and tangible assets on an accrual basis	(31,100)	(31,574)
Change in trade payables relating to investing activities	293	2,516
Total purchase of intangible and tangible assets on a cash basis	(30,807)	(29,058)
Acquisition of subsidiaries and businesses, net of cash acquired	-	-
Acquisition of other equity investments	-	-
Change in financial receivables and other financial assets	15	15,755
Proceeds from sale of subsidiaries, net of cash disposed of	-	-
Proceeds from sale/repayment of tangible, intangible and other non-current assets	501	1
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(30,291)**	**(13,302)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in current financial liabilities and other liabilities	25,088	(185,183)
Proceeds from non-current financial liabilities (including current portion)		
Repayments of non-current financial liabilities (including current portion)	-	-
Other changes in non-current financial liabilities	9	(48)
Proceeds from equity instruments	-	236,546
Amount paid for instruments representing equity		
Dividends paid		
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**25,097**	**51,315**
AGGREGATE CASH FLOWS (E=A+B+C+D)	**16,284**	**27,323**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)	**113**	**(27,210)**
Net foreign exchange differences on net cash and cash equivalents (G)	-	-
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR (H=E+F+G)	**16,397**	**113**

Additional cash flow information

(in thousands of euro)	Year 2011	Year 2010
Income tax expense (paid)/received	17,477	31,039
Interest expense paid	(3,197)	(4,255)
Interest income	2,775	2,301
Dividends received	-	-

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2011	Year 2010
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:		
Cash and cash equivalents - from continuing operations	3,379	5,086
Bank overdraft repayable on demand - from continuing operations	(3,266)	(32,296)
	113	**(27,210)**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents - from continuing operations	18,128	3,379
Bank overdraft repayable on demand - from continuing operations	(1,731)	(3,266)
	16,397	**113**

TELECOM ITALIA MEDIA S.p.A. - BREAKDOWN OF NET FINANCIAL DEBT (AVAILABILITIES)

(in thousands of euro)	12/31/2011	12/31/2010
Gross financial debt:		
Non-current financial liabilities:		
- Financial payables	100,000	100,000
- Finance lease liabilities		
- Other financial liabilities	21	23
Current financial liabilities:		
- Financial payables	46,885	23,321
- Finance lease liabilities		
- Other financial liabilities	8	8
Total gross financial debt (A)	**146,914**	**123,352**
Financial assets:		
Non-current financial assets:		
- Securities other than investments	-	-
- Financial receivables and other non-current financial assets	726	752
Current financial assets:		
- Securities other than investments		
- Financial receivables and other current financial assets	70,192	70,181
- Cash and cash equivalents	18,128	3,379
Total financial assets (B)	**89,046**	**74,312**
Net financial debt (A-B)	**57,868**	**49,040**

At December 31, 2011, net financial debt was Euro 57,868 thousand, with an increase of Euro 8,828 thousand compared to Euro 49,040 thousand at December 31, 2010.

In detail, figures for 2011 refer to:

- **Non-current financial liabilities.** This item amounted to Euro 100,000 thousand (unchanged compared to the previous year) and is composed entirely of the financing granted by parent company Telecom Italia S.p.A. following the establishment of a loan agreement between Telecom Italia and the European Investment Bank, for the same amount and under the same conditions. The soft loan was granted by the EIB to the Parent Company to finance Telecom Italia Media's investment program in the Digital Terrestrial network, completed in 2007. The details of the loan with the Parent Company, which was issued on December 21, 2006, are outlined below:

Amount	Euro 100 million
Duration	7-year bullet
Interest rate	EURIBOR 6M

- **Current financial liabilities.** At December 31, 2011, current financial liabilities were Euro 46,885 thousand, with an increase of Euro 23,564 thousand compared to December 31, 2010, and were mainly attributable to the financial loan to Telecom Italia Finance SA for the variable-rate credit facility agreement (based on EURIBOR), signed on December 20, 2011 for a total amount of Euro 60,000 thousand. As of December 31, 2011, Euro 45,000 thousand of said amount had been used.

- **Financial receivables and other current financial assets.** The item amounted to Euro 70,192 thousand, up by Euro 11 thousand compared to December 31, 2010 (Euro 70,181 thousand) and mainly included a loan of Euro 70,000 thousand to Telecom Italia Media Broadcasting and loans of Euro 170 thousand to employees.

- **Cash and cash equivalents.** Cash and cash equivalents amounted to Euro 18,128 thousand, a Euro 14,749 thousand increase compared to Euro 3,379 thousand reported at December 31, 2010. This performance was mainly attributable to receivable from the subsidiary Telecom Italia Media Broadcasting S.r.l. (Euro 12,827 thousand), which was not present in December 31, 2010, and the Euro 1,962 rise in receivables from Telecom Italia S.p.A. associated with current accounts used in centralized treasury management program.

CONSOLIDATED Financial Statements

Accounting Statements and Notes as of December 31, 2011

CONTENTS:

Consolidated Statements of Financial Position

ASSETS

(in thousands of euro)	Notes	12/31/2011	of which related parties	12/31/2010	of which related parties
NON-CURRENT ASSETS					
Intangible assets:					
Goodwill	3)	126,482		183,132	
Intangible assets with definite useful lives	4)	179,312		187,388	
		305,794		**370,520**	
Tangible assets	5)				
Property, plant and equipment owned		87,252		76,682	
Assets held under finance leases		-		-	
		87,252		**76,682**	
Other non-current assets	6)				
Investments in associates and joint ventures accounted for using the equity method		-		-	
Other investments		1,129		1,649	
Non-current financial assets		897	-	936	-
Miscellaneous receivables and other non-current assets		20,422	8,460	30,826	18,879
Deferred tax assets	7)	13,063		12,690	
		35,511		**46,101**	
TOTAL NON-CURRENT ASSETS (A)		**428,557**		**493,303**	
CURRENT ASSETS					
Inventories	8)	1,544		1,535	
Trade and miscellaneous receivables and other current assets	9)	122,206	27,110	137,841	29,644
Current income tax receivables		1,378		420	
Securities		-		-	
Current financial assets					
Securities other than investments, financial receivables and other current financial assets	10)	269	22	218	-
Cash and cash equivalents	11)	5,345	5,187	3,440	3,225
TOTAL CURRENT ASSETS (B)		**130,742**		**143,454**	
TOTAL ASSETS (A+B)		**559,299**		**636,757**	

LIABILITIES

(in thousands of euro)	Notes	12/31/2011	of which related parties	12/31/2010	of which related parties
EQUITY	12)				
- Share capital		212,188		212,188	
- Share premium account		82,786		235,995	
Other reserves and retained earnings (accumulated losses), including profit for the year		(90,761)		(161,001)	
Equity attributable to equity holders of the Parent company		**204,213**		**287,182**	
Equity attributable to Minority Interests		**12,099**		**12,404**	
TOTAL EQUITY (A)		**216,312**		**299,586**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	13)	100,026	100,000	100,026	100,000
Employee benefits	15)	9,814		10,896	
Deferred tax liabilities	7)	22,548		23,871	
Provisions	16)	335		252	
Miscellaneous payables and other non-current liabilities	17)	11,456	11,456	11,596	11,596
TOTAL NON-CURRENT LIABILITIES (B)		**144,179**		**146,641**	
CURRENT LIABILITIES					
Current financial liabilities	13)	45,164	45,154	20,076	20,055
Trade and miscellaneous payables and other current liabilities	18)	153,525	16,341	168,557	18,852
Current income tax payables		119		1,897	
TOTAL CURRENT LIABILITIES (C)		**198,808**		**190,530**	
TOTAL LIABILITIES (D=B+C)		**342,987**		**337,171**	
TOTAL EQUITY AND LIABILITIES (A+D)		**559,299**		**636,757**	

CONSOLIDATED SEPARATE INCOME STATEMENT

(in thousands of euro)	Notes	Year 2011	of which related parties	Year 2010	of which related parties
Revenues	23	238,189	18,588	258,474	23,674
Other income	24	26,287	20,552	4,346	35
Total operating revenues and other income	**22**	**264,476**		**262,820**	
Acquisition of goods and services	25	(167,150)	(14,208)	(171,000)	(13,835)
Employee benefits expenses	26	(60,715)	(2,006)	(60,947)	(2,096)
Other operating expenses	27	(8,575)	(161)	(16,603)	(183)
Changes in inventories		9		(1,099)	
Internally generated assets		-		22	
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**28,045**		**13,193**	
Depreciation and amortization	28	(58,348)		(59,302)	
Gains (losses) realized on disposals of non-current assets	29-30	(377)		124	
Reversals /(Impairment losses) on non-current assets	31	(56,650)		-	
OPERATING PROFIT (LOSS) (EBIT)		**(87,330)**		**(45,985)**	
Other income/(expense) from investments	32	(56)	-	(8,772)	-
Finance income	33	600	-	831	3
Finance expenses	34	(4,862)	(4,412)	(8,513)	(4,602)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(91,648)**		**(62,439)**	
Income tax expense	35	8,318	6,929	10,990	12,991
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(83,330)**		**(51,449)**	
Profit (loss) from discontinued operations/non-current assets held for sale	36	26	-	(1,771)	-
PROFIT (LOSS) FOR THE YEAR		**(83,304)**		**(53,220)**	
Attributable to:					
- Equity holders of the Parent company		(82,999)		(54,372)	
- Minority interests		(305)		1,152	

The following table reports the calculation of earnings per share:

	Year 2011	Year 2010
- Basic Earnings (loss) per Share:		
- ordinary shares	(0.0574)	(0.0289)
- savings shares	(0.0574)	(0.0289)
of which:		
- from continuing operations		
- ordinary shares	(0.0574)	(0.0279)
- savings shares	(0.0574)	(0.0279)
- from discontinued operations/non-current assets held for sale		
- ordinary shares	0.0000	(0.0010)
- savings shares	0.0000	(0.0010)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year 2011	Year 2010	Change
Profit (loss) for the year	**(83,304)**	**(53,220)**	**(30,084)**
Other components of the statement of comprehensive income	-	-	-
Comprehensive profit (loss) for the year	**(83,304)**	**(53,220)**	**(30,084)**
Attributable to:			
- Equity holders of the Parent company			
> Profit (loss) from continuing operations	(83,025)	(52,601)	(30,424)
> Profit (loss) from discontinued operations/non-current assets held for sale	26	(1,771)	1,797
- Profit/(loss) for the year attributable to equity holders of the Parent Company	(82,999)	(54,372)	(28,627)
- Minority interests			
> Profit (loss) from continuing operations	(305)	1,152	(1,457)
> Profit (loss) from discontinued operations/non-current assets held for sale			
- Profit (loss) for the period attributable to Minority Interests	(305)	1,152	(1,457)

Statement of changes in consolidated equity from January 1 to December 31, 2011

	Equity of the Parent Company						
(in thousands of euro)	Share Capital	Share premium account	Exchange gains from conversion of foreign operations	Retained earnings (accumulated losses), including profit (loss) for the year	**Equity attributable to equity holders of the Parent company**	Equity attributable to Minority Interests	**Total Equity**
Balance at December 31, 2010 (Note 12)	**212,188**	**235,995**		**(161,001)**	**287,182**	**12,404**	**299,586**
Change in equity for 2011							
Authorized dividends							
Cumulative profit (loss) for the year				(82,999)	**(82,999)**	(305)	**(83,304)**
Capital increases							
Conversion of bonds							
Treasury shares							
Exercise of instruments representing equity (share options)				30	**30**		**30**
Change in consolidation area							
Other movements		(153,209)		153,209			
Balance at December 31, 2011 (Note 12)	**212,188**	**82,786**		**(90,761)**	**204,213**	**12,099**	**216,312**

Statement of changes in consolidated equity from January 1 to December 31, 2010

	Equity of the Parent Company						
(in thousands of euro)	Share Capital	Share premium account	Exchange gains from conversion of foreign operations	Retained earnings (accumulated losses), including profit (loss) for the year	**Equity attributable to equity holders of the Parent company**	Equity attributable to Minority Interests	**Total Equity**
Balance at December 31, 2009 (Note 12)	**100,510**	**143,451**		**(139,970)**	**103,991**	**12,211**	**116,202**
Change in Equity for 2010							
Authorized dividends							
Cumulative profit (loss) for the year				(54,372)	**(54,372)**	1,152	**(53,220)**
Capital increases	111,678	127,871			**239,549**		**239,549**
Conversion of bonds							
Treasury shares							
Exercise of instruments representing equity (share options)				58	**58**		**58**
Change in consolidation area							
Other movements		(35,327)		33,283	**(2,044)**	**(959)**	**(3,003)**
Balance at December 31, 2010 (Note 12)	**212,188**	**235,995**		**(161,001)**	**287,182**	**12,404**	**299,586**

Consolidated Cash Flow Statement

(in thousands of euro)	Notes	Year 2011	Year 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year		(83,330)	(51,449)
Adjustments for:		-	
Depreciation and amortization	28)	58,348	59,302
Impairment losses/reversals of non-current assets (including investments)	31)	56,706	8,772
Net change in deferred tax assets and liabilities		(1,696)	(1,916)
Gains/losses realized on disposals of non-current assets (including investments)	29-30)	377	(124)
Share of losses/gains of associates accounted for using the equity method		-	-
Change in employee benefits	15)	(1,082)	44
Changes in inventories	8)	(9)	1,100
Change in trade receivables and in net receivables for contract works		18,377	96
Change in trade payables		(7,193)	10,022
Net change in income tax receivables/payables		(1,262)	1,904
Net change in miscellaneous receivables/payables and other assets/liabilities		977	13,872
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**40,213**	**41,623**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets on an accrual basis	4)	(30,610)	(34,330)
Purchase of tangible assets on an accrual basis	5)	(30,765)	(32,548)
Total acquisition of intangible and tangible assets on an accrual basis (2)		(61,375)	(66,878)
Change in trade payables relating to investing activities		(2,355)	21,321
Total acquisition of intangible and tangible assets on a cash basis		(63,730)	(45,557)
Acquisition of subsidiaries and businesses, net of cash acquired (I)		-	-
Acquisition of other investments (II)		(36)	-
Change in financial receivables and other financial assets (I)		(12)	363
Proceeds from sale of subsidiaries, net of cash disposed of (II)		(274)	(3,171)
Proceeds from sale/repayment of tangible, intangible and other non-current assets (II)		656	187
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(63,396)**	**(48,178)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in current financial liabilities and other		25,077	(190,425)
Proceeds from non-current financial liabilities (including current portion)		-	-
Repayments of non-current financial liabilities (including current portion)		-	(6,020)
Other changes in non-current financial liabilities		11	25
Proceeds from equity instruments		-	236,546
Amount paid for equity instruments		-	-
Dividends paid (2)		-	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**25,088**	**40,126**
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)		-	-
AGGREGATE CASH FLOWS (E=A+B+C+D)		**1,905**	**33,571**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (F)		**3,439**	**(30,132)**
Net foreign exchange differences on net cash and cash equivalents (G)		-	-
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (H=E+F+G)		**5,344**	**3,439**

(2) **OF WHICH TRANSACTIONS WITH RELATED PARTIES**		Year 2011	Year 2010
(in thousands of euro)			
Total acquisition of intangible and tangible assets on an accrual basis	39)	(1,454)	(2,756)
Dividends paid to Minority Interests (including distribution of reserves)			

(I) The amount payable for the acquisition also includes any goodwill and is given net of the change in payables resulting from the relevant acquisition.

(II) The amount payable for the acquisition is given net of change in payables resulting from the relevant acquisition.

Additional cash flow information

(in thousands of euro)	Year 2011	Year 2010
Income tax expense (paid)/received	3,308	31,431
Interest expense	(3,199)	(4,266)
Interest income	-	-
Dividends received	-	-

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2011	Year 2010
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:		
Cash and cash equivalents - from continuing operations	3,440	284
Cash and cash equivalents - from discontinued operations/assets held for sale	-	-
	3,440	284
Bank overdraft repayable on demand - from continuing operations	(1)	(30,416)
Bank overdrafts repayable on demand - from discontinued operations/assets held for sale	-	-
	(1)	(30,416)
	3,439	**(30,132)**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents - from continuing operations	5,345	3,440
Bank overdraft repayable on demand - from continuing operations	(1)	(1)
	5,344	**3,439**

NOTES

NOTE 1 – General, Structure and Content Information

Structure and content

Telecom Italia Media (the **"Parent Company"**) and its subsidiaries form the **"Telecom Italia Media Group"** or the **"Group".** Telecom Italia Media is a company limited by shares (S.p.A.) organized according to the Italian legal system.
The parent company Telecom Italia Media S.p.A.'s registered office is in Rome (Italy), Via della Pineta Sacchetti 229.
The duration of the Company, as per its Bylaws, is until December 31, 2100.
The Telecom Italia Media Group operates primarily in Italy.
The Group is mainly focused on the communications sector, and in particular on the production and broadcasting of content through TV networks managed under central government concession, as well as the marketing of advertising time during commercial breaks in programming. It also operates as both an analog and digital television broadcaster, and manages satellite channels, as well.

The consolidated financial statements of Telecom Italia Media Group at December 31, 2011 were prepared on a going-concern basis (further details are provided in the Note "Accounting Standards"), in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and approved by the European Union (referred to as "IFRSs"), and in accordance with the provisions and regulations in Italy (in detail, the provisions implementing Article 9 of Legislative Decree No. 38 of February 28, 2005). Furthermore, it should be noted that in 2011 the Group applied accounting standards consistent with those followed in the previous year and did not adopt any IFRSs early.

The consolidated financial statements were prepared using the cost method, with the exception of AFS financial assets, financial assets held for trading and derivatives that were measured at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value attributable to the risks being hedged (fair value hedge).

In accordance with IAS 1 (*Presentation of the Financial Statements*), comparative information presented in the financial statements refers to the previous year, unless specified to the contrary.

The Telecom Italia Media Group's consolidated financial statements are presented in Euro (rounded to the nearest thousand, unless indicated to the contrary).

The consolidated financial statements of the Telecom Italia Media Group for the year ended December 31, 2011 were authorized for publication with a resolution passed by the Board of Directors on March 20, 2012.

Financial Statements

The presentation format of the financial statements complies with the requirements of IAS 1. Specifically:

- in the consolidated statements of financial position assets and liabilities were classified as "current" or "non current";
- in the separate consolidated income statement, operating costs are classified by nature, as such format is considered most appropriate for representing the Group's specific business. Furthermore, it conforms to the Group's internal reporting methods and is consistent with the procedures applied in the industrial sector in which the Group operates.
  In addition to EBIT, the separate consolidated income statement includes the following non-IFRS indicators: EBITDA (Operating result before depreciation and amortization, capital gains/(losses), and impairment reversals/(losses) on non-current assets).
  In detail, Telecom Italia Media uses EBITDA, in addition to EBIT, as a financial target in internal (business plan) and external (made for analysts and investors) presentations. It provides a useful unit of measurement for assessing the Group's operating performance, both as a whole and at the business unit level, EBIT and EBITDA are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses/(income) from investments
+/-	Share of results of associates and companies under common control accounted for using the equity method
EBIT- Operating Income	
+/-	Impairment losses/(Reversals) of non-current assets
+/-	Losses/(Gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA — Operating result before depreciation and amortization, capital gains/(losses), and impairment reversals/(losses) on non-current assets	

- the Consolidated Statement of Comprehensive Income includes income (loss) for the year, as stated in the separate consolidated income statement, as well as all changes in equity other than those regarding Shareholders;
- in the consolidated cash flow statement, cash flows from operations are measured using the "indirect method", as provided for by IAS 7 (Cash Flows Statement).

In addition, as required by CONSOB Resolution No. 15519 of July 27, 2006, in the separate consolidated income statement, income and expenses relating to non-recurring transactions and the related effects on the main intermediate result levels are shown separately. Non-recurring events and transactions have been identified primarily on the basis of the nature of the transactions. In particular, non-recurring expenses/income include cases that by their nature do not occur consistently in the course of normal operating activities, such as income and expenses deriving from the purchase/sale of properties, business units and equity investments included among non-current assets; income and expenses deriving from company reorganization processes; and income and expenses deriving from fines levied by regulatory entities.

In further reference to the cited CONSOB resolution, the consolidated statements present positions or transactions with related parties separately.

Operating Segment Report

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker (the Board of Directors in the case of Telecom Italia Media) to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Telecom Italia Media Group is organized into the following operating segments: TI Media – La7, MTV Group and Network Operator. In detail:

- **TI Media – La7**[1] includes the Company's operations relating to the television broadcasters La7 and La7d and the Multimedia/Web area (La7.it and La7.tv); Until September 30, 2011, it also included the Telecom Italia Group's Digital Content operations, which were discontinued effective October 1, 2011 following the early termination of the agreement with Telecom Italia;

- **MTV Group** includes the operations of MTV Italia and its subsidiary MTV Pubblicità relating to the television broadcasters MTV and MTV Music, the production unit 360° Playmaker, the production of multimedia music platforms and satellite channels and MTV Mobile and Digital (Web);

- **Network Operator (TIMB)** includes the operations of Telecom Italia Media Broadcasting relating to managing the analog and digital broadcasting networks of La7 and MTV and the Digital Multiplexes operated by the Group, as well as the offering of accessory services and television broadcasting platforms for Group companies and third parties.

[1] In 2010, this operating segment was denominated Telecom Italia Media S.p.A.

NOTE 2 – Accounting Standards

Going concern

The consolidated financial statements for 2011 were prepared on a going concern basis, meaning that it can be reasonably assumed that Telecom Italia Media will continue in its operating activities in the foreseeable future (and in any case for a longer period than the coming 12 months).

Specifically, management considered the following factors and felt that, at present, they do not generate doubts as to the Group's ability to continue functioning as a business entity:

- the main risks and uncertainties (the majority of which are external in nature) to which the Group and the Telecom Italia Media Group's various activities are exposed:
  - changes in macro-economic situation in the Italian market;
  - changes in business conditions;
  - changes in the regulatory framework;
  - the result of litigations and disputes with regulatory authority, competitors and other entities;
  - financial risks (performance of interest rates and/or exchange rates);
- the perfect ratio between risk and debt capital;
- the financial risk management policies (market risk, credit risk and liquidity risk) detailed in the note entitled "Financial risk management."

Accounting Standards and Consolidation Criteria

The financial statements of all subsidiaries are included in the consolidated financial statements starting from the date in which control is exercised until the time that such control ceases.

The financial statements of all subsidiaries are prepared as of the same reporting date as the Parent Company Telecom Italia Media S.p.A.'s financial statements.

The Parent Company, Telecom Italia Media S.p.A., exercises control when it holds, directly or indirectly, the voting-rights majority or has the direct or indirect power (including through contractual agreements) to determine the financial and operating policies of a company to obtain benefits from its operations.

In the consolidated financial statements, the total amount of assets, liabilities, costs and revenues of consolidated companies is recognized using the line-by-line method. Minority Interests are recognized in special items of the consolidated statements of financial position, the separate income statement and the statement of comprehensive income.
In accordance with IAS 27, comprehensive losses (including income or loss for the year) are attributed to shareholders of the Parent and Minority Interests, even when the equity attributable to Minority Interests has a deficit balance.

In preparing the consolidated financial statements, all balances and transactions between Group companies are eliminated, as are unrealized gains and losses on intra-Group transactions.
The carrying amount of the investment in each subsidiary has been derecognized in light of the corresponding share of equity in each (including any adjustments to fair value at the date control is obtained). At that date, any goodwill, determined as illustrated below, is recognized among intangible assets, whereas any "gain arising from a bargain purchase (or negative goodwill)" is recognized in the separate income statement.

All assets and liabilities of foreign consolidated companies denominated in a currency other than the Euro are translated at the exchange rate prevailing at the reporting date (current exchange rate method), whilst the related income and expenses are translated at the mean exchange rate for the year. Translation gains and losses arising from the application of this method are classified as an equity item until the equity investment is fully transferred or the investee company ceases to be qualified as a subsidiary company. Upon the partial disposal of equity investments, which does not involve loss of control, the translation gains or losses relating to the portion of equity investment sold is recognized in equity, net of minority interests. In preparing the consolidated cash flow statement, the cash flows of consolidated foreign companies denominated in currencies other than the Euro were translated into Euro at the mean exchange rate for the year.
Goodwill and fair value adjustments arising from the allocation of the acquisition cost of a foreign entity are recognized in the relevant foreign currency and are translated based on the year-end exchange rate.

In the consolidated financial statements, investments in associates and joint ventures are accounted for using the equity method, as established in IAS 28 (*Investments in Associates*) and IAS 31 (*Interests in Joint Ventures*). Associates are entities in which the Group owns at least 20% of the voting rights, or exercises a significant influence, but not control or joint control, over financial and operating policies.
In detail, under the equity method, the investment is initially recognized at cost and then adjusted post-acquisition to reflect the changes in the investor's share of the investee's equity. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

The consolidated financial statements include the portion of profits (losses) of associates and joint ventures attributable to the Group, starting from the date that significant influence or joint control begin and until such control ceases. If the Group's share of the losses of an associate or joint venture exceeds the carrying amount of the investment, the investment is written down to zero and additional losses are recognized only if the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Gains and losses resulting from transactions with associates or joint ventures are eliminated based on the value of the Group's interest in such companies.

Pursuant to IAS 27, changes in a parent company's ownership interest in a subsidiary that do not result in the loss of control in the event of a disposal, are recognized as equity transactions. In such cases, the carrying amounts of the controlling and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any differences between the amount by which minority interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the holders of the Parent.

Intangible assets

Goodwill

In accordance with IFRS 3 *(Business Combinations)*, goodwill is recognized in the consolidated balance sheet at the date of acquisition of control as the excess amount of (a) over (b), as follows:

a) the aggregate of:
   - the consideration paid (measured in accordance with IFRS 3; it is generally determined based on fair value at acquisition date);
   - the amount of any non-controlling interest in the acquiree, measured based on the share of non-controlling interest in the acquiree's identifiable net assets at fair value;
   - in a step acquisition, the fair value of the interest already held in the acquiree at the date control is obtained;

b) the fair value of identifiable assets acquired net of identifiable liabilities at the date control is obtained.

IFRS 3 also requires that:

- Incidental costs incurred in connection with a business combination be charged to the separate income statement;
- for step acquisitions, the acquirer remeasure the interest previously held in the acquiree at fair value at the date control is obtained and recognize the resulting gain or loss in the separate income statement.

Goodwill is classified as an intangible asset with an indefinite useful life.
Goodwill is initially recognized and subsequently reduced only to take account of impairment losses (further details are provided in the section *Impairment of Tangible and Intangible Assets – Goodwill*). In the case of loss of control in a previously acquired company, the relative amount of goodwill is taken into account in calculating the gain or loss on disposal.

Upon first-time adoption of IFRS, the Group elected not to apply IFRS 3 (*Business Combinations*) retroactively to the acquisition of businesses occurring before January 1, 2004. As a result, the goodwill generated on acquisitions before the IFRS transition date was maintained at the previous value determined according to Italian accounting standards, after testing them for impairment.

Development costs

Internal costs incurred for the development of new products and services, based on the situation, comprise intangible assets (mainly software costs) or tangible assets generated internally. Such costs are recognized as assets only if all the following conditions are met: i) the cost attributable to development activity may be measured reliably, ii) the entity has the intention, financial resources and technical ability to complete the asset and make it available for use or sale and iii) it can demonstrate that the asset will generate future economic benefits.
Capitalized development costs include only expenses incurred that may be directly attributed to the development process of new products and services.
Capitalized development costs are systematically amortized over the estimated life of the product/service, so as to reflect the ways in which the future economic benefits deriving from the asset are expected to be consumed by the entity.

Other intangible assets with finite useful lives

Other intangible assets with finite useful lives acquired or produced internally are recognized as assets in accordance with IAS 38 (*Intangible Assets*) when it is probable that use of the asset will generate future benefits and when the cost of the asset can be measured reliably.

Such assets are recognized at acquisition or production cost and are amortized on a straight-line basis over their estimated useful lives. The amortization rates are reviewed annually and adjusted if the current estimated useful life differs from the previous estimate. The effects of such changes are recognized prospectively in the separate income statement. The component approach has not been used.

Multi-year rights (of a duration of more than 12 months) to broadcast films, series, cartoons, classical concerts, short films, and the like, inclusive of ancillary charges (dubbing, editing and materials) and contributions to productions, acquired under licensing agreements, are carried as "intellectual property rights" and subjected to straight-line amortization on an annual basis throughout the term of the rights as established under the licensing agreement, as from the year when the related underlying materials are available and ready for use.
Regardless of amortization already recognized and in the case that the rights have exhausted possible transfers, the residual value is entirely capitalized in the period in which the last transfer is executed.

As required under Law No. 66 of 2001, the costs sustained for the purchase from third parties of the right to use television frequencies that are bundled together with business segments, or television broadcasting plant acquired by the Company, are carried under "Concessions, licenses, trademarks and similar rights". If used in analog mode, frequencies are amortized through December 31, 2012. If, however, they are used for Digital Terrestrial broadcasting, they are amortized through 2028, following the conversion into law of Decree No. 59 of April 8, 2008, which transformed individual licenses for the use of digital frequencies (duration of 12 years) into general authorizations (duration of up to 20 years, subject to renewal).

Tangible assets

Property, plant and equipment owned

Property, plant and equipment owned are carried at acquisition or production cost. Subsequent costs are capitalized only if they increase the future economic benefits inherent in the asset to which they refer. All other costs are recognized in the separate income statement as incurred.
The initial cost of the assets also includes estimated costs of dismantling the asset and restoring the site in the presence of a legal or constructive obligation. The corresponding liability is stated at current value in the period in which it arises under provisions; the capitalized costs are charged to the separate income statement as depreciation over the useful lives of the related tangible assets.

Estimates for dismantling costs, discount rates and the dates on which such costs are expected to be incurred are reviewed annually at the end of each financial year. Changes in said liabilities must be recognized as an increase or decrease in the cost of the relevant asset; the deducted amount shall not exceed the carrying amount of the asset in question. Conventionally, any excess is immediately recognized in the separate financial statements under item "Amortization and depreciation."

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.
Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effects of such changes are recognized prospectively in the separate income statement.
Land, including that pertaining to buildings, is not depreciated.

Assets held under finance lease

Assets held under finance lease, in which all risks and rewards of ownership are effectively transferred to the Group, are initially recognized at fair value or, if lower, at the present value of the minimum lease payments, including any amount due to exercise the purchase option. The corresponding liability owed to the lessor is included in the financial statements under financial liabilities.

Lease payments are broken down into interest (recognized in the separate income statement) and principal (recognized as reduction of liabilities). The above breakdown is calculated so as to obtain a constant interest rate on the outstanding balance of the liability.

Furthermore, gains realized on sale or leaseback of assets based on finance lease contracts are deferred over the lease term.

The depreciation policy for depreciable assets held under finance leases shall be consistent with that for depreciable assets that are owned. If there is no reasonable certainty over the acquisition of the ownership of an asset at the end of the lease period, assets held under finance leases are depreciated over the shorter of the lease term and their useful lives.
Leases where the lessor substantially retains all risks and rewards of ownership of the assets are classified as operating leases. Operating lease rentals are recognized in the separate income statement on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

Goodwill

Goodwill is tested for impairment at least annually, or more frequently whenever specific events or changing circumstances indicate that goodwill may be impaired, in accordance with IAS 36 (*Impairment of Assets*). The value is not reversed when the conditions that gave rise to an impairment loss no longer prevail.

The impairment test is usually conducted at the end of each financial year, therefore the reference date for the test is the reporting date. Goodwill acquired and allocated during the course of the year is tested for impairment at the end of the financial year in which the acquisition and allocation take place.

For the purpose of the impairment test, goodwill is allocated, at the acquisition date, to each cash generating unit (CGU) or group of CGUs that benefit from the acquisition. If the carrying amount of the cash-generating unit (or group of CGUs) exceeds the respective recoverable amount, an impairment loss is recognized in the separate income statement. Impairment losses are charged to the income statement, first against the goodwill allocated to the CGU (or group of CGUs) and then against the other assets within the CGU in proportion to their carrying amount up to the recoverable amount of the assets with finite useful lives.

The recoverable value of a CGU (or group of CGUs) to which goodwill has been allocated is the higher of fair value less costs to sell and its value in use.
An asset's value in use is the present value of estimated future cash flows, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Future cash flows consist of projected cash flows over an explicit three-year period, as well as the cash flows extrapolated from the last year of an explicit period to estimate terminal value. The growth rate used to measure the terminal value of the CGU (or group of CGUs) is assumed not to exceed the average long-term growth rate of the industry, country, or market in which the CGU (or group of CGUs) operates.

The value in use of cash-generating units operating in a foreign currency is estimated in the local currency by discounting cash flows using an appropriate rate for the currency in question. The present value of the amount estimated in this manner is translated into Euro at the spot rate at the date of the impairment test (for the Group's companies, the reporting date).

Future cash flows are estimated based on the current condition of the CGU (or group of CGUs), and therefore do not consider benefits originating from future restructuring to which the entity is not yet committed or future investments for the unit's improvement or optimization.

For the purpose of calculating impairment, the carrying amount of the cash-generating unit is determined using the same criteria used to determine its recoverable amount, excluding surplus assets (i.e., financial assets, deferred tax assets and net non-current assets held for sale), and includes the goodwill attributable to minority interests.

After carrying out the impairment test of the CGU (or group of CGUs) to which goodwill is allocated, a second-level impairment test is carried out including corporate assets that do not generate positive cash flows and that cannot be allocated to the individual units according to reasonable and consistent criteria. With this second-level test, the recoverable amount for all the CGUs (or group of CGUs) is compared with the carrying amount of all the CGUs (or group of CGUs), including those units to which no goodwill has been allocated and the corporate assets.

Tangible and intangible assets with finite useful lives

At each reporting date, the Group assesses whether there is any indication of impairment of tangible and intangible assets with finite useful lives. Both internal and external sources are considered. Internal sources include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include a decline in the market prices of the assets, changes in technology, markets or laws, increases in market interest rates and the cost of capital used to evaluate investments, and, lastly, an excess of the carrying amount of the Group's net assets over market capitalization.

If the Group determines any indication that tangible and intangible assets with finite useful lives have been impaired, the carrying amount of the asset is reduced to the recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. An asset's value in use is the present value of estimated future cash flows, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.
Any impairment loss is recognized in the separate income statement.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have been recorded had no impairment loss been recognized. The reversal is recognized in the separate income statement.

Financial instruments

Other investments

Other investments (other than in subsidiaries, associates and companies under common control) are recognized as non-current assets unless they are intended to be disposed of within 12 months (in which case they are recognized in current assets).

Upon acquisition, investments are classified in the following categories:
- “available-for-sale (AFS) financial assets” (either non-current or current);
- “assets at fair value through profit or loss” (current, as they are held for trading).

Other investments classified as "AFS financial assets" are measured at fair value. Changes in the values of such investments are recognized in an equity reserve ("*Reserve for adjustment to fair value of AFS financial assets*"), which is reversed to the separate income statement upon sale or impairment of the investments.
Other unlisted investments classified as "AFS financial assets", the fair value of which cannot be reliably determined, are measured at cost adjusted for impairments, which is recognized in the separate income statement, in accordance with IAS 39.
Investments in other minor companies for which fair value is not available are recognized at cost and written down for impairment as necessary.
Impairment losses on Other investments classified as AFS financial assets may not be subsequently reversed.
Changes in the value of other investments classified as financial assets at fair value through profit or loss are recognized directly in the separate income statement.

Securities other than investments

Securities other than equity investments classified as non-current assets refer to those held to maturity; they are carried on the basis of the "trade date" and they are valued at acquisition cost when they are first recognized in the financial statement, including transaction costs; later they are recognized at depreciated cost.
The amortized cost represents the initial value of the financial instrument, net of capital reimbursements already obtained, adjusted (upwards or downwards) based on amortization (using the effective interest method) of any differences between the initial amount and the amount at maturity, less, as the case may be, any writedowns for impairment or uncollectibility, if any.

Securities other than investments classified as current assets include those that management has decided to hold for no more than 12 months. They are included in the following categories:
- held to maturity (original maturity of more than 3 months but less than 12 months or, if the original maturity was more than 12 months, the securities were acquired with more than 3 months but less than 12 months remaining before maturity) and measured at amortized cost;
- held for trading and recognized at fair value through profit or loss;
- available for sale and measured at fair value with an equity reserve contra-entry.

Changes in the values of AFS financial assets are recognized in an equity reserve ("*Reserve for the fair-value adjustment of AFS financial assets*"), which is reversed to the separate income statement when the assets are sold or permanently impaired.
Impairment losses on securities other than investments held to maturity or classified as AFS financial assets are reversed when the grounds for those losses no longer apply.

Receivables and loans

The receivables generated by the company and the loans included among both non-current and current assets are initially recognized at fair value and later valued at amortized cost.

Cash and cash equivalents

Cash and cash equivalents are recognized at their nominal value or amortized cost, according to their nature. Cash equivalents represent short-term and highly liquid investments that are readily convertible into cash and subject to negligible risk of change in value, whose original maturity or remaining maturity at the time of acquisition does not exceed 3 months.

Impairment of financial assets

At each reporting date, financial assets are regularly assessed to determine whether there is objective evidence that a financial asset, or group of assets, may be impaired. If there is objective evidence, the impairment loss is recognized in the separate income statement for financial assets carried at cost or amortized cost. The accounting treatment used for AFS financial assets has been described above.

Financial liabilities

Financial liabilities comprise financial debts, including debt for advances received on the assignment of receivables and other financial liabilities, including financial derivatives, and finance lease obligations. In accordance with IAS 39, they also include trade and miscellaneous payables.

Financial liabilities, other than derivatives, are initially recognized at fair value and subsequently measured at amortized cost, i.e., the initial amount net of principal repayments already made, adjusted (upwards or downwards) by the amortization (using the effective interest method) of any differences between the initial amount and the maturity amount.

Financial liabilities hedged by derivative instruments for the purpose of hedging the risk of changes in liability value (fair value hedge derivatives) are recognized at fair value in accordance with the methods established in IAS 39 for hedge accounting. Gains and losses arising on adjustments to fair value, limited to the hedged component, are recognized in the separate income statement and are offset from the effective portion of the gain or loss arising from relevant fair value recognition of the hedging instrument.

Financial liabilities hedged by derivatives for the purpose of hedging the risk of change in cash flows (cash flow hedge derivatives) are recognized at amortized cost, in accordance with the procedures established in IAS 39 for hedge accounting.

Derivative financial instruments

Derivatives of the Telecom Italia Media Group are intended to hedge its exposure to exchange-rate and interest-rate risk and diversify debt parameters thus allowing a reduction in the cost and volatility of debt to within pre-determined management limits.

In accordance with IAS 39, hedging derivatives are accounted for according to hedge-accounting methods if, and only if:

a) at inception, they are formally designated as a hedge and the hedge relationship is documented;
b) the hedge is expected to be highly effective;
c) the effectiveness of the hedge can be reliably measured; and
d) the hedge is highly effective in each accounting period for which the hedge was designated.

All derivatives are measured at fair value, in accordance with IAS 39.

Where derivatives meet the conditions for hedge accounting, the following accounting treatments are applied:

- *Fair value hedges* — If a derivative instrument is designated as a hedge of the exposure to the changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss resulting from subsequent changes in the fair value of the hedging instrument is recognized on the separate income statement. The gain or loss arising on the fair-value adjustment of the hedged item attributable to the hedged risk is recognized as an adjustment to the carrying amount of the hedged item in the separate income statement.

- *Cash flow hedges* — If a derivative is designated as a hedge of the exposure to the changes in the cash flows of an asset or liability carried on the balance sheet or of a highly probable planned transaction, the effective portion of the gains or losses arising from the fair-value adjustment of the derivative is recognized in a specific equity reserve (*Reserve for the adjustment to fair value of hedging derivatives*). The cumulative gain or loss is reversed from the equity reserve and recognized in the separate statement during the same periods in which the effects of the hedged transaction are recognized in the separate income statement. The gain or loss associated with the ineffective portion of the hedge is immediately recognized on the separate income statement. If the hedged transaction is no longer expected to occur, any unrealized gains or losses recognized in equity are immediately taken to the separate income statement.

Gains and losses arising from the fair-value measurement of derivatives not designated as hedges are recognized directly in the separate income statement.

Transfer of receivables

The Telecom Italia Media Group transfers receivables pursuant to Law No. 52/1991 on factoring. In most cases, such factoring transactions involve the transfer to third parties of substantially all of the risks and rewards associated with the factored receivables, and thus meet the requirements set forth in IAS 39 for derecognition.

Receivables for contract work in progress

Regardless of the duration of the contract, receivables for contract work in progress are measured according to the percentage of completion method and classified under current assets. Any losses on such contracts are recognized in the separate income statement in their entirety at the time they become known.

Inventories

Inventories are measured at the lower of acquisition cost and estimated realizable value; cost is determined by individual movement on a weighted average basis. Provision is made for inventories considered obsolete or of slow rotation, taking into account their expected future use and their estimated realizable value.

Stocks of TV productions include television programs produced in-house or purchased from third parties and not yet broadcast, including rights on films, television films, series, and the like (and relevant ancillary costs), featuring a duration of less than 12 months, and set design. For in-house production, the inventory measurement includes only directly attributable costs, while for externally produced goods the specific cost of the weighted average cost of the installments realized but not transferred is included.

Discontinued operations/non-current assets held for sale

Non-current assets (or disposal groups), the carrying amount of which will be recovered primarily through sale rather than ongoing use, are classified as held for sale and presented separately from other assets and liabilities in the statement of financial position. The corresponding amounts for the previous year have not been reclassified.

A discontinued operation is a part of an entity that has been sold or classified as held for sale and:

represents a major line of business or geographical area of operations;
is part of a coordinated plan to dispose of a major line of business or geographical area of operations; or
is a subsidiary acquired exclusively with a view to resale.

Profit or loss on discontinued operations — whether the assets have been disposed of or classified as held for sale — is presented separately in the separate income statement, net of the tax effects. The corresponding amounts for the previous year, where present, are reclassified and presented separately in the separate income statement, net of tax effects, for comparative purposes.

Non-current assets (or disposal groups) classified as held for sale are initially recognized in accordance with the specific IFRS applicable to each type of asset or liability and then measured at the lower of carrying amount and fair value, less costs to sell.
Any subsequent impairment losses are recognized by deducting them directly from non-current assets (or disposal groups) classified as held for sale with offsetting in the income statement.
Reversals are recognized for each subsequent increase in an asset's fair value less costs to sell, but only up to the amount of the total impairment loss previously recognized.

Employee benefits

Employee Termination Indemnities

Employee termination indemnities, which are mandatory under Article 2120 of the Italian Civil Code, are considered a defined benefit plan and, as such, are based on the service life of employees and the compensation earned during that time.

Employee termination indemnities calculated in accordance with IAS 19 are considered a “defined benefit plan,” and the liability to be recognized in the statement of financial position (under “Employee termination indemnities”) is calculated using an actuarial method. As allowed by IAS 19, Telecom Italia Media has elected to recognize all actuarial gains and losses brought to light over time in the income statement.
Costs for the increase in the present value of employee benefit obligations, accumulating as the date for benefit pay-outs draws near, are included among “Employee benefits expenses”.

Effective January 1, 2007, Italian law allows workers to choose between allocating their employee termination indemnity accruals to supplementary pension funds or their employers.
For companies with at least 50 employees, such accruals must be transferred to the Treasury Fund managed by Italy’s national social security institute, INPS. As a result, the amounts payable to INPS and supplementary pension funds are considered “defined contribution plans” under IAS 19, while the amounts held in the provision to employee termination indemnities are considered “defined benefit plans”.

Share-based payment plans

The companies of the Group may recognize additional benefits to certain Group executives and middle managers through share-based payment plans (stock option plans, long-term incentive plans and employee share ownership plans).
The above-mentioned plans are accounted for in accordance with IFRS 2 (*Share-bases Payments*).

Under IFRS 2, such plans represent a component of the beneficiaries’ remuneration. Accordingly, the cost of plans that involve remuneration based on share-based payments is represented by the grant date fair value of those instruments and is recognized in the separate income statement among “Employee expenses” over the period from the grant date until the vesting date, through a shareholders’ equity reserve designated “Other equity instruments”. Changes in fair value after the grant date do not affect the initial measurement. The estimate of the number of rights that will vest prior to expiry is updated at the end of each year. The change in the estimate is recognized as a reduction of item "Other equity instruments” with a contra-entry “Employee expenses”.

For plans subject to vesting conditions that are market conditions, if those conditions have not been met, the amount carried under the item "Other equity instruments" is reclassified to the item "Other reserves".

The part of plans that involves the payment of cash remuneration is recognized among liabilities as a contra-entry to “Employee expenses” and the relevant liability is measured at fair value at the end of each year.

Provisions

The Group companies recognize provisions when they have a present obligation (legal or constructive) versus third parties as a result of a past event, when the use of Group resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

When the effect of the time value is material and the dates of payment of obligations can be estimated reliably, the provision is determined by discounting expected cash flows calculated on the basis of the risks associated with the obligation. The increase in the provision due to the passing of time is recognized in the income statement under "Finance expenses".

Treasury shares

Treasury shares are recognized in reduction of equity. More in detail, the nominal amount of treasury shares is recognized as a reduction of share capital issued, while the excess cost of acquisition over the nominal amount is carried in reduction of “Other reserves and retained earnings (accumulated losses), including profit (loss) for the year".

Foreign currency transactions

Transactions in foreign currencies are recognized at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Exchange differences generated by the settlement of monetary items or by their conversion at rates different from their initial entry in the year or at the end of the previous year are recognized in the separate income statement.

Revenues

Revenues include only the gross inflows of economic benefits received and receivable on behalf of the Company. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the Group and do not result in increases in equity. Therefore, they are excluded from revenues.

Revenues are recognized to the extent to which it is probable that income will flow to the Group and the amount can be reliably measured; revenues are measured net of discounts, allowances, and returns.

- *Services revenues*
  Service revenues are recognized in the separate income statement according to the degree of completion of the service and only when the outcome of the service may be estimated reliably.

- *Contract work in progress*
  Revenues from contract work in progress are recognized in accordance with progress made (the percentage of completion method).

Research costs and advertising costs

Research and advertising costs are directly charged to the separate income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include the interest accrued on the associated financial assets and liabilities according to the effective interest rate method, changes in the fair value of derivatives and other financial instruments at fair value through profit or loss, exchange gains and losses and gains and losses on financial instruments (including derivatives).

Dividends

Dividend income from companies other than subsidiaries, associates and companies under common control is recognized in the separate income statement on an accrual basis, i.e., in the period in which the right to receive payment is established following approval of the distribution of dividends by the investee companies.
Dividends payable to third parties are recognized as changes in equity in the financial year in which they are approved by the General Shareholders' Meeting.

Taxes

Income taxes include all taxes calculated on the taxable income of Group companies.

Income taxes are reported in the income statement, except those relating to items directly debited or credited to an equity reserve, in which case the tax effect is recognized directly in the relevant equity reserve. In the statement of comprehensive income, the amount of income taxes to be recognized is indicated in relation to each item included in “Other components of the statement of comprehensive income.” Tax provisions that could be generated by the transfer of non-distributed income of the subsidiary companies are made only where there is the real intention to transfer such income. Deferred tax liabilities/assets are recognized using the balance sheet liability method.
These taxes are calculated on all temporary differences emerging between the tax base of assets and liabilities and the related carrying amount in the consolidated balance sheet, except for non-tax deductible goodwill and differences arising from investments in subsidiaries that are not expected to reverse in the foreseeable future. Deferred tax assets on tax losses that can be carried forward are recognized to the extent that it is likely that future taxable income will be available, against which they can be recovered. Deferred tax assets and liabilities are offset separately, when income taxes are applied by the same taxation authority and when there is a legal right to offsetting. Deferred tax assets and liabilities are measured using the tax rates expected to be applicable in the respective legal systems of the countries in which the Group companies operate, and in the financial years in which the temporary differences are expected to reverse.

Other taxes not related to income are included among “Other operating expenses”.

Earnings per Share

Basic earnings per ordinary share is calculated by dividing the portion of the Group profit or loss attributable to ordinary shares by the weighted average of ordinary shares outstanding during the year, excluding treasury shares. Similarly, basic earnings per savings share is calculated by dividing the portion of the Group profit or loss attributable to savings shares by the weighted average of savings shares outstanding during the year. For the purposes of calculating diluted earnings per ordinary share, the weighted average of outstanding shares is adjusted, assuming that all potential shares deriving e.g. from the exercise of share rights having a dilutive effect are exercised. The Group’s net result is also adjusted to take into account the effect of these transactions, net of taxes.

Use of estimates

In preparing the consolidated financial statements and the Notes in accordance with the IFRS, management is required to make estimates based also on subjective views, experience and assumptions that are deemed to be reasonable and realistic based on the information available at the time the estimate is made. Such estimates have an effect on the recognized amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date, and the amount of revenues and costs during the reporting period. Actual results could differ, including to a material extent, from such estimates due to possible changes in the elements contemplated when determining those estimates. Estimates are periodically reviewed.

The most significant accounting estimates entailing a high degree of reliance on assumptions and subjective judgments are detailed below.

Item	Accounting Estimates
Goodwill (Euro 126,482 thousand)	Goodwill is tested for impairment by comparing the carrying amount and recoverable amount of cash-generating units. The recoverable amount is represented by the higher of the fair value, less costs to sell, and the value in use of the cash-generating unit in question. This complex measurement process involves, *inter alia*, the use of methods such as the discounted cash flow method, with the requisite assumptions concerning cash flow. The recoverable amount depends to a significant degree on the discount rate used in the discounted cash flow model, as well as on the projected future cash flows and the growth rate used for extrapolation. The key assumptions used to determine the recoverable amount for the various cash-generating units, including a sensitivity analysis, are explained in detail in the note entitled "Goodwill."
Business Combinations	The accounting treatment of business combinations involves recognizing the acquiree's assets and liabilities at the fair value at the date control is obtained. Such values are determined through a complex estimation process.
Provision for doubtful receivables (Euro 25,918 thousand)	The recoverability of receivables is assessed by taking account of the risk that they may become irrecoverable, their seniority, and the impairment losses recognized on similar types of receivables in the past.
Depreciation and amortization (Euro 58,348 thousand)	Changes in market conditions, technology and the competitive scenario could have a material effect on the useful lives of non-current tangible and intangible assets and could result in a change in the timing of the depreciation process and the amount of depreciation and amortization expense.
Provisions, contingent liabilities and personnel provisions (Euro 2,901 thousand)	Accruals to provisions associated with lawsuits, arbitration proceedings and tax disputes are the result of a complex estimation process that is also founded upon the probability of an unfavorable outcome. Employee benefits, the provision for employee termination indemnities in particular, are calculated on the basis of actuarial assumptions. Changes in such assumptions could have a material impact on such provisions.
Income taxes (Euro 8,318 thousand)	Income taxes (current and deferred) are calculated according to a prudent interpretation of the current tax code. On occasion, this process involves complex estimates in determining taxable income and the temporary deductible differences and taxable income between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that it is likely that future taxable income will be available, against which they can be recovered. The recoverability of deferred tax assets, recognized in connection with tax losses that may be carried forward to subsequent years, and temporary deductible differences is assessed by considering an estimate of future taxable income and conservative tax planning.
Derivatives and equity instruments	The fair value of derivatives and equity instruments is determined on the basis of either prices in regulated markets or quoted prices provided by financial counterparties, as well as through the use of valuation models that also take account of subjective measurements, such as, for example, cash flow estimates, expected price volatility, etc.

In the absence of a standard or interpretation specifically applicable to a given transaction, the Company's management conducts thorough subjective assessments in order to define the accounting treatment to be adopted with the aim of providing financial statements that faithfully represent the Group's financial position, reflect the economic substance of transactions and are neutral, prepared on a conservative basis, and complete in all significant respects.

New Standards and Interpretations adopted by the EU and in force since January 1, 2011

In accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*), the following new standards/interpretations (included relevant improvements/amendments) effective since January 1, 2011 regulate circumstances and cases which were not present in the Group at the reporting date of this Consolidated Financial Statements, but could produce accounting effects on future transactions or agreements:

- Amendments to IAS 32 *(Classification of Rights Issues);*
- Amendments to IAS 24 (*Related Party Disclosures*);
- Amendments to IFRIC 14 (*Prepayments of a Minimum Funding Requirement*);
- IFRIC 19 (*Extinguishing Financial Liabilities with Equity Instruments*);
- Improvements to IFRS - Issued in 2010.

New Standards and Interpretations acknowledged by the EU not yet in force

In 2011, several amendments to IFRS 7 (*Disclosures – Transfers of Financial Assets*) were adopted at EU level. These amendments are applicable starting from January 1, 2012. The application of these amendments is not expected to have a material impact on the Group's consolidated financial statements.

NOTE 3 – Goodwill

Euro 126,482 thousand

(Euro 183,132 thousand at December 31, 2010)

Goodwill totaled Euro 126,482 thousand — considering that the Group elected not to apply retroactively the IFRS 3 upon first-time adoption — and reflects the difference between the acquisition value of fully consolidated equity investments and the value of the corresponding portion of the equity at the time of acquisition, including Euro 86 thousand of purchases with Elefante TV and Delta TV.

The breakdown and changes in 2010 and 2011 are detailed below:

YEAR 2010	Goodwill	Consolidation goodwill	Total
(in thousands of euro)			
Gross value at 12/31/2009	**86**	**183,046**	**183,132**
Investments			
Disposals			
Impairment			
Gross value at 12/31/2010	**86**	**183,046**	**183,132**

YEAR 2011	Goodwill	Consolidation goodwill	Total
(in thousands of euro)			
Gross value at 12/31/2010	**86**	**183,046**	**183,132**
Investments			
Disposals			
Impairment		(56,650)	(56,650)
Gross value at 12/31/2011	**86**	**126,396**	**126,482**

The impairment test as of December 31, 2011 involved the three CGUs MTV Group, Telecom Italia Media S.p.A. and Network Operator TIMB (the so-called first level of impairment testing) and the Group as a whole (the so-called second level of impairment testing) due to the presence of general and administrative costs not allocated to the CGUs.

The first-level impairment test was conducted according to the same method as applied in the previous year for the Telecom Italia Media S.p.A. CGU and Network Operator TIMB CGU, whereas value in use of the MTV CGU was estimated instead of measuring it at fair value. The reason for the change in the basis for determining the recoverable amount for MTV lies in the revision of the economic and financial forecasts formulated for the CGU, which entailed a significant reduction in its results for the two-year period 2012 and 2013, and thus did not permit the use of multiples of comparable entities based on the margins of the business in the near term, as in the previous year. Accordingly, value in use was employed.

The recoverable amounts used in the impairment test were determined as follows:
- fair value less costs to sell for the Telecom Italia Media S.p.A. CGU;
- value in use for the Operating Network TIMB and MTV CGUs (previous year: fair value).

Fair value estimates were based on the multiples of comparable listed European companies, a continuation of the method used in the previous year. The sample of comparable companies was compiled on the basis of the business conducted by the companies (Television Broadcasting Stations and Cable and Other Pay Television Services).

The type of multiples — in line with the method previously adopted — includes leading multiples based on the relationship between the current market values of the comparable listed companies (Enterprise value = market capitalization + net debt + minority interests - non-consolidated equity investments) and consensus forecasts of equity analysts that follow the listed companies in relation to sales and the ratio of gross income to sales (EBITDA margin). The internal variables underlying the estimate of the fair value of the two CGUs measured were the expected level of revenues and EBITDA margin.
The fair value of the Telecom Italia Media S.p.A. CGU was estimated starting with a larger aggregate (in other words, starting with the unit of valuation, which is larger than the unit of account) and calculating the value using a sum-of-the-parts approach. In detail:

- first, the fair value of the aggregate of the two CGUs Telecom Italia Media S.p.A. and Network Operator TIMB was calculated based on the multiples of comparable companies and the projected sales and EBITDA margin of the two CGUs (overall value);
- next, the value of the Network Operator TIMB calculated based on its value in use (details are provided later in this note), was subtracted from that amount;
- next, the value of Telecom Italia Media S.p.A. was calculated as the difference between the overall value and the value of the Network Operator TIMB, after subtracting the current value of the CGU Telecom Italia Media S.p.A.'s projected net losses.

In line with the valuation process of the previous year, the use of this method was necessary due to both the absence of pure comparable players (Telecom Italia Media S.p.A. does not have its own network; it uses TIMB's network and incurs the related costs), and to avoid obtaining a value for the two CGUs “Telecom Italia Media S.p.A.” and “Network Operator TIMB” that is greater than what would have resulted from a valuation based on the multiples of an aggregate of the two CGUs.

The recoverable amount for TIMB was estimated by drawing on the economic and financial forecasts approved by the Managing Director, and considering:

- trade policies to support the launch of new channels and select reliable clients;
- a remaining life of the CGU corresponding to the remaining life of the licenses (2028);
- an annual reduction in operating profits for the period 2016-2028 of 1.8% (due to an annual decrease in revenue of 1.0% and increase in costs of 0.8 %);
- a realizable value of zero;
- a full equity financial structure and a post-tax cost of capital of 11.65% (previous year: 11.3%).

The estimate of the network operator’s recoverable amount on the basis of these assumptions was less than its carrying amount of Euro 43,100 thousand, hence the need to recognize an impairment loss.

The recoverable amount of the MTV CGU was determined on the basis of economic and financial forecasts. The projections call for negative results at the level of EBIT in 2012 and 2013 and a recovery of profitability beginning in 2014. The expected flows have been discounted according to a weighted average cost of capital (WACC) of 9.20%, in line with the estimates of analysts who cover TI Media stock. The growth rate in the terminal value was set at zero.
The recoverable amount calculated according to this process is less than the carrying amount. The impairment loss on goodwill (attributable to the Group) is Euro 13,550 thousand.

The second-level impairment test was conducted on the basis of the market capitalization as of December 31, 2011 (fair value). It was deemed appropriate to refer to that value in order to account for the significant decline in the stock's performance registered in 2011.
The recoverable amount calculated according to this process was in excess of the carrying amount of level-two invested capital (after the impairment loss of goodwill recognized at first level, totaling Euro 56,650 thousand).

After the first- and second-level impairment tests, goodwill values attributed to each CGU were therefore as follows:

	Goodwill at 12/31/2010 a	Impairment 2011 b	Goodwill at 12/31/2011 a-b
MTV CGU	36,600	(13,550)	23,050
Telecom Italia Media S.p.A. CGU	12,200	-	12,200
Network Operator (TIMB) CGU	134,332	(43,100)	91,232
Total	**183,132**	**(56,650)**	**126,482**

NOTE 4 – Intangible assets with finite useful lives

Euro 179,312 thousand

(Euro 187,388 thousand at December 31, 2010)

The breakdown and changes in 2010 and 2011 are detailed below:

YEAR 2010	Industrial patents and intellectual property rights	Trademarks	TV concessions and frequencies	Licences	Irrevocable rights of use	Work in process	Other intangible assets	Total
(in thousands of euro)								
Gross value at 12/31/2009	**93,873**	**10,348**	**202,264**	**2,313**	**30,950**	**2,851**	**2,800**	**345,399**
Investments	30,727	241		64	139	3,159		34,330
Disposals and other movements	(17,942)	(1)	(11,742)			(2,144)	(2,800)	(34,629)
Gross value at 12/31/2010	**106,658**	**10,588**	**190,522**	**2,377**	**31,089**	**3,866**		**345,100**
Amortization at 12/31/2009	**(56,869)**	**(9,028)**	**(72,250)**	**(2,068)**	**(10,302)**		**(2,800)**	**(153,317)**
Amortization for the year	(27,657)	(1,230)	(7,106)	(220)	(2,583)			(38,796)
Disposals and other movements	19,858	1	11,742				2,800	34,401
Amortization at 12/31/2010	**(64,668)**	**(10,257)**	**(67,614)**	**(2,288)**	**(12,885)**			**(157,712)**
Write-downs for the year								
Other movements								
Net value at 12/31/2009	**37,004**	**1,320**	**130,014**	**245**	**20,648**	**2,851**		**192,082**
Investments	30,727	241		64	139	3,159		34,330
Amortization	(27,657)	(1,230)	(7,106)	(220)	(2,583)			(38,796)
Write-downs								
Disposals								
Other movements	1,916					(2,144)		(228)
Net value at 12/31/2010	**41,990**	**331**	**122,908**	**89**	**18,204**	**3,866**		**187,388**

YEAR 2011	Industrial patents and intellectual property rights	Trademarks	TV concessions and frequencies	Licences	Irrevocable rights of use	Work in process	Total
(in thousands of euro)							
Gross value at 12/31/2010	**106,658**	**10,588**	**190,522**	**2,377**	**31,089**	**3,866**	**345,100**
Investments	28,425	230				1,955	30,610
Disposals and other movements	(28,020)	1	(136)			(2,886)	(31,041)
Gross value at 12/31/2011	**107,063**	**10,819**	**190,386**	**2,377**	**31,089**	**2,935**	**344,669**
Amortization at 12/31/2010	**(64,668)**	**(10,257)**	**(67,614)**	**(2,288)**	**(12,885)**		**(157,712)**
Amortization for the year	(28,426)	(76)	(7,106)	(68)	(2,590)		(38,266)
Disposals and other movements	30,534	(1)	88				30,621
Amortization at 12/31/2011	**(62,560)**	**(10,334)**	**(74,632)**	**(2,356)**	**(15,475)**		**(165,357)**
Net value at 12/31/2010	**41,990**	**331**	**122,908**	**89**	**18,204**	**3,866**	**187,388**
Investments	28,425	230				1,955	30,610
Amortization	(28,426)	(76)	(7,106)	(68)	(2,590)		(38,266)
Disposals	(392)		(48)				(440)
Other movements	2,906					(2,886)	20
Net value at 12/31/2011	**44,503**	**485**	**115,754**	**21**	**15,614**	**2,935**	**179,312**

Investments for 2011, amounting to Euro 30,610 thousand, can be broken down as follows:

(in thousands of euro)	Industrial patents and intellectual property rights	Trademarks	Licences	Irrevocable rights of use	Work in process	Advance payments for Intangible assets	TOTAL INTANGIBLE ASSETS
TI MEDIA S.p.A. (LA7)	24,855	220			1,626		26,701
NETWORK OPERATOR	153				48		201
MTV Italia S.r.l.	*3,417*	*10*			*281*		*3,708*
MTV Pubblicità S.r.l.							
MTV GROUP	3,417	10			281		3,708
GROUP TOTAL	**28,425**	**230**			**1,955**		**30,610**

Industrial patents and intellectual property rights Euro 44,503 thousand

This item includes Euro 36,731 thousand and Euro 4,732 thousand for Telecom Italia Media S.p.A. and MTV Italia S.r.l., respectively, of rights for the use of and income-generation from movies, television movies, series, cartoons, and documentaries. TV rights were amortized on an annual straight-line basis in the period of the contractual availability, starting from the year in which they are available and ready to be used.
This item also includes Euro 1,479 thousand for software and license rights with indefinite time of usage of Telecom Italia Media S.p.A. Software was amortized based on its expected useful life.

Concessions, licenses, trademarks and similar rights Euro 116,260 thousand

These items decreased by Euro 7,068 thousand. These items primarily referred, net of amortization for the year, to Euro 115,754 thousand in expenses incurred to acquire television frequencies (Euro 115,696 thousand for Telecom Italia Media Broadcasting S.r.l. and Euro 58 thousand for MTV Italia S.r.l.) and Euro 485 thousand in expenses incurred to acquire trademarks and similar rights (Euro 449 thousand for Telecom Italia Media S.p.A. and Euro 36 thousand for MTV Italia S.r.l.).

All frequency rights used for Digital Terrestrial broadcasting, including those acquired in 2005 as part of the Elefante TV network, amounting to Euro 115,696 thousand, are being amortized for 20 years. Analog-use frequencies (Euro 58 thousand) are amortized until the switch-off date they refer to; other licenses (Euro 21 thousand) are amortized based on the period of availability, and trademarks and similar rights (Euro 485 thousand, mainly television programs) in 10 years.

Irrevocable rights of use Euro 15,614 thousand

These refer to the use of the fiber optic transmission network (so-called IRU) granted by the parent company Telecom Italia S.p.A. to Telecom Italia Media Broadcasting for the transmission of the Digital Terrestrial television signal.
The agreement with Telecom Italia grants IRU to Telecom Italia Media Broadcasting for 12 years (from January 1, 2006 to December 31, 2017), thus allowing Telecom Italia Media Broadcasting to distribute the Digital Terrestrial television signal using SDH technology throughout Italy, connecting 19 regional sites with the network center in Rome.
The initial investment was Euro 27,865 thousand and will be amortized over a 12-year period, which corresponds to the term of the agreement.

NOTE 5 - Tangible assets Euro 87,252 thousand

(Euro 76,682 thousand at December 31, 2010)

Tangible assets increased by Euro 10,570 thousand compared to 31 December 31, 2010, and were recognized net of the relevant accumulated depreciation of Euro 166,141 thousand (Euro 147,796 thousand at December 31, 2010).

The breakdown and changes in 2010 and 2011 are detailed below:

YEAR 2010	Industrial and civilian buildings	Plant and machinery	Manufacturing and distribution equipment	Other tangible assets	Work in process	Total
(in thousands of euro)						
Gross value at 12/31/2009	**227**	**182,838**	**5,365**	**22,809**	**8,842**	**220,081**
Investments		21,703	409	2,015	8,421	32,548
Disposals and other movements		(23,723)	(41)	226	(4,572)	(28,110)
Gross value at 12/31/2010	**227**	**180,818**	**5,733**	**25,050**	**12,691**	**224,519**
Depreciation at 12/31/2009	**(61)**	**(135,380)**	**(3,400)**	**(16,706)**		**(155,547)**
Depreciation for the year	(22)	(17,045)	(957)	(2,482)		(20,506)
Disposals and other movements		28,174	35	48		28,257
Depreciation at 12/31/2010	**(83)**	**(124,251)**	**(4,322)**	**(19,140)**		**(147,796)**
Write-downs at 12/31/2009		**(59)**				**(59)**
Write-downs						
Other movements		18				18
Write-downs at 12/31/2010		**(41)**				**(41)**
Net value at 12/31/2009	**166**	**47,399**	**1,965**	**6,103**	**8,842**	**64,475**
Investments		21,703	409	2,015	8,421	32,548
Depreciation	(22)	(17,045)	(957)	(2,482)		(20,506)
Disposals		(9)	(6)			(15)
Other movements		4,478		274	(4,572)	180
Net value at 12/31/2010	**144**	**56,526**	**1,411**	**5,910**	**12,691**	**76,682**

YEAR 2011	Industrial and civilian buildings	Plant and machinery	Manufacturing and distribution equipment	Other tangible assets	Work in process	Total
(in thousands of euro)						
Gross value at 12/31/2010	**227**	**180,818**	**5,733**	**25,050**	**12,691**	**224,519**
Investments	11	22,125	294	1,591	6,744	30,765
Disposals and other movements		4,502	248	573	(7,173)	(1,850)
Gross value at 12/31/2011	**238**	**207,445**	**6,275**	**27,214**	**12,262**	**253,434**
Depreciation at 12/31/2010	**(83)**	**(124,251)**	**(4,322)**	**(19,140)**		**(147,796)**
Depreciation for the year	(22)	(16,621)	(690)	(2,749)		(20,082)
Disposals and other movements		1,617	19	101		1,737
Depreciation at 12/31/2011	**(105)**	**(139,255)**	**(4,993)**	**(21,788)**		**(166,141)**
Write-downs at 12/31/2010		**(41)**				**(41)**
Writedowns						
Other movements						
Writedowns at 12/31/2011		**(41)**				**(41)**
Net value at 12/31/2010	**144**	**56,526**	**1,411**	**5,910**	**12,691**	**76,682**
Investments	11	22,125	294	1,591	6,744	30,765
Depreciation	(22)	(16,621)	(690)	(2,749)		(20,082)
Disposals		(4)			(89)	(93)
Other movements		6,123	267	674	(7,084)	(20)
Net value at 12/31/2011	**133**	**68,149**	**1,282**	**5,426**	**12,262**	**87,252**

Plant and machinery

This item increased by Euro 11,623 thousand compared to December 31, 2010 (Euro 56,526 thousand) and includes:

- high-frequency facilities for digitalizing Telecom Italia Media Broadcasting's Digital Terrestrial broadcasting network (broadcasting, radio links, control and transmission/reception centers) for a total of Euro 55,446 thousand;
- low-frequency facilities, including studios and broadcasting and electric and generic facilities of Telecom Italia Media S.p.A. for a total of Euro 5,594 thousand.

Other tangible assets

This item includes leasehold improvements to property and plant of Euro 1,971 thousand, furniture and furnishings of Euro 1,328 thousand, and basic hardware and software of Euro 1,302 thousand.

Work in process

Compared to December 31, 2010 (Euro 12,691 thousand), this item decreased by Euro 429 thousand and mainly referred to work in process of Telecom Italia Media Broadcasting amounting to Euro 12,020 thousand.

The ratio of the accumulated depreciation on the gross value of fixed assets amounted to 65.6% (65.8% at December 31, 2010).

The accumulated depreciation (Euro 166,141 thousand) is deemed adequate to cover the depreciation of all types of assets, based on their estimated residual life.

Investments for the year, amounting to Euro 30,765 thousand, can be broken down as follows:

(in thousands of euro)	Industrial and civilian buildings	Plant and machinery	Manufacturing and distribution equipment	Other tangible assets	Work in process	TOTAL TANGIBLE ASSETS
TI MEDIA S.p.A.		3,250		947	202	4,399
NETWORK OPERATOR	11	18,683		349	6,542	25,585
MTV Italia S.r.l.		*192*	*294*	*294*		*780*
MTV Pubblicità S.r.l.				*1*		*1*
MTV GROUP		**192**	**294**	**295**		**781**
TOTAL GROUP	**11**	**22,125**	**294**	**1,591**	**6,744**	**30,765**

Depreciation is calculated on a straight–line basis over the estimated useful life of the asset using the following minimum and maximum depreciation rates for financial years 2011 and 2010:

	2011	2010
Industrial and civilian buildings	9.0% - 25.0%	9.0% - 25.0%
Plant and machinery	9.0% - 33.3%	9.0% - 33.3%
Manufacturing and distribution equipment	20.0% - 25.0%	20.0% - 25.0%
Other tangible assets	10.0% - 50.0%	11.0% - 50.0%

NOTE 6 – Other non-current assets

Euro 35,511 thousand

(Euro 46,101 thousand at December 31, 2010)

Other non-current assets decreased by Euro 10,590 thousand compared to December 31, 2010, and included:

(in thousands of euro)	12/31/2011	*of which financial instruments (1)*	12/31/2010	*of which financial instruments (1)*	Change
Investments in:					
Associate companies valued using the equity method					
Other companies	1,129		1,649		(520)
	1,129		1,649		(520)
Non-current financial assets:					
Securities other than investments					
Financial receivables and other non-current assets from other Group companies and other related parties					
Financial receivables and other non-current financial assets from other parties	897	897	936	936	(39)
	897	897	936	936	(39)
Miscellaneous receivables and other non-current assets					
Non current receivables due to National Tax Consolidation	8,460		18,879		(10,419)
Other miscellaneous receivables	11,962	11,962	11,947	11,749	15
	20,422	11,962	30,826	11,749	(10,404)
Deferred tax assets	13,063		12,690		373
Total	**35,511**	**12,859**	**46,101**	**12,685**	**(10,590)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 19.

Securities Euro 1,129 thousand

This item is made up as follows:

(in thousands of euro)	12/31/2010	Investments	Transfers of reimbursement of capital	Impairment	Reclassifications and other movements	12/31/2011
Other companies						
Auditel S.r.l.	46					46
Cons. Radiotel. Di Puglia Basilicata E Molise Srl	1					1
Consorzio Antenna Colbuccaro		24				24
Consorzio Antenna Monteconero	2					2
Consorzio Antenna Tolentino		12				12
Consorzio Colle Maddalena	3					3
Consorzio Emittenti Radiotelevisive	26					26
Consorzio per Distribuzione Audiovisivo e ITC	5					5
Consorzio Sardegna digitale	13					13
Consorzio Valle d'Aosta digitale	7					7
Italbiz.com Inc.	1					1
TI audit S.c.a.r.l.	500		(500)			
Tiglio I S.r.l.	1,010			(56)		954
Tivù S.r.l.	35					35
Total	**1,649**	**36**	**(500)**	**(56)**		**1,129**

In 2011, the values of certain equity investments decreased on the whole by Euro 520 thousand. Specifically:

- a Euro 500 thousand decrease attributable to the sale of the investment in TI Audit S.c.a.r.l. to Telecom Italia S.p.A. The consideration for the sale, in line with the carrying amount of the investment, was determined by an appraisal prepared by an independent expert appointed jointly by Telecom Italia Media S.p.A. and Telecom Italia S.p.A.;
- a Euro 56 thousand decrease regarding the writedown of the equity investment in Tiglio 1;
- a Euro 36 thousand increase concerning the acquisition of equity investments by Telecom Italia Media Broadcasting in Consorzio Antenna Colbuccaro and Consorzio Antenna Tolentino amounting to Euro 24 thousand and Euro 12 thousand, respectively.

Securities and financial receivables — Euro 21,319 thousand

Securities and financial receivables decreased by Euro 10,443 thousand compared to December 31, 2010. This item is made up as follows and showed the following variations:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Securities other than investments			
Non-current financial receivables:			
Financial receivables from Group companies and other related parties			
Other financial receivables from third parties			
Loans to employees	897	936	(39)
Total securities and non-current financial receivables	**897**	**936**	**(39)**
Miscellaneous non-current receivables:			
Receivables from the Parent company for National Tax Consolidation	8,460	18,879	(10,419)
Tax credits for advances on withholding employee termination indemnities taxes			
Deposits for third parties as collateral	534	509	25
Other miscellaneous receivables from third parties	11,428	11,438	(10)
Total non-current miscellaneous receivables	**20,422**	**30,826**	**(10,404)**
Total securities and non-current financial receivables	**21,319**	**31,762**	**(10,443)**

Other non-current miscellaneous receivables — Euro 20,422 thousand

Other non-current miscellaneous receivables, which decreased by Euro 10,404 thousand compared to December 31, 2010, consisted mainly of an amount receivable by Telecom Italia Media S.p.A. (Euro 8,460 thousand) from the parent company Telecom Italia S.p.A. for tax losses for 2011 as a result of the Company's participation in the National Tax Consolidation scheme. The amount is expected to be received in June 2013.
Starting with the 2004 tax period and the introduction of the National Tax Consolidation pursuant to Legislative Decree No. 344 of December 12, 2003, then renewed in 2007 for the 2007/2009 period and in 2010 for the 2010/2012 period, the parent company Telecom Italia S.p.A. adhered to Group corporate income tax (IRES) and exercised the joint option — which is binding for three years — also for Telecom Italia Media S.p.A. and Telecom Italia Media Broadcasting S.r.l.
The decision to apply the National Tax Consolidation allows the company to recognize and then transfer current taxes even in the event of negative taxable income, offsetting a credit towards Telecom Italia S.p.A. Inversely, in the event that tax is due, the current taxes will offset a liability towards the Parent Company. The relationship between the parties, regulated by contract, envisages complete recognition of the sum equivalent to multiplication of the corporate income tax rate (IRES) and the transferred tax losses or gains, including the consolidation changes.

The amount of other miscellaneous receivables from third parties at December 31, 2011 included Euro 11,400 thousand for a transaction performed in August 2010 and aimed at financing Dahlia TV S.p.A., placed in liquidation.
Telecom Italia Media subscribed preference shares (designated "class B shares") by converting trade receivables previously acquired from Telecom Italia Media Broadcasting and Telecom Italia S.p.A., in the amounts of Euro 3,000 thousand and Euro 11,400 thousand, respectively, on a with-recourse basis.
Following the placement in liquidation of Dahlia TV on January 10, 2011, Telecom Italia Media wrote down in the 2010 Financial Statements only the receivable of Euro 3,000 thousand associated with the subsidiary Telecom Italia Media Broadcasting inasmuch as the remaining receivable of Euro 11,400 thousand is guaranteed by the parent company Telecom Italia S.p.A. under the aforementioned with-recourse clause.

NOTE 7 - Deferred tax assets and provision for deferred taxes

Euro 9,485 thousand

(Euro 11,181 thousand at December 31, 2010)

(in thousands of euro)	12/31/2011	12/31/2010	Change
Deferred tax assets	13,063	12,690	373
Deferred tax liabilities	22,548	23,871	(1,323)
Total	**(9,485)**	**(11,181)**	**1696**

(in thousands of euro)	12/31/2011	12/31/2010	Change
Deferred tax assets:			
Writedown of equity investments			
Provisions	4,505	4,294	211
Provision for doubtful receivables	2,955	2,534	421
Tax losses			
Other prepaid taxes	5,603	5,862	(259)
	13,063	12,690	373
Reserve for deferred taxes:			
Acquisition of business units	22,485	23,808	(1,323)
Receivables for matured dividends			
Employee termination indemnity (actuarial value)			
Accelerated depreciation and amortization	63	63	
	22,548	23,871	(1,323)
Total deferred tax assets, net of deferred tax reserves	**(9,485)**	**(11,181)**	**1,696**

All Group's companies recognized deferred tax assets and liabilities in accordance with the accrual principle, posting amounts attributable to future periods but payable in the current period as deferred tax assets and amounts attributable to the current period but payable in the future as deferred tax liabilities.

Deferred tax assets and liabilities are recognized on temporary differences between the accounting and tax values attributed to an asset or liability.
Temporary differences are used as a basis for calculating deferred tax assets and liabilities.

Temporary differences mainly arise as a result of differences between pre-tax accounting results and taxable income; such differences originate in one period and reverse in one or more subsequent periods. The differences are due to income and costs or portions of income and costs that contribute to the determination of taxable income in a different tax period than the one in which they contribute to the determination of accounting results.
Deferred tax assets arise from differences between taxable income and accounting results (amounts that are taxable in the period in which they arise and deductible in subsequent periods) and are recognized in the financial statements to the extent that it is probable that they refer to differences that can be reasonably expected to reverse in a future period.

For this reason, total theoretical future tax benefits relating to deductible temporary differences (Euro 13,063 thousand at December 31, 2011 and Euro 12,690 thousand at December 31, 2010) increased by Euro 373 thousand at December 31, 2011.

Specifically, deferred tax assets included Euro 2,955 thousand at December 31, 2011 (Euro 2,534 thousand at December 31, 2010) relating to the tax benefit associated with the writedown of receivables, which will be deducted over time. Deferred tax liabilities included Euro 22,485 thousand (Euro 23,808 thousand at December 31, 2010) in relation to the greater amortization expense (on a consolidated level) of the higher price paid compared to the book value of the business units Delta TV and Elefante TV acquired in 2005.

NOTE 8 – Inventories

Euro 1,544 thousand

(Euro 1,535 thousand at December 31, 2010)

At year-end, this item included the following:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Raw materials and supplies			
Work in progress and semifinished goods			
Finished goods	1,544	1,535	9
Advances on inventories			
Total	**1,544**	**1,535**	**9**

Specifically, finished goods and merchandise mainly included:

- TV productions amounting to Euro 1,225 thousand (Euro 1,034 thousand at December 31, 2010), of which Euro 1,063 thousand is attributable to Telecom Italia Media S.p.A. and Euro 162 thousand to MTV Italia;

- film rights belonging to Telecom Italia Media S.p.A. with a duration of less than twelve months amounting to Euro 308 thousand.

NOTE 9 - Trade and miscellaneous receivables, and other current assets (excluding income tax receivables)

Euro 122,206 thousand

(Euro 137,841 thousand at December 31, 2010)

This item decreased by Euro 15,635 thousand compared to December 31, 2010.

(in thousands of euro)	12/31/2011	*of which financial instruments (1)*	12/31/2010	*of which financial instruments (1)*	Change
Receivable for contract works					
Trade receivables:					
- receivables from customers	91,233	91,233	101,487	101,487	(10,254)
- receivables from Group companies and other related parties	2,451	2,451	10,604	10,604	(8,153)
	93,684	**93,684**	**112,091**	**112,091**	**(18,407)**
Miscellaneous receivables and other current assets:					
- other receivables	26,903	1,383	23,604	319	3,299
- commercial and other prepaid expenses	1,619		2,146		(527)
	28,522	**1,383**	**25,750**	**319**	**2,772**
Total	**122,206**	**95,067**	**137,841**	**112,410**	**(15,635)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 19.

Trade receivables

Euro 93,684 thousand

Receivables from customers

Euro 91,233 thousand

Trade receivables, net of related writedowns, amounted to Euro 91,233 thousand and mainly included payables to Telecom Italia Media S.p.A. by its advertising agency Cairo Communications S.p.A. (Euro 40,473 thousand), whose contract is based on guaranteed minimums correlated with increases in share. Furthermore, this item included receivables from customers of MTV Pubblicità S.r.l. amounting to Euro 26,627 thousand, MTV Italia S.r.l. for Euro 10,917 thousand and Telecom Italia Media Broadcasting S.r.l. for Euro 8,591 thousand.
The value of receivables was in line with their presumed realizable amounts after the appropriate impairment losses, determined according to the contract rules regulating the agreement with the advertising agency Cairo Communications S.p.A. and thorough recoverability analyses that also reflected the input of external legal counsel. The provision for doubtful trade receivables amounted to Euro 25,918 thousand, thus increasing by Euro 4,273 thousand. The evolution of the provisions for doubtful trade receivables was as follows:

(in thousands of euro)	12/31/2010	Increase	Decrease	Release to income statement	Other movements	12/31/2011
Provisions for doubtful trade receivable	21,645	3,661	(1,783)	(1,582)	3,977	25,918

At December 31, 2011, this item included Euro 12,974 thousand in impairment losses associated with Dahlia TV (in liquidation) recognized by Telecom Italia Media Broadcasting; in detail, Euro 3,868 thousand, included in the item “Other movements”, refers to the writedowns of receivables for the period from January 1, 2011 to February 25, 2011 from Dahlia, adjusted for the relevant revenues, in accordance with IAS 18.

Receivables from Group companies and other related parties — Euro 2,451 thousand

This item mainly included Euro 2,366 thousand from Telecom Italia S.p.A., of which Euro 1,187 thousand relating to Telecom Italia Media S.p.A., Euro 1,032 thousand relating to MTV Italia and Euro 147 thousand relating to Telecom Italia Media Broadcasting.

Miscellaneous receivables and other current assets — Euro 28,522 thousand

Other receivables — Euro 26,903 thousand

This item increased by Euro 3,299 thousand compared to December 31, 2010, and includes:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Advances to suppliers	1,054	2,939	(1,885)
Receivables from employees	169	187	(18)
Advance payments for other taxes	412	745	(333)
Deposits for third parties as collateral	71	219	(148)
Current receivables from the Parent Company for National Tax Consolidation	23,493	18,405	5,088
Receivables from social security institutions	683	800	(117)
Other items	1,021	309	712
Total	**26,903**	**23,604**	**3,299**

Receivables from the parent company Telecom Italia S.p.A. totaled Euro 23,493 thousand and refer mainly to Euro 19,322 thousand losses recognized in 2010 by Telecom Italia Media S.p.A. in adherence with the National Tax Consolidation scheme, for which pay-in is expected by June 2012, and to Euro 4,171 thousand from Telecom Italia Media Broadcasting for advance payments made in 2011. Other items (Euro 1,021 thousand) included receivables from Telecom Italia Media Broadcasting and MTV Pubblicità to Telecom Italia, both concerning Group VAT amounting to Euro 709 thousand (Euro 371 thousand at December 31, 2010) and Euro 306 thousand (Euro 0 thousand at December 31, 2010), respectively.

In accordance with the disclosure requirements of IFRS 7, a breakdown by maturity of trade receivables, other receivables and other current assets is provided below:

(in thousands of euro)	12/31/2011	Of which not expired	Of which expired since: 0-90 days	91-180 days	181-365 days	after 365 days
Trade and miscellaneous receivables and other current assets	95,067	82,101	6,917	1,061	573	4,415

(in thousands of euro)	12/31/2010	Of which not expired	Of which expired since: 0-90 days	91-180 days	181-365 days	after 365 days
Trade and miscellaneous receivables and other current assets	112,410	91,000	8,441	2,744	2,499	7,726

NOTE 10 – Financial receivables and other current financial assets Euro 269 thousand

(Euro 218 thousand at December 31, 2010)

(in thousands of euro)	12/31/2011	12/31/2010	Change
Deposits for temporary use of liquidity with original maturity exceeding 3 months but not exceeding 12 months			
Financial receivables for net investments from lessors			
Other short-term financial receivables	269	218	51
Hedging derivatives relating to hedged elements classified among current financial assets/liabilities			
Total	**269**	**218**	**51**

NOTE 11 – Cash and cash equivalents Euro 5,345 thousand

(Euro 3,440 thousand at December 31, 2010)

(in thousands of euro)	12/31/2011	12/31/2010	Change
Cash at bank, financial and postal institutes	23	40	(17)
Cheques			
Cash	135	175	(40)
Receivables and deposits for running accounts	5,187	3,225	1,962
Securities other than investments (with maturity not exceeding 90 days)			
Total	**5,345**	**3,440**	**1,905**

The item amounted to Euro 5,345 thousand and includes Euro 5,187 thousand in receivables claimed from Telecom Italia S.p.A. in connection with current accounts held as part of the centralized treasury program, Euro 23 thousand in bank and postal deposits and Euro 135 thousand in cash and securities at hand.

NOTE 12 – Equity

Euro 216,312 thousand

(Euro 299,586 thousand at December 31, 2010)

Equity decreased on the whole by Euro 83,274 thousand compared to December 31, 2010 and is made up as follows:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Equity attributable to equity holders of the Parent Company			
Share capital	212,188	212,188	
Share premium account	82,786	235,995	(153,209)
Other reserves and retained earnings (accumulated losses), including profit for the year	(90,761)	(161,001)	70,240
Equity attributable to equity holders of the Parent Company	**204,213**	**287,182**	**(82,969)**
Equity attributable to Minority interests	12,099	12,404	(305)
Total equity	**216,312**	**299,586**	**(83,274)**

Share capital structure

Subscribed, paid-in share capital amounted to Euro 212,188,324.10, divided into 1,446,317,896 ordinary shares without par value and 5,496,951 savings shares without par value.

The categories of shares representing TI Media's share capital are:

	No. of shares	% of share capital	Listed / not listed	Rights and obligations
Ordinary shares	**1,446,317,896**	**99.62%**	Listed on Borsa Italiana S.p.A.	Right of vote at Ordinary and Extraordinary Shareholders' Meetings of the Company
Savings shares	**5,496,951**	**0.38%**	Listed on Borsa Italiana S.p.A.	Right of vote at Special Category Meeting. Preferential rights provided by Article 6 of the By-Laws under attached.

Privileges of Savings Shares

An extract of article 6 of the Telecom Italia Media S.p.A.'s Bylaws that describes the privileges attaching to savings shares, is provided below:

6.6 - Savings shares have the privileges described in this article.

6.7 - Net profits reported in the regularly approved financial statements, less the amount to be allocated to the legal reserve, shall be distributed to holders of savings shares up to an amount equal to five per cent of the par value of the shares (Euro 0.30).

6.8 - Any profits remaining after allocating the savings shares the preferred dividend as established in the previous paragraph and as resolved by the General Shareholders' Meeting, shall be distributed among all shares so that savings shares receive a greater cumulative dividend than common shares, equal to two percent of the par value of the share (Euro 0.30).

6.9 - When a dividend that is less than the amount indicated in the seventh paragraph hereof is allocated to savings shares during any fiscal year, the difference shall be added to the preferred dividend during the two subsequent fiscal years.

6.10 - In the case of distribution of reserves, savings shares have the same rights of other shares. Furthermore, the Shareholders' Meeting which approves the financial statements for the year, in the event that the financial statements show no or insufficient net profit, has the power to use the available reserves in order to meet the capital rights referred to in paragraph seven above as may have increased pursuant to paragraph nine above.

6.11 – The payment from reserves excludes the application of the dragging mechanism in the two subsequent financial periods to the right to the preferred dividend not received by way of distribution of profits, referred to in paragraph nine.

6.12 – A capital stock reduction due to losses has no effect on savings shares except for the portion of the loss not included in the full extent covered by other shares.

6.13 At the winding up of the Company, savings shares shall have preference in redemption of capital stock up to Euro 0.30 per share. In the event of subsequent stock splits or reverse stock splits (as well as of capital transactions, where required in order to avoid altering the rights of savings shareholders with respect to the situation when shares had par value), said fixed amount per share shall be modified accordingly.

6.14 - If at any time common or savings shares of the Company are excluded from trading savings shareholders have the right to request conversion of their shares to ordinary shares, according to the terms and conditions to be defined by a resolution of the Extraordinary Shareholders' Meeting convened for this purpose.

6.15 – The holders of savings shares shall be organized as established by law and these Bylaws. All expenses associated with the organization of the special meetings of holders of savings shares and the compensation of the common representative shall be borne by the Company.

***

The **share premium account** amounted to Euro 82,786 thousand at December 31, 2011, down by Euro 153,209 thousand compared to December 31, 2010. The change was due to the replenishment of prior years losses.

Other reserves and **Retained earnings (accumulated losses), including profit for the year** include all the reserves of the consolidated companies, the profits and losses of prior years and for the reporting year, including those of the parent company. This item was negative at Euro 90,761 thousand at December 31, 2011, with a Euro 82,999 thousand decrease due to the net loss for the reporting year and a Euro 153,209 thousand increase for the replenishment of losses for prior years using the share premium account.

Potential future changes in share capital

At December 31, 2011, Telecom Italia Media S.p.A. did not have any more authorized capital increases for stock option plans.

NON-CURRENT LIABILITIES

NOTE 13 – Financial liabilities (current and non current)

Euro 145,190 thousand

(Euro 120,102 thousand at December 31, 2010)

This item was broken down as follows:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Financial payables (medium/long-term share):			
- Bonds			
- Convertible and exchangeable bonds			
- Due to banks			
- Other financial liabilities	100,000	100,000	
	100,000	100,000	
Medium/long-term finance lease liabilities			
Other medium/long-term liabilities	26	26	
Total medium/long-term financial liabilities (A)	**100,026**	**100,026**	
Short-term payables:			
- Bonds			
- Convertible and exchangeable bonds			
- Due to banks			
- Hedging derivatives and hedged items classified among current financial assets and liabilities			
- Non-hedging derivatives			
- Other financial liabilities	45,155	20,067	25,088
	45,155	20,067	25,088
Short-term finance lease liabilities			
Other short-term financial liabilities	9	9	
Total short-term financial liabilities (B)	**45,164**	**20,076**	**25,088**
Total financial liabilities C= (A+B)	**145,190**	**120,102**	**25,088**

NOTE 14 – Net financial debt[1]

TELECOM ITALIA MEDIA GROUP - BREAKDOWN OF NET FINANCIAL DEBT [1]

(in thousands of euro)		12/31/2011	12/31/2010	Change
Non-current financial liabilities:				
Financial payables		100,000	100,000	-
Finance lease liabilities		-	-	-
Non-current liabilities for hedging derivatives				-
Other financial liabilities		26	26	-
	(1)	100,026	100,026	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(A)**	**100,026**	**100,026**	**-**
Current financial liabilities:				
Financial payables		45,155	20,067	25,088
Finance lease liabilities		-	-	-
Current liabilities for hedging and non-hedging derivatives				-
Other financial liabilities		9	9	-
	(2)	45,164	20,076	25,088
Deductions:				
Hedge derivatives - current assets		-	-	-
		-	-	-
TOTAL CURRENT FINANCIAL LIABILITIES	**(B)**	**45,164**	**20,076**	**25,088**
Financial liabilities relating to discontinued operations/assets held for sale	**(C) (3)**	**-**	**-**	**-**
TOTAL FINANCIAL DEBT	**(D=A+B+C)**	**145,190**	**120,102**	**25,088**
Current financial assets				
Securities				-
Financial receivables and other current financial assets		(269)	(218)	(51)
Cash and cash equivalents		(5,345)	(3,440)	(1,905)
	(4)	(5,614)	(3,658)	(1,956)
Deductions:				
Hedge derivatives - current assets			-	-
		-	-	-
	(E)	**(5,614)**	**(3,658)**	**(1,956)**
Financial assets relating to discontinued operations/assets held for sale	**(F) (5)**	**-**	**-**	**-**
TOTAL CURRENT FINANCIAL ASSETS	**(G=E+F)**	**(5,614)**	**(3,658)**	**(1,956)**
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION No. DEM/6064293/2006	**(H=D+G)**	**139,576**	**116,444**	**23,132**
Non-current financial assets				
Securities other than investments		-	-	-
Financial receivables and other non-current financial assets		(897)	(936)	39
	(6)	(897)	(936)	39
TOTAL NON-CURRENT FINANCIAL ASSETS	**(I)**	(897)	(936)	39
NET FINANCIAL DEBT	**(L=H+I)**	**138,679**	**115,508**	**23,171**
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial liabilities	(1)	100,026	100,026	-
Current gross financial liabilities	(2) + (3)	45,164	20,076	25,088
		145,190	**120,102**	**25,088**
Total gross financial assets:				-
Non-current gross financial assets	(6)	(897)	(936)	39
Current gross financial assets	(4) + (5)	(5,614)	(3,658)	(1,956)
		(6,511)	**(4,594)**	**(1,917)**
NET FINANCIAL DEBT		**138,679**	**115,508**	**23,171**

[1] As regards to the effects of related party transactions on net financial debt, see the specific table in the Notes "Related Party Transactions".

At December 31, 2011, net financial debt was Euro 138,679 thousand, with an increase of Euro 23,171 thousand compared to Euro 115,508 thousand at December 31, 2010.

In detail:

- **Non-current financial liabilities**. This item amounted to Euro 100,000 thousand (unchanged compared to December 31, 2010) and is composed entirely of the financing provided by the parent company Telecom Italia S.p.A. following the loan agreement between Telecom Italia and the European Investment Bank, for the same amount and under the same conditions. The soft loan was granted by the EIB to the Parent Company to finance Telecom Italia Media's investment program in the Digital Terrestrial network, completed in 2008. The details of the loan, which was issued on December 21, 2006 are outlined below:

Amount	Euro 100 million
Duration	7-year bullet
Interest rate	EURIBOR 6M

- **Current financial liabilities.** At December 31, 2011, this item amounted to Euro 45,155 thousand (Euro 20,067 thousand at December 31, 2010), up by Euro 25,088 thousand. It mainly includes the short-term financial debt (variable-rate, based on EURIBOR) of Telecom Italia Media towards Telecom Italia Finance SA for the contract formalized on December 20, 2011, for the credit facility for the total amount of Euro 60,000 thousand, used at December 31, 2011 in the amount of Euro 45,000 thousand.

- **Financial receivables and other current financial assets.** This item amounted to Euro 269 thousand and relate to the current share of loans to employees.

- **Cash and cash equivalents.** The item amounted to Euro 5,345 thousand and includes Euro 5,187 thousand in receivables claimed from Telecom Italia S.p.A. in connection with current accounts held as part of the centralized treasury program, Euro 23 thousand in bank and postal deposits and Euro 135 thousand in cash and securities at hand.

- **Financial receivables and other non-current financial assets.** The item amounted to Euro 897 thousand and related to loans to personnel.

NOTE 15 – Employee benefits

Euro 9,814 thousand

(Euro 10,896 thousand at December 31, 2010)

The following changes occurred during the year:

(in thousands of euro)	12/31/2010	Increases	Decreases	Other movements	12/31/2011
Reserve for employee termination indemnities	10,896	(610)	(497)	25	9,814
Fund for pensions and similar obligations					
Funds for personnel outflow incentives (payable after 12 months)					
Total	**10,896**	**(610)**	**(497)**	**25**	**9,814**

Under Italian legislation, each employee's benefit accrues based on the service rendered by that employee and is payable when the employee leaves the company. The amount due on termination of employment is calculated in accordance with the length of employment and each employee's taxable income. The liability, which is adjusted annually based on Italy's official cost-of-living index and interests recognized by law, is not associated with any vesting condition or period or any funding obligation; accordingly, no assets have been allocated to the fund. In accordance with IAS 19, this item was recognized as "Defined benefit plan" for the portion accrued at December 31, 2006.

Based on the legislation introduced by Italian Legislative Decree No. 252/2005 and Law No. 296/2006 "2007 Financial Law", benefits accrued must be paid to either the INPS Treasury Fund or a supplementary pension scheme and are considered "Defined contribution plans." However, writeups to the provision as of December 31, 2006, which have been made based on Italy's official cost-of-living index and interest accrued, continue to be carried under employee benefits.

In application of IAS 19, employee termination benefits were determined through actuarial recalculation using the Projected Unit Credit Cost Method — Service Pro-Rate, as follows:

- on the basis of a series of financial assumptions (cost-of-living increases, interest rates, pay increases, etc.), the Group has projected the possible future benefits that could be issued in favor of each employee enrolled in the program in case of retirement, decease, disability, resignation, etc.; the estimate of future benefits takes into account any foreseeable increases corresponding to further seniority of service, as well as, for employees of companies with less than 50 staff for 2006, the presumable increase in the level of pay received at the valuation date;
- the Group calculated the *average present value of future benefits*, based on the annual interest rate adopted and the probability that each benefit has to be effectively issued;
- the liability for each company involved has been defined according to the average current value of the future benefits to be generated by the provision as carried at the date of assessment, without considering any future allocations (for employers with at least 50 employees in 2006), or by identifying the portion of the average current value of future benefits that refers to services already rendered by the employee to the company at the date of assessment (for other companies).

In detail, the Group adopted the following assumptions:

Economic forecasts	**Executives**	**Non-executives**
Inflation rate	2.0%	2.0%
Discount rate	5.1%	5.1%
Compensation increase:		
- up to 40 years of age	1.0%	1.0%
- over 40 years but up to 55 years of age	0.5%	0.5%
- over 55 years of age	0.0%	0.0%

Demographic forecasts	**Executives**	**Non-executives**
Death probability	RG 48 mortality rate table published by the Italian General Accounting Office	RG 48 mortality rate table published by the Italian General Accounting Office
Invalidity probability	Tables drawn by the National Social Security Institute (INPS) by age and gender	Tables drawn by the National Social Security Institute (INPS) by age and gender
Resignation probability:		
- up to 40 years	4.0% each year	4.0% each year
- later than 40 but up to 50 years	2.5% each year	2.5% each year
-over 50 years	non-existent	non-existent
Retirement probability:	Attainment of the minimum requirements set by the General Compulsory Insurance, updated pursuant to Law 214 of December 22, 2011	Attainment of the minimum requirements set by the General Compulsory Insurance, updated pursuant to Law 214 of December 22, 2011
Probability of receiving at year start a 70% advance on allowances for termination indemnities	3.0% each year	3.0% each year

NOTE 16 - Provisions

Euro 12,933 thousand

(Euro 13,465 thousand at December 31, 2010)

The item consists of:

(in thousands of euro)	12/31/2010	Provisions	Direct use	Surplus	Other changes/ reclassifications	12/31/2011
Other provisions for future risks and charges	252	164	(4)	(77)		335
Total provisions (non-current portion)	**252**	**164**	**(4)**	**(77)**		**335**
Provisions for taxes and tax risks	1			(1)		
Provisions for litigation risks	1,572	35		(1,024)		583
Provisions for litigation with personnel and social securities institutions	5,702	2,875	(472)		(126)	7,979
Other employee benefits	1,905	265			(879)	1,291
Provisions for commercial and contractual risks	1,828	6	(288)	(469)	(26)	1,051
Other provisions for future risks and charges	2,205	330		(841)		1,694
Total provisions (current portion)	**13,213**	**3,511**	**(760)**	**(2,335)**	**(1,031)**	**12,598**
Total provisions for future risks and charges	**13,465**	**3,675**	**(764)**	**(2,412)**	**(1,031)**	**12,933**

Total provisions (non-current portion), totaling Euro 335 thousand, consisted of Euro 200 thousand attributable to MTV Pubblicità and Euro 135 thousand attributable to MTV Italia.

Total provisions (current portion) amounted to Euro 12,598 thousand and include the following:

- the provision for litigation amounting to Euro 583 thousand; the change (Euro -989 thousand) is fully attributable to Telecom Italia Media S.p.A. and refers primarily to the resolution of some litigations;
- the provision for litigation with personnel and social-security institutions amounted to Euro 7,979 thousand. This item included provisions made in 2011 and amounting to Euro 1,967 thousand, related to the control performed by the National Insurance Institute for Italian Journalists (INPGI) and subsequent service of relevant proceedings. Further provisions of Euro 250 thousand attributable to the so-called "Collegato lavoro" law are included";
- other personnel provisions of Euro 1,291 thousand referred to risks associated with contractual stability clauses;
- the provision for commercial and contractual risks amounted to Euro 1,051 thousand, down by Euro 777 thousand compared to 2010 (Euro 1,828 thousand).
- other provisions for risks and future charges amounted to Euro 1,694 thousand, with a net decrease of Euro 511 thousand compared to December 31, 2010

NOTE 17 - Miscellaneous accounts payable and other non-current liabilities

Euro 11,456 thousand

(Euro 11,596 thousand at December 31, 2010)

(in thousands of euro)	12/31/2011	*of which financial instruments (1)*	12/31/2010	*of which financial instruments (1)*	Change
Capital grants					
Medium/long-term deferred income					
Other medium/long-term debts	11,456	11,400	11,596	11,400	(140)
Total	**11,456**	**11,400**	**11,596**	**11,400**	**(140)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 19.

The item included the payable owed to Telecom Italia S.p.A. related to the acquisition in 2010 of the receivable claimed from Dahlia TV (in liquidation), subsequently used to subscribe the capital increase of said company.

NOTE 18 – Trade and miscellaneous payables and other current liabilities (excluding income tax payables)

Euro 153,525 thousand

(Euro 168,557 thousand at December 31, 2010)

(in thousands of euro)	12/31/2011	*of which financial instruments (1)*	12/31/2010	*of which financial instruments (1)*	Change
Trade payables:					
- payables to suppliers	104,716	104,716	113,990	113,990	(9,274)
- accounts payable to Group companies and other related parties	10,999	10,999	11,273	11,273	(274)
	115,715	**115,715**	**125,263**	**125,263**	**(9,548)**
Tax payables for other taxes	2,063		2,311		(248)
Payables for contract works					
Miscellaneous payables and other current liabilities:					
- amounts due for short-term payment to employees	8,785	8,785	10,161	10,161	(1,376)
- contributions to pension and social security institutions	5,373		5,638		(265)
- current payables to the Parent Company for tax consolidation	217		5,691		(5,474)
- short-term commercial and other deferred income	45		590		(545)
- advances	41		81		(40)
- dividends approved, but not yet paid			58	58	(58)
- other current liabilities	8,688	8,466	5,551	4,763	3,137
Payables for contribution for the exercise of TLC operating activities					
- provisions for taxes, for the portions expected to be paid within 12 months					
- provisions for future risks and charges, for the portions expected to be paid within 12 months	12,598		13,213		(615)
- employee benefits (other than employee termination indemnities) for the portions expected to be paid within 12 months					
	35,747	17,251	40,983	14,982	(5,236)
	37,810	**17,251**	**43,294**	**14,982**	**(5,484)**
Total	**153,525**	**132,966**	**168,557**	**140,245**	**(15,032)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 19.

TRADE PAYABLES

Euro 115,715 thousand

Trade payables

Euro 104,716 thousand

The item decreased by Euro 9,274 thousand compared to December 31, 2010 (Euro 113,990 thousand) and primarily includes payables for the acquisition of rights and television programs, payables for television production, payables to the artists and professionals of Telecom Italia Media S.p.A. (Euro 50,517 thousand) and the MTV Group (Euro 23,641 thousand) and payables for the maintenance and development of the digital network of Telecom Italia Media Broadcasting S.r.l. (Euro 30,554 thousand).

Trade payables due to Group companies and other related parties

Euro 10,999 thousand

This item includes payables amounting to Euro 7,115 thousand due to the parent company Telecom Italia S.p.A. mainly for administrative service contracts, development of software, new Digital Terrestrial systems and telephone bills; in detail, it includes payables of Telecom Italia Media S.p.A. amounting to Euro 2,795 thousand, and payables of Telecom Italia Media Broadcasting Srl totaling Euro 3,617 thousand.

MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES — Euro 37,810 thousand

Tax payables for other taxes — Euro 2,063 thousand

This item decreased by Euro 248 thousand compared to December 31, 2010 (Euro 2,311 thousand). It refers primarily to amounts due for withholding taxes and payables to the Tax Authorities for IRPEF withholdings applied to remuneration to freelance collaborators, professionals and employees paid in January.

Amounts due for short-term pay to employees — Euro 8,785 thousand

This item decreased by Euro 1,376 thousand compared to December 31, 2010 (Euro 10,161 thousand) and includes accrued amounts payable, but not yet paid, mainly to employees of Telecom Italia Media S.p.A. amounting to Euro 6,505 thousand, and MTV Italia S.r.l. amounting to Euro 1,229 thousand.

Contributions to pension and social security institutions — Euro 5,373 thousand

This item refers to contributions to pension and social security institutions that have accrued and have not yet been paid mainly relative to Telecom Italia Media S.p.A. for Euro 4,121 thousand, and to MTV Italia S.r.l. for Euro 662 thousand.

Current payables to the Parent Company for National Tax Consolidation — Euro 217 thousand

This item refers to payables for the taxable income for 2011 of Telecom Italia Media Broadcasting.

Other current liabilities — Euro 8,688 thousand

Other current liabilities increased by Euro 3,137 thousand and included Euro 4,166 thousand in miscellaneous payables to Group companies and other related parties — mainly the Parent Company, Telecom Italia S.p.A. (Euro 4,031 thousand) — and Euro 4,522 thousand in other amounts due to third parties, referring primarily to Telecom Italia Media S.p.A. (Euro 3,098 thousand), and Telecom Italia Media Broadcasting S.r.l. (Euro 1,250 thousand).

A breakdown of Provisions is given in Note 16.

NOTE 19 – Information on other financial instruments

In accordance with the disclosure required by IFRS 7, the following section includes an analysis of the impact of financial instruments on the balance sheet, as well as qualitative and quantitative information on the risks associated with such financial instruments.

A breakdown of the Company's financial instruments in 2010 and 2011 is provided below.

Accounting value for each class of financial assets/liabilities at 12/31/2011

(in thousands of euro)	Categories IAS 39 [2]	Book value at 12/31/2011	Book value as per IAS 39				Book value as per IAS 17
			Amortized cost	Cost	Fair value accounted for at equity	Fair value recognized in the statement of income	
ASSETS							
Non-current financial assets							
Other investments	AfS						
Securities, financial receivables and other non-current financial assets							
of which loans and receivables	LaR	897	897				
of which securities	HtM						
Miscellaneous receivables and other non-current assets [1]							
of which loans and receivables	LaR	11,962	11,962				
of which non-hedging derivatives	FAHfT						
	(a)	**12,859**	**12,859**				
Current financial assets							
Trade and miscellaneous receivables and other current assets [1]							
of which loans and receivables	LaR	95,067	95,067				
Securities							
of which held to maturity	HtM						
of which available for sale	AFS						
of which held for trading	FAHfT						
Financial receivables and other current financial assets							
of which loans and receivables	LaR	269	269				
of which non-hedging derivatives	FAHfT						
Cash and cash equivalents	LaR	5,345	5,345				
	(b)	**100,681**	**100,681**				
Total	(a+b)	**113,540**	**113,540**				
LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC	100,026	100,026				
Miscellaneous payables and other non-current liabilities [1]							
of which liabilities at amortized cost	FLAC	11,400	11,400				
	(c)	**111,426**	**111,426**				
Current financial liabilities							
of which liabilities at amortized cost	FLAC	45,164	45,164				
of which non-hedging derivatives	FLHfT						
Trade and miscellaneous payables and other current liabilities [1]							
of which liabilities at amortized cost	FLAC	132,966	132,966				
	(d)	**178,130**	**178,130**				
Total	(c+d)	**289,556**	**289,556**				

[1] Share of assets or liabilities related to the application of IFRS7.

[2] Cf. glossary — page 131

Comparison between accounting value and fair value for each class of financial assets/liabilities at 12/31/2011

(in thousands of euro)	Categories IAS 39 [2]	Book value at 12/31/2011	Book value as per IAS 39: Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the statement of	Book value as per IAS 17	Fair Value at 12/31/2011
ASSETS								
Loans and receivables	LaR	113,540	113,540					113,540
Available-for-sale financial assets	AfS							
Financial assets held for trading	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**113,540**	**113,540**					**113,540**
Liabilities								
Liabilities at amortized cost	FLAC	289,556	289,556					289,556
Financial liabilities held for trading at fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**289,556**	**289,556**					**289,556**

(2) Cf. glossary — page 131

Accounting value for each class of financial assets/liabilities at 12/31/2010

(in thousands of euro)	Categories IAS 39 (2)	Book value at 12/31/2010	Book value as per IAS 39: Amortized cost	Book value as per IAS 39: Cost	Book value as per IAS 39: Fair value accounted for at equity	Book value as per IAS 39: Fair Value recognized in the statement of income	Book value as per IAS 17
ASSETS							
Non-current financial assets							
Other investments	AfS						
Securities, financial receivables and other non-current financial assets							
of which loans and receivables	LaR	936	936				
of which securities	HtM						
Miscellaneous receivables and other non-current assets (1)							
of which loans and receivables	LaR	11,749	11,749				
of which non-hedging derivatives	FAHfT						
	(a)	**12,685**	**12,685**				
Current financial assets							
Trade and miscellaneous receivables and other current assets (1)							
of which loans and receivables	LaR	112,410	112,410				
Securities							
of which held to maturity	HtM						
of which available for sale	AFS						
of which held for trading	FAHfT						
Financial receivables and other current financial assets							
of which loans and receivables	LaR	218	218				
of which non-hedging derivatives	FAHfT						
Cash and cash equivalents	LaR	3,440	3,440				
	(b)	**116,068**	**116,068**				
Total	(a+b)	**128,753**	**128,753**				
LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC	100,026	100,026				
Miscellaneous payables and other non-current liabilities (1)							
of which liabilities at amortized cost	FLAC	11,400	11,400				
	(c)	**111,426**	**111,426**				
Current financial liabilities							
of which liabilities at amortized cost	FLAC	20,076	20,076				
of which non-hedging derivatives	FLHfT						
Trade and miscellaneous payables and other current liabilities (1)							
of which liabilities at amortized cost	FLAC	140,245	140,245				
	(d)	**160,321**	**160,321**				
Total	(c+d)	**271,747**	**271,747**				

(1) Share of assets or liabilities related to the application of IFRS7.

(2) Cf. glossary – page 131

Comparison between accounting value and fair value for each class of financial assets/liabilities at 12/31/2010

(in thousands of euro)	Categories IAS 39 (2)	Book value at 12/31/2010	Book value as per IAS 39				Book value as per IAS 17	Fair Value at 12/31/2010
			Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the statement of		
ASSETS								
Loans and receivables	LaR	128,753	128,753					128,753
Available-for-sale financial assets	AfS							
Financial assets held for trading	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**128,753**	**128,753**					**128,753**
Liabilities								
Liabilities at amortized cost	FLAC	271,747	271,747					271,747
Financial liabilities held for trading at fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**271,747**	**271,747**					**271,747**

(2) Cf. glossary — page 131

Management of financial risk: objectives and criteria

The Telecom Italia Media Group's main financial liabilities consisted of outstanding debts with Telecom Italia S.p.A. and Telecom Italia Finance SA, deriving from the Telecom Italia Group's centralized treasury model, essentially referring to a loan granted by the European Investment Bank, the credit facility agreement with Telecom Italia Finance SA and an amount due in relation to a running-account agreement for the ordinary treasury activities. The Group also has other assets and liabilities, consisting mainly of trade receivables and payables, cash and short-term deposits deriving directly from operations.

The Telecom Italia Media Group did not directly trade financial instruments in 2010 or 2011.

The Group's main risks arising from financial instruments are interest rate, liquidity, exchange rate and credit risk.

Interest-rate risk

The Telecom Italia Media Group's exposure to interest rate risk is mainly a result of its relations with the parent company, Telecom Italia S.p.A., and Telecom Italia Finance SA. Specifically:

- a loan granted by the European Investment Bank at a 6-month EURIBOR rate (Telecom Italia S.p.A.);
- a running-account agreement at an average monthly EURIBOR rate +2.45 (Telecom Italia S.p.A.);
- a credit facility agreement at EURIBOR rate +4.57% (Telecom Italia Finance S.A.).

Exchange rate risk

In 2011, 98.8% of the revenues earned by the Telecom Italia Media Group companies was denominated in the functional currency of those companies.

Credit risk

The Group's companies deal only with known, reliable customers. Furthermore, the balance of receivables is monitored during the financial year to ensure that the amount of exposure to losses is not material. The maximum exposure to credit risk is specified in Note 9. Note 9 also indicates that net receivables more than 365 days overdue account for approximately 4.6% of total receivables.
The maximum credit risk exposure of the Group's financial assets if the counterparty defaults is the carrying amount of such assets.

Liquidity risk

The Telecom Italia Media Group companies are protected from liquidity risk through the Telecom Italia's centralized treasury program. The cash-pooling and the short-term loan agreement guarantee the companies adequate financial resources to meet their needs in terms of current assets and investments.

NOTE 20 – Commitments and other contingent liabilities

This item amounted to Euro 72,976 thousand, consisting of the following:

GUARANTEES PROVIDED Euro 2,054 thousand
(Euro 2,076 thousand at December 31, 2010)

This item refers mainly to *guarantees on behalf of other companies* (Euro 2,053 thousand) and included Euro 500 thousand in guarantees issued by Banca Intesa to Elerto B.V. and the Ministry of Production Activities (Euro 563 thousand) relating to Telecom Italia Media S.p.A.

OTHER Euro 70,922 thousand
(Euro 8,413 thousand at December 31, 2010)

This item mainly consists of guarantees granted in relation to the participation in the beauty contest for assignment of digital frequencies. In particular, Banco Santander issued total guarantees for Euro 7,500 thousand in favor of the Ministry of Economic Development to ensure proper participation of Telecom Italia Media Broadcasting in the procedure set forth by the rules of the competition. Moreover, Telecom Italia S.p.A. gave guarantees for a total amount of Euro 60,000 thousand to back the timing fulfillment of obligations assumed by Telecom Italia Media S.p.A. This item mainly consists of guarantees granted by Telecom Italia S.p.A. in favor of tax authorities in the interest of Telecom Italia Media Group companies (including Euro 1,319 thousand for Telecom Italia Media S.p.A., Euro 427 thousand for Telecom Italia Media Broadcasting, and Euro 1,276 thousand for MTV Pubblicità) in guarantee of receivables resulting from VAT returns for the years 2008 and 2009, offset as part of Group VAT settlement.

NOTE 21 - Litigation

1) Administrative Proceedings brought by Telecom Italia Media in respect of the allocation of bandwidth to the Group for the fourth Digital Multiplex

By extraordinary petition to the President of the Republic, served on October 23, 2009, and subsequently referred to the Regional Administrative Court of Lazio (Section III *ter*, Docket No. 9621/2009), Telecom Italia Media, Telecom Italia Media Broadcasting and MTV Italia, sought, *inter alia*, in respect of the Valle D'Aosta, the Western Piedmont, Trentino Alto Adige, Lazio (excluding the province of Viterbo) and Campania:

(i) a finding that Telecom Italia Media Broadcasting was entitled to the allocation of rights to use, on a temporary basis, bandwidth for the conversion of the four channels operated by the Group to digital technology, for providing digital terrestrial television broadcasting with coverage of at least 80% of the country's surface area, and all provincial capitals, as well as

(ii) an award of compensatory damages against the defendant administrations for (a) losses arising from the delay in effecting the requested allocation quantified, on the basis of the listed prices charged on the Multiplex TIMB1 for 1 Mbit/s, at Euro 1,740,000 per year through to the date on which the allocation is actually made in favor of Telecom Italia Media Broadcasting; and (b) losses arising from the failure to make the allocation, quantified, on the basis of the fair market value of a Multiplex, in the amount of at least Euro 240,000,000.00.

Subsequently, the following filings were made:

1) MOTION FOR ADDITIONAL REASONS: filed on December 18, 2009 for the cancellation of assignment decisions pertaining to the technical areas of Lazio and Campania;

2) MOTION FOR ADDITIONAL REASONS: filed on October 27, 2010 for the cancellation of the National Bandwidth Assignment Place for Digital Terrestrial Television Broadcasting Services (resolution 300/10/CONS -PNAFD);

3) MOTION FOR ADDITIONAL REASONS: filed on December 29, 2010 for the cancellation of temporary rights of use decisions made in respect of Technical Area 3 (Eastern Piedmont, Lombardy, Parma and Piacenza);

4) MOTION FOR ADDITIONAL REASONS: filed on February 7, 2011 for the cancellation of temporary rights of use decisions made in respect of Technical Areas 5, 6 and 7 (Emilia Romagna, Veneto and Friuli Venezia Giulia);

5) MOTION FOR ADDITIONAL REASONS: filed on February 7, 2011 for the cancellation of Resolution No. 497/10/CONS, with regard to the procedures and criteria for the holding of the beauty contest under which Telecom Italia Media has been unduly been treated on the same footing as RAI and Mediaset, and therefore subjected to the same regulatory framework;

6) MOTION FOR ADDITIONAL REASONS: served on June 21, 2011 and not yet formally entered into the record, impugning resolution No. 187/11/CONS, insofar as the same admitted Telecom Italia Media to the beauty contest as a Type "B" operator (together with RAI and Mediaset), subjected to cost-oriented bid terms;

7) MOTION FOR ADDITIONAL REASONS: served on December 6, 2011 for the cancellation of temporary rights of use decisions made in respect of Technical Areas of Liguria, Tuscany, Umbria, Marche and the provinces of Viterbo (technical areas 8,9 and 10).

<u>A hearing has yet to be scheduled.</u>

2) Cecchi Gori litigation

Litigation brought against Telecom Italia Media by the Cecchi Gori Group with regard to Telecom Italia Media's acquisition of the television companies, has resulted in the following rulings:

(i) Deed of Pledge

These proceedings were brought by Cecchi Gori Group Fin.Ma.Vi S.p.A (hereinafter, "**Finmavi**") and Cecchi Gori Group Media Holding S.r.l. (hereinafter "**Media**") before the Court of Milan, seeking a declaration of nullity or termination of the deed of pledge which pledged to Seat PG (now Telecom Italia Media) by way of security shares in Cecchi Gori Communication S.p.A. (subsequently HMC and then merged into Telecom Italia Media S.p.A.), the holding company of the television group, held by Media, and in any event, an award of damages against Telecom Italia Media in the amount of at least 750 billion former Italian Lire, to be increased by monetary revaluation and interest.
At first instance, the Court of Milan and in second instance the Court of Appeal of Milan rejected all the demands of the opposing party.
On July 18, 2006, Cecchi Gori Group Fin.Ma.Vi S.p.A. in liquidation and Media Holding appealed the aforesaid decision of the Court of Appeal of Milan before the Supreme Court.
On June 7, 2007 (with notice served to the parties by the office of the court's clerk on June 11, 2007), the Supreme Court scheduled the hearing for the appeal before the first civil chamber for September 20, 2007.

By decision No. 23824 of September 20, 2007, the Italian Supreme Court upheld Telecom Italia Media's incidental petition as well as, in part, the petition raised by Finmavi and Media, referring the matter back to the Court of Appeal of Milan with a mandatory order to reconsider the couterparty's claims in light of the principles of law laid down by the Supreme Court.
With the writ of summons served on November 10, 2008, the Receiverships of Finmavi in liquidation and Media Holding in liquidation brought the proceedings before the Court of Appeal of Milan and Telecom Italia Media will have to file its appearance at the hearing of March 24, 2009.
On March 24, 2009, a continuance was ordered and the hearing for submission of conclusions was scheduled for **October 18, 2011**. On that date, the hearing was not held and the trial was adjourned for submission of conclusions on December 31, 2012.

On April 6, 2011, the Bankruptcy Cecchi Gori Group Fin.Ma.Vi S.p.A. in liquidation and Cecchi Gori Group Media Holding S.r.l. in liquidation, sent TI Media a "**payment intimation letter**" for Euro 387,342,672.32, i.e., the overall value of 11,500 shares with a par value of 1 million of former Italian Lire each, representing the entire share capital of Cecchi Gori Communications S.p.A.

Through the said letter, the two counterparties in question seek to collect the value of the shares pledged in favor of SEAT, now Telecom Italia Media, in connection with the finalization of the disposal of the television division.

The letter falls within the framework of the litigation mentioned in this paragraph (i) and currently pending before the Court of Appeal of Milan, in respect of proceedings aimed at determining the nullity of the related deed of pledge (a case that Telecom Italia Media is almost certain to win).

During the said legal proceedings, the Cecchi Gori Group had already reserved the right to seek damages by way of collection of the value of the pledged shares, with the result that the payment intimation letter in question seems essentially aimed at suspending the statute of limitations on the claim for damages (given that the said claim was no longer raised during the pending legal proceedings).

Telecom Italia Media replied to the said payment intimation by letter of April 7, 2011.

(ii) Proceedings for the annulment of the General Meeting Resolution of August 11, 2000

These proceedings were brought by Cecchi Gori Group Fin.Ma.Vi (hereinafter "**Finmavi**") and Cecchi Gori Group Media Holding (hereinafter "**Media**") against Cecchi Gori Communications S.p.A. (subsequently HMC and then merged into Telecom Italia Media S.p.A.), seeking the annulment of the resolutions of August 11, 2000 through which the Extraordinary General Shareholders' Meeting of Cecchi Gori Communications S.p.A. amended the latter company's Bylaws with a view to attributing special rights to category 'B' shares. On June 25, 2001, the then Seat Pagine Gialle S.p.A. (now Telecom Italia Media) intervened in the proceedings.

At first instance, the Court of Rome and in second instance the Court of Appeal of Rome rejected all the demands of the opposing party.
By appeal notified on July 24, 2007, the Finmavi Receivership impugned the decision of the Court of Appeal before the Supreme court and Telecom Italia Media filed its appearance before the latter with a counterclaim and incidental claim on October 16, 2007.
A hearing has yet to be scheduled.

****

With regard to pending proceedings against the Cecchi Gori Group, it must be pointed out that negotiations are currently underway with Benten S.r.l., the assignee of the Finmavi Receivership, along the following lines:

- upon conclusion of the settlement agreement, Benten srl, as assignee of the receivership, is to pay TI Media, by way of settlement of all outstanding claims, the overall and all-inclusive amount of Euro 900,000.00 as well as the sum of Euro 78,046.00 to cover the unsecured receivables held by TI Media and admitted as part of Finmavi's liability, up to the extent, established in percentage terms, in the proposed arrangement with creditors;
- in its capacity as assignee of the receivership Benten srl is to replace Finmavi by way of novation as counterparty in all proceedings, legal actions and entitlements whether arising from litigation or otherwise involving Finmavi, and shall consequently waive all rights and remedies to which it may be entitled pursuant to pending proceeding, both in and out of court. Analogous waivers of all claims, rights and remedies against TI Media, are to be also effected by Cecchi Gori Group Media Holding S.r.l. under receivership ("**Media Holding**"), a company entirely controlled by Finmavi;
- for its part, TI Media is similarly to waive any and all its rights and remedies in respect of the same proceedings against Benten S.r.l. in its capacity as assignee of the Finmavi and Media Holding receiverships;
- all pending proceedings are to be discontinued pursuant to Article 309 of the Italian Code of Civil Procedure, or in any event abandoned with costs being shared equally between the parties.

3) Made
On May 20, 2011, Made S.r.l. (hereinafter also"**Made**") served a writ of summons on Telecom Italia Media S.p.A. (hereinafter also"**TIME**") and Telecom Italia Media Broadcasting S.r.l. (hereinafter also"**TIMB**"), as well as TIME's CEO and Vice-Chairman (hereinafter collectively referred to as the "**Defendants**").
In its writ of summons, Made, which had maintained commercial relationships with Dahlia and had even acquired a minority stake in the latter, accused the Defendants of unlawful asset stripping to the detriment of minority shareholders and sought damages against all of them, jointly and severally in the amount of Euro 25,000,000.00 citing violations of Articles 2394 and 2395 as well as 2049 and 2476 of the Italian Civil Code.
At present, taking also into account the existence of appropriate "D&O" insurance policies, it is not deemed that a negative outcome of significant size for Telecom Italia Media, its director and / or Telecom Italia Media Broadcasting is likely in relation to the claims put forward by Made, in that

a) the Telecom Group has acquired specific insurance cover in respect of the third-party liability of its directors and officers, minimizing the Defendants' financial exposure in the event of a loss in court;
b) in light of currently available information, it does not appear that the conditions to which the applicability of the statutory provisions relied on by Made have been met.
Lastly, the case is based largely on factual grounds (and that is to say, documentary evidence and witness testimony), rather than technical legal arguments. The evidence adduced by the Plaintiff has not yet been officially entered into the record and, therefore, has still to be made available to the Defendants who, for their part, have not filed their appearance in the proceedings to date: as a result, no meaningful defensive strategy can be outlined at present.

• NOTES – STATEMENT OF INCOME ITEMS

NOTE 22 – Operating revenues and income

Euro 264,476 thousand

(Euro 262,820 thousand in 2010)

Revenues and income increased by 0.6% to Euro 1,656 thousand compared to 2010, and consist of the following:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Sales and service revenues	238,189	258,474	(20,285)	(7.8)
Other Income	26,287	4,346	21,941	504.9
Total operating revenues and income	**264,476**	**262,820**	**1,656**	**0.6**

NOTE 23 - Revenues

Euro 238,189 thousand

(Euro 258,474 thousand in 2010)

Revenues amounted to Euro 238,189 thousand, decreasing by Euro 20,285 thousand (7.8%) compared to 2010; the breakdown by business unit is as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Telecom Italia Media S.p.A.	139,017	114,776	24,241	21.1
MTV Italia	28,725	42,969	(14,244)	(33.1)
MTV Pubblicità	44,584	53,646	(9,062)	(16.9)
Telecom Italia Media Broadcasting	25,863	47,062	(21,199)	(45.0)
Beigua	-	21	(21)	(100.0)
Total revenues	**238,189**	**258,474**	**(20,285)**	**(7.8)**

The revenues of Telecom Italia Media S.p.A. are primarily derived from the marketing of advertising time during commercial breaks in programming and sold through the advertising agency Cairo Communications S.p.A., whose contract is based on guaranteed minimums correlated with increases in share.

The revenues of MTV Italia and MTV Pubblicità are primarily derived from advertising broadcast as part of the programming of the MTV channels and shown on the website MTV.it, pan-European and multinational advertising, the provision of services in connection with the satellite television channels Nickelodeon and Paramount Comedy Channel, and the supply of publishing and technological content on the Web-Multimedia platform.

The revenues from sales and services of Telecom Italia Media Broadcasting are primarily derived from the provision of hosting services for the television signal broadcasting and distribution network.

Local broadcasters hosted on the digital multiplexes of Telecom Italia Media Broadcasting include the following main channels:

- Third party channels
  - Mediaset Extra and La5 of RTI Group
  - K2, Frisbee and CanalOne of Switchover Media, plus the addition of "DOC-U" in December 2011
  - QVC of QVC Italia
  - Real Time and D-MAX of the Discovery Networks Group
  - HSE 24
  - RTL 102.5
  - STV of De Agostini Editore since December 2011
  - Padre Pio TV, test phase since November 2011
  - SportItalia1, SportItalia2 and SportItalia24 of the Interactive Group, test phase since December 2011

The breakdown by country is set out in the table below:

REVENUES BY COUNTRY	Year 2011	Year 2010
ITALY	220,812	231,826
BELGIUM	1,437	2,040
SPAIN	840	1,953
FRANCE	132	2
UK	12,841	17,365
GERMANY	935	528
GREECE	-	5
NETHERLANDS	93	161
IRELAND	165	8
LUXEMBOURG	234	318
SWEDEN	-	12
Total EUROPEAN UNION	**237,489**	**254,218**
SWITZERLAND	64	400
Total EFTA COUNTRIES	**64**	**400**
RUSSIA	2	-
TURKEY	12	-
Total REST OF EUROPE	**14**	**-**
SOUTH AFRICA	-	2,095
Total AFRICA		**2,095**
ARGENTINA	-	4
BRAZIL	58	-
MEXICO	117	-
Total AFRICA	**175**	**4**
JAPAN	3	-
Total ASIA	**3**	**-**
USA	750	1,757
Total USA and CANADA	**750**	**1,757**
AUSTRALIA	2	-
Other adjustments	(308)	-
Total other movements	**(306)**	**-**
TOTAL REVENUES	**238,189**	**258,474**

NOTE 24 – Other income

Euro 26,287 thousand

(Euro 4,346 thousand in 2010)

Other income increased by Euro 21,941 thousand and are broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Use of writedown provisions and provisions for miscellaneous risks	4,033	2,964	1,069	36.1
Recovery of personnel costs	24	55	(31)	(56.4)
Recovery and reimbursements of services, use of property not owned	1,115	607	508	83.7
Income from liabilities	49	204	(155)	(76.0)
Other reimbursements	20,507	387	20,120	5,199.0
Other income	559	129	430	333.3
Total other income	**26,287**	**4,346**	**21,941**	**504.9**

In 2011, Other income included the Euro 20,500 thousand indemnity paid by Telecom Italia to Telecom Italia Media S.p.A. for the early termination of the Competence Center agreement in late September 2011.

Specifically, in 2011 funds were released in excess of Euro 4,033 thousand, broken down as follows:

ALLOWANCE FOR DOUBTFUL ACCOUNTS

(in thousands of euro)	Year 2011	Year 2010	Change
- Telecom Italia Media	1,390	857	***533***
- TIMB	232	629	***(397)***
Total	1,622	1,486	***136***

PROVISIONS

(in thousands of euro)	Year 2011	Year 2010	Change
- Telecom Italia Media	1,865	1,318	***547***
- MTV Italia	77	58	***19***
- TIMB	469	102	***367***
Total	2,411	1,478	***933***

NOTE 25 - Acquisition of goods and services

Euro 167,150 thousand

(Euro 171,000 thousand in 2010)

Acquisition of goods and services decreased by Euro 3,850 thousand (-2.3%) compared to 2010 and were broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Raw materials, supplies and merchandise	2,862	3,470	(608)	(17.5)
Services	119,265	117,993	1,272	1.1
Use of property not owned	45,023	49,537	(4,514)	(9.1)
Total acquisition of goods and services	167,150	**171,000**	**(3,850)**	**(2.3)**

The item consists of:

- ***Raw materials, supplies and merchandise*** Euro 2,862 thousand
  (Euro 3,470 thousand in 2010)

This item mainly refers to the supply of set-design materials and set construction, advertising and promotional materials and other goods used in the television segment. It decreased by Euro 608 thousand compared to 2010 (17.5%).

- ***Services*** Euro 119,265 thousand
  (Euro 117,993 thousand in 2010)

Services amounted to Euro 119,265 thousand, up Euro 1,272 thousand from Euro 117,993 thousand in 2010.

Changes by company were as follows:

(in thousands of euro)	Year 2011	Year 2010	Change
- Telecom Italia Media	74,904	62,662	***12,242***
- MTV Italia	20,338	26,915	***(6,577)***
- MTV Pubblicità	10,917	14,012	***(3,095)***
- TIMB	13,101	14,394	***(1,293)***
- Other companies	5	10	***(5)***
Total	119,265	117,993	***1,272***

In detail, total services consisted in:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Professional services and consultancy	30,022	32,069	(2,047)	(6.4)
Television programs under contract	26,065	18,082	7,983	44.1
Costs of MTV advertising agency	6,372	6,925	(553)	(8.0)
Electricity	4,710	4,654	56	1.2
Travel and accommodation	2,979	3,771	(792)	(21.0)
Production services, location filming and troupes	9,242	9,746	(504)	(5.2)
Commissions, fees and other commercial expenses	3,392	5,355	(1,963)	(36.7)
Agencies and news and sport services	3,583	3,769	(186)	(4.9)
Advertising and promotion expenses	5,870	4,929	941	19.1
Signal conveyance, connections, inter-connections, telephone	6,223	6,008	215	3.6
Dubbing and editing	820	1,146	(326)	(28.4)
Editing of external operations	1,416	1,733	(317)	(18.3)
Outsourcing	2,706	2,644	62	2.3
Distribution and storage	1,432	882	550	62.4
Insurance	439	422	17	4.0
T&E services	385	590	(205)	(34.7)
Other costs for services	13,609	15,268	(1,659)	(10.9)
Total acquisition of services	**119,265**	**117,993**	**1,272**	**1.1**

- ***Use of property not owned*** Euro 45,023 thousand
  (Euro 49,537 thousand in 2010)

Costs for use of property not owned amounted to Euro 45,023 thousand, a decrease of Euro 4,514 thousand compared to Euro 49,537 in 2010, and were broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change
- Telecom Italia Media	21,572	21,124	***448***
- MTV Italia	12,882	17,359	***(4,477)***
- MTV Pubblicità	144	174	***(30)***
- TIMB	10,417	10,871	***(454)***
- Other companies	8	9	***(1)***
Total	45,023	49,537	***(4,514)***

The breakdown by nature is as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Real estate rents	5,574	5,368	206	3.8
Progam rights and other royalties	22,742	25,225	(2,483)	(9.8)
Fees for the use of satellite and high-frequency systems	10,300	10,691	(391)	(3.7)
Rental fees and other costs for the use of property not owned	6,407	8,253	(1,846)	(22.4)
Total costs for use of property not owned	**45,023**	**49,537**	**(4,514)**	**(9.1)**

Costs for the use of television rights mainly refer to rights to film sporting events. Real estate rents refers to rentals of high-frequency stations and the use of television studios.

NOTE 26 – Employee benefits expenses

Euro 60,715 thousand

(Euro 60,947 thousand in 2010)

This item can be broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Gross wages and salaries	39,550	39,449	101	0.3
Social security contributions	13,256	13,279	(23)	(0.2)
Termination indemnities	(610)	427	(1,037)	(242.9)
Other employee costs	3,185	3,610	(425)	(11.8)
Employee benefits	194	186	8	4.3
Costs for employees on payroll	**55,575**	**56,951**	**(1,376)**	**(2.4)**
Temporary work	**3,514**	**3,148**	**366**	**11.6**
Other charges for employees and other work services:				
- Fees to external personnel	1,639	1,444	195	13.5
- Costs for seconded personnel	215	276	(61)	(22.1)
- Provisions for employee outflow incentives	426	300	126	42.0
- Other employee expenses	(684)	(1,230)	546	(44.4)
- Costs for assigned stock options to external personnel	20	40	(20)	(50.0)
- Costs for assigned stock options	10	18	(8)	(44.4)
Total other charges	**1,626**	**848**	**778**	**91.7**
Total employee benefits expenses	**60,715**	**60,947**	**(232)**	**(0.4)**

Employee benefits expenses for 2011 amounted to Euro 60,715 thousand, substantially unchanged compared to 2010 (Euro 60,947 thousand), and included Euro 2,461 thousand (Euro 2,774 thousand in 2010) primarily attributable to provisions for employment-related disputes with personnel and social-security institutions. Moreover, personnel leaving incentives amounted to Euro 426 thousand (Euro 300 thousand in 2010). Excluding these items, employee benefits expenses amounted to Euro 57,828 thousand, essentially in line with the previous year (Euro 57,873 thousand).

Pursuant to IFRS 2, in 2011 this item also incorporated the fair value of the option rights assigned to key employees and the associated Performance Share Granting Plan approved by Telecom Italia's Board of Directors on August 8, 2008, the value of which was Euro 20 thousand (Euro 40 thousand in 2010).

Average workforce is broken down as follows:

	Year 2011	Year 2010
	Average employment (1)	Average employment (1)
Executives	30.1	29.7
Middle managers	117.1	112.6
Journalists	94.2	86.0
White collars	464.7	473.4
Blue collars	3.0	3.0
Total workforce	**709.1**	**704.7**

(1) The overall average workforce does not include temporary staff for a total of 70.8 units for 2011 and 62.1 units for 2010.

NOTE 27 – Other operating expenses

Euro 8,575 thousand

(Euro 16,603 thousand in 2010)

Operating costs amounted to Euro 8,575 thousand and are broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Write-downs and charges connected with receivables management	3,689	12,451	(8,762)	(70.4)
Provisions	518	625	(107)	(17.1)
Concession fees for the exercise of TLC activities	1,815	1,742	73	4.2
Indirect fees and taxes	202	256	(54)	(21.1)
Associations fees	321	263	58	22.1
Other expenses and charges	2,030	1,266	764	60.3
Other operating expenses	**8,575**	**16,603**	**(8,028)**	**(48.4)**

Write-downs and charges connected with receivables management amounting to Euro 3,689 thousand, decreasing by Euro 8,762 thousand compared to the previous year. In 2010, this item included Euro 9,657 thousand in writedowns of receivables from the customer Dahlia TV (in liquidation) of the Network Operator, Telecom Italia Media Broadcasting.
In 2011, provisions included Euro 1,367 thousand regarding Telecom Italia Media S.p.A., mainly for provisions to the allowance for doubtful trade receivables as set forth in the agreement with the advertising agency Cairo, and Euro 2,071 thousand related to Telecom Italia Media Broadcasting.
Other expenses and charges increased by Euro 764 thousand.

Concession fees for the exercise of TLC activities amounted to Euro 1,815 thousand and referred primarily to Telecom Italia Media S.p.A. and MTV Italia for Euro 1,101 thousand and Euro 566 thousand, respectively.

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(in thousands of euro)	Year 2011	Year 2010	Change
- Telecom Italia Media	365	528	***(163)***
- TIMB	6	84	***(78)***
- MTV Italia	105	13	***92***
- MTV Pubblicita'	42	-	***42***
Total	518	625	***(107)***

The 2011 allocations pertained essentially to possible compensation for damages in disputes that originated during the production and broadcasting of television programs.

Concession fees for the exercise of TLC activities amounted to Euro 1,815 thousand, increasing by Euro 73 thousand compared to Euro 1,742 thousand in the previous year.

NOTE 28 – Depreciation and amortization Euro 58,348 thousand

(Euro 59,302 thousand in 2010)

Depreciation and amortization amounted to Euro 58,348 thousand (Euro 59,302 thousand in 2010) for a decrease of Euro 954 thousand, and include:

- Euro 38,266 thousand in amortization, down by Euro 530 thousand from Euro 38,796 thousand recognized in 2010.

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Development costs	-	-	-	-
Industrial patents and intellectual property rights	28,426	27,657	769	2.8
Trademarks	76	1,230	(1,154)	(93.8)
TV concessions and frequencies	7,106	7,106	-	-
Licenses	68	220	(152)	(69.1)
Irrevocable rights of use (IRUs)	2,590	2,583	7	0.3
Total amortization of intangible assets	**38,266**	**38,796**	**(530)**	**(1.4)**

Amortization of concessions, licenses, trademarks and similar rights decreased by Euro 537 thousand.

Amortization of Irrevocable Rights of Use (IRUs) refers to the portion of the amortization charge relating to the fiber-optic transmission network purchased by Telecom Italia S.p.A. in January 2006. The asset is being amortized over a 12-year period, which coincides with the term of the agreement.

- Depreciation amounted to Euro 20,082 thousand, compared to Euro 20,506 thousand in 2010, decreasing by Euro 424 thousand, and were broken down as follows:

	Year	Year	Change	
(in thousands of euro)	2011	2010	Abs.	%
Industrial and civilian buildings	22	22	-	-
Plant and machinery	16,621	17,045	(424)	(2.5)
Manufacturing and distribution equipment	690	957	(267)	(27.9)
Other tangible assets	2,749	2,482	267	10.8
Total depreciation of tangible assets	**20,082**	**20,506**	**(424)**	**(2.1)**

NOTE 29 – Capital gains (losses) realized on disposals of non-current assets

Euro 47 thousand

(Euro 173 thousand in 2010)

	Year	Year	Change	
(in thousands of euro)	2011	2010	Abs.	%
Gains on the disposal of tangible and intangible assets	47	173	(126)	(72.8)
Gains from the disposal of business lines	-	-	-	-
Gains on the sale of equity investments in consolidated subsidiaries	-	-	-	-
Total gains realized on disposals of non-current assets	**47**	**173**	**(126)**	**(72.8)**

NOTE 30 – Losses realized on disposals of non-current assets

Euro 424 thousand

(Euro 49 thousand in 2010)

	Year	Year	Change	
(in thousands of euro)	2011	2010	Abs.	%
Losses on the disposal of tangible and intangible assets	424	49	375	765.3
Losses from the disposal of business lines	-	-	-	-
Losses on the sale of equity investments in consolidated subsidiaries	-	-	-	-
Total losses realized on disposals of non-current assets	**424**	**49**	**375**	**765.3**

NOTE 31– Reversals/(impairment) of non-current assets

Euro -56,650 thousand

(Euro 0 thousand in 2010)

In 2011, this item was negative at Euro 56,650 thousand and referred to the goodwill write-down which resulted from the impairment test as of December 31, 2011; Euro 43,100 thousand were attributable to the Network Operator CGU and Euro 13,550 thousand to MTV CGU. For further details, the reader is referred to note 3 on page 189.

NOTE 32– Other Income (loss) from investments

Euro -56 thousand

(Euro -8,772 thousand in 2010)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Income from equity investments:				
gains on disposals of equity investments recognized among non-current assets	-	-	-	-
dividends	-	-	-	-
Expense from investments	(56)	(8,772)	8,716	(99.4)
Total income (expense) from equity investments	**(56)**	**(8,772)**	**8,716**	**(99.4)**

Other loss from investments refer to value adjustments to the equity investment in Tiglio 1 amounting to Euro 56 thousand. In the previous year, the item also included the negative fair-value adjustment of the investment in Dahlia TV in the amount of Euro 8,000 thousand. In detail, the investment in Dahlia TV was written down to account for the announced placement of the company in liquidation on January 10, 2011. Moreover, adjustments involved investments in Aree Urbane and Tiglio 1 and amounted to Euro 82 thousand and Euro 690 thousand, respectively.

NOTE 33 – Finance Income

Euro 600 thousand

(Euro 831 thousand in 2010)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Income from accounts receivable included in long-term investments	11	241	(230)	(95.4)
Interest earned from trade receivables	9	6	3	50.0
Income from discounting of non-current items	54	136	(82)	(60.3)
Other miscellaneous financial income	11	32	(21)	(65.6)
Foreign exchange gains	515	416	99	23.8
Positive adjustments to fair value relative to:				
Positive adjustments to fair value (derivatives and underlying assets)	-	-	-	-
Total finance income	**600**	**831**	**(231)**	**(27.8)**

Finance income, which amounted to Euro 600 thousand in 2011, decreased by Euro 231 thousand from Euro 831 thousand in 2010, mainly due to a reduction in gains from non-current receivables.

NOTE 34 – Finance expenses

Euro 4,862 thousand

(Euro 8,513 thousand in 2010)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Interest expense paid and other finance expenses:				
Interest expense paid to suppliers	55	19	36	189.5
Interest paid for other financial payables	3,259	4,064	(805)	(19.8)
Interest expense paid for other payables	723	192	531	276.6
Financial fees paid	408	320	88	27.5
Expenses related to discounting of non-current liabilities	-	100	(100)	(100.0)
Other finance expenses	9	3,249	(3,240)	(99.7)
Exchange losses	408	569	(161)	(28.3)
Negative adjustments to fair value relative to:				
Negative adjustments to fair value (derivatives and underlying assets)	-	-	-	-
Total finance expenses	**4,862**	**8,513**	**(3,651)**	**(42.9)**

In detail, interest expenses on other financial payables amounted to Euro 3,259 thousand (Euro 4,064 thousand in 2010), of which Euro 3,250 thousand related to Telecom Italia Media S.p.A., and specifically: Euro 1,542 thousand in connection with the medium-/long-term loan (BEI), Euro 1,419 thousand regarding the short-term financial payables to Telecom Italia Finance, and Euro 289 thousand for the current account held with Telecom Italia S.p.A. The decrease of finance expenses was mainly attributable to the sharp reduction of debt generated after the capital increase finalized in 2010. In 2010, the figure also reflected the Euro 3,000 thousand partial impairment loss on the hybrid financial instrument, consisting of convertible, redeemable preference shares with limited rights in Dahlia TV, subscribed by Telecom Italia Media S.p.A. in August 2010. The impairment loss in question was recognized to account for the announced placement of the company in liquidation on January 10, 2011.

The following table shows interest rate performance by primary loan agreement type:

Type of transaction	Amount	Rate	Quarterly evolution of rates							
	(in million of euros)	parameter	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Medium-/long-term loan granted by the parent company Telecom Italia after EIB granted the subsidized loan to Telecom Italia to fund its investment plan	100	Euribor 6m	0.998%	0.998%	1.008%	1.035%	1.254%	1.304%	1.008%	1.035%
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	170	Euribor 3m	2.524%	2.452%						
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	35	Euribor 3m	2.661%	2.703%						
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	45	Euribor 3m	2.083%	2.283%						
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	45	Euribor 3m				2.743%	2.743%	2.948%	3.256%	(1) 3.232%
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	45	Euribor 3m								(2) 5.982%
Running account extant with the Parent Company as part of the centralized treasury program of the Telecom Italia group		Euribor 1m	3.585%	2.875%	3.059%	3.264%	3.330%	3.678%	3.826%	3.634%

Notes: (1) rate prevailing through December 20, 2011
(2) rate prevailing through December 20, 2011

NOTE 35 – Income tax expense

Euro 8,318 thousand

(Euro 10,990 thousand in 2010)

Income tax expense for 2011 was at Euro 8,318 thousand (Euro 10,990 thousand at December 31, 2010) and included:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
IRAP	1,024	2,106	(1,082)	(51.4)
Taxes from participation in the National Fiscal Consolidation	(6,929)	(11,852)	4,923	41.5
Other IRES	288	2,206	(1,918)	(86.9)
Deferred taxes	(1,697)	(3,054)	1,357	44.4
Income taxes for previous financial years	33	5	28	560.0
Extraordinary income for taxes	(1,037)	(401)	(636)	(158.6)
Total taxes	**(8,318)**	**(10,990)**	**2,672**	**24.3**

These consisted mainly of the following:

- corporate income tax (IRES) totaling Euro 6,641 thousand, which was recognized as income in connection with the tax loss incurred by the Group companies (Euro 6,929 thousand) participating in the National Tax Consolidation scheme adopted by Telecom Italia S.p.A. (pursuant to Article 117 of Presidential Decree No. 917/86). Under this system, each entity involved in group taxation must present its tax return to the Revenue Agency according to the normal procedure and time limits but does not pay the taxes, which are instead determined at the consolidated level based on the algebraic sum of the taxable income and losses of the entities involved in the Tax Consolidation scheme.
  Consolidated IRES is therefore recognized as income to reflect the remuneration by the Parent Company of the tax losses at the Group level.

- deferred taxes of Euro 1,697 thousand reflect the use in the reporting year of the deferred tax assets carried at the end of the previous year.

The reconciliation between the nominal tax rate envisaged by the Italian law and the actual rate resulting from the consolidated financial statements and the relevant theoretical and actual tax charges is as follows:

(in thousands of euro)	Year 2011	%	Year 2010	%
Profit (loss) before taxes	**91,648**		**62,439**	
Taxes calculated based on the current tax rate	**(25,203)**	**27.5%**	**(17,171)**	**27.5%**
Permanent differences:				
- Undeductible costs	282	0%	1,429	2%
- Undeductible goodwill writedowns	15,579	17%	0	0%
- Undeductible equity investments writedowns	0	0%	2,487	4%
- Other net changes	0	0%	(981)	(2%)
	15,861	**17%**	**2,936**	**5%**
IRAP	1,024	1%	2,106	3%
Total taxes	**(8,318)**	**(9%)**	**(12,129)**	**(19%)**
Taxes on costs related to the capital increase	0	0%	1,139	1%
Total actual taxes recognized in the income statement from continuing operations	**(8,318)**	**(9%)**	**(10,990)**	**(18%)**

NOTE 36 –Profit (loss) from discontinued operations Non-current assets held for sale

Euro 26 thousand

(Euro -1,771 thousand in 2010)

Profit (loss) from discontinued operations/assets held for sale amounted to Euro 26 thousand and is related to a lower outlay in 2011 relating to the provision made in 2010 for charges for the sale of TM News. Costs for 2010 referred to contractual guarantees issued upon the disposal of the Buffetti Group (Euro 1,471 thousand), and provisions for guarantees of the same amount issued upon the sale of a 60% stake in TM News (Euro 300 thousand).

NOTE 37 - Income (loss) for the year

Income (loss) for the year can be broken down as follows:

Attributable to:	Year 2011	Year 2010
- Equity holders of the Parent company		
> Profit (loss) from continuing operations	(83,025)	(52,601)
> Profit (loss) from discontinued operations/Non-current assets held for sale	26	(1,771)
- Profit/(Loss) for the year attributable to equity holders of the Parent Company	(82,999)	(54,372)
- Minority interests		
> Profit (loss) from continuing operations	(305)	1,152
> Profit (loss) from discontinued operations/Non-current assets held for sale		
- Profit (loss) for the period attributable to Minority Interests	(305)	1,152

NOTE 38 – Significant non-recurring events and transactions

The change in the market scenario and more conservative expectations in connection with the Telecom Italia Media Group's future plans — which, additionally, are indicators specifically identified in the accounting standard of reference — led the Company to conduct an impairment test on its value. The results of the test detected an impairment loss on the goodwill carried at the consolidated level of Euro 56,650 thousand.

There were no other significant economic transactions that do not occur on a regular basis.

NOTE 39 – Related party transactions

As required under the Regulations imposed by CONSOB pursuant to Resolution No. 17221/2010, as further amended, on November 25, 2010 Telecom Italia Media S.p.A. adopted, pursuant to Board resolution, a specific procedure governing related party transactions effected by the Company, both directly and through one or more of its subsidiaries. Subsequently, on May 4, 2011, in light of the favorable opinions of the Internal Control and Corporate Governance Committee, the Board of Directors resolved to exempt inter-company transactions from regulation pursuant to the said procedure, on the basis of its finding that, if concluded at arms-length or standard commercial terms, such transactions fall outside the scope of the CONSOB Regulations cited above. Inter-company transactions shall, however, be subject to self-regulation through the Managing Committee set up in implementation of the Related Party Transaction Procedure.

When not based on specific regulations, these transactions were in any case conducted at market conditions.
The following tables indicate the balances of related party transactions and the effects of these amounts on the corresponding consolidated separate income statement, the consolidated statements of financial position and the consolidated cash flow statements. In detail:

- the effects on the individual items of the Group's consolidated separate income statement and the investments for 2011 compared to 2010 are given on pages 237 and 238;

- the effects on individual items of the consolidated net financial debt at December 31, 2011, compared to December 31, 2010 are given on page 239;

- the effects on other consolidated statement of financial position items at December 31, 2011 compared to other balance sheet items at December 31, 2010 are given on page 240;

- a description of transactions impacting the income statement and the financial position compared to the previous year is given on pages 241 to 245;

- amounts due to Pension Funds compared to the previous period are given on page 246;

- a description of purchase and sale contracts with related parties is given on pages 246, 247 and 248.

INCOME STATEMENT	Transactions with Related Parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010
Revenues						
Of which attributable to relations with:						
- Parent Company	18,477	22,258				
- Subsidiaries and associates of the Parent Company	111	1,416				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**18,588**	**23,674**	**238,189**	**258,474**	**7.8**	**9.2**
Other operating income						
Of which attributable to relations with:						
- Parent Company	20,500	2				
- Subsidiaries and associates of the Parent Company	52	33				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**20,552**	**35**	**26,287**	**4,346**	**78.2**	**0.8**
Acquisition of goods and services						
Of which attributable to relations with:						
- Parent Company	(9,022)	(8,952)				
- Subsidiaries and associates of the Parent Company	(5,186)	(4,883)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**(14,208)**	**(13,835)**	**(167,150)**	**(171,000)**	**8.5**	**8.1**
Employee benefits expenses						
Of which attributable to relations with:						
- Parent Company	(381)	(422)				
- Subsidiaries and associates of the Parent Company	(12)	(63)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel		-				
- Compensation of the Company's Key Management Personnel	(428)	(445)				
- Pension funds	(1,185)	(1,166)				
Total	**(2,006)**	**(2,096)**	**(60,715)**	**(60,947)**	**3.3**	**3.4**
Other operating expenses						
Of which attributable to relations with:						
- Parent Company	(41)	(23)				
- Subsidiaries and associates of the Parent Company	(120)	(160)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**(161)**	**(183)**	**(8,575)**	**(16,603)**	**1.9**	**1.1**

INCOME STATEMENT	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010
Finance income						
Of which attributable to relations with:						
- Parent Company	-	3				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**-**	**3**	**600**	**831**	**-**	**0**
Finance expenses						
Of which attributable to relations with:						
- Parent Company	(2,767)	(1,912)				
- Subsidiaries and associates of the Parent Company	(1,645)	(2,690)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**(4,412)**	**(4,602)**	**(4,862)**	**(8,513)**	**90.7**	**54.1**
Income tax expense						
Of which attributable to relations with:						
- Parent Company	6,929	12,991				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
- Pension funds	-	-				
Total	**6,929**	**12,991**	**8,318**	**10,990**	**83.3**	**118.2**

Investments in intangible and tangible assets						
Of which attributable to relations with:						
- Parent Company	349	709				
- Subsidiaries and associates of the Parent Company	1,105	2,047				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**1,454**	**2,756**	**61,375**	**66,878**	**2.4**	**4.1**

(1) Breakdown on pages 241, 242 and 243.

NET FINANCIAL DEBT	Transactions with Related Parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Non-current financial assets						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**-**	**-**	**897**	**936**	**-**	**-**
Securities, financial receivables and other current financial assets						
Of which attributable to relations with:						
- Parent Company	22	-				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**22**	**-**	**269**	**218**	**8.2**	**-**
Cash and cash equivalents						
Of which attributable to relations with:						
- Parent Company	5,187	3,225				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**5,187**	**3,225**	**5,345**	**3,440**	**97.0**	**93.8**
Non-current financial liabilities						
Of which attributable to relations with:						
- Parent Company	100,000	100,000				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**100,000**	**100,000**	**100,026**	**100,026**	**100.0**	**100.0**
Current financial liabilities						
Of which attributable to relations with:						
- Parent Company	64	52				
- Subsidiaries and associates of the Parent Company	45,090	20,003				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**45,154**	**20,055**	**45,164**	**20,076**	**100.0**	**99.9**
Total net financial debt						
Of which attributable to relations with:						
- Parent Company	**94,855**	**96,827**				
- Subsidiaries and associates of the Parent Company	**45,090**	**20,003**				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	**-**	**-**				
Total	**139,945**	**116,830**	**138,679**	**115,508**	**100.9**	**101.1**

(1) Breakdown on pages 244 and 245

OTHER BALANCE SHEET ITEMS	Transactions with Related Parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Miscellaneous receivables and other non-current assets						
Of which attributable to relations with:						
- Parent Company	8,460	18,879				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**8,460**	**18,879**	**20,422**	**30,826**	**41.4**	**61.2**
Trade receivables						
Of which attributable to relations with:						
- Parent Company	2,366	10,432				
- Subsidiaries and associates of the Parent Company	85	172				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**2,451**	**10,604**	**93,684**	**112,091**	**2.6**	**9.5**
Miscellaneous receivables and other current assets						
Of which attributable to relations with:						
- Parent Company	24,516	18,794				
- Subsidiaries and associates of the Parent Company	143	246				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**24,659**	**19,040**	**28,522**	**25,750**	**86.5**	**73.9**
Miscellaneous payables and other non-current liabilities						
Of which attributable to relations with:						
- Parent Company	11,456	11,596				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**11,456**	**11,596**	**11,456**	**11,596**	**100.0**	**100.0**
Trade payables						
Of which attributable to relations with:						
- Parent Company	7,115	6,942				
- Subsidiaries and associates of the Parent Company	3,884	4,331				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**10,999**	**11,273**	**115,715**	**125,263**	**9.5**	**9.0**
Miscellaneous payables and other current liabilities						
Of which attributable to relations with:						
- Parent Company	4,248	6,683				
- Subsidiaries and associates of the Parent Company	135	51				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
- Pension funds	959	845				
Total	**5,342**	**7,579**	**37,810**	**43,294**	**14.1**	**17.5**

(1) Breakdown on pages 244 and 245

The following table shows the main items of the income statement, balance sheet, and cash-flow items pertaining to transactions between fully consolidated companies and between associates, affiliates and subsidiaries of the Parent Company, and companies under common control, as well as through directors of the Parent Company.

(in thousands of euro)	Year 2011	Year 2010	Type of transaction
Revenues	18,588	23,674	The balance at December 31, 2011, mainly refers to revenues from Telecom Italia S.p.A., and is broken down as follows: - revenues amounting to Euro 13,268 thousand, for Advisor services rendered to Telecom Italia, for the concept and creation of TV content for television platforms, called Digital Content; - MTV Italia Mobile revenues from Telecom Italia S.p.A., Domestic Market Operations division, amounting to Euro 866 thousand for the recovery of costs incurred for content production, e.g. downloadable ringtones, percentage revenue sharing on the sale of handsets and the sale of advertising spaces; - Euro 2,232 thousand from MTV Italia for miscellaneous TV advertising income to the Domestic Market Operations division; - other revenues of MTV Italia from Telecom Italia, Domestic Market Operations division, amounting to Euro 432 thousand; - production of promos about contents of Telecom Italia SpA's service called "Cubovision" amounting to Euro 500 thousand. - the item also includes MTV Italia revenues from the Parent Company Telecom Italia S.p.A., Domestic Market Operations division, amounting to Euro 250 thousand and referring to videophone operations; The amounts for 2010 mainly refer to revenues from Telecom Italia S.p.A. and are broken down as follows: - revenues amounting to Euro 12,919 thousand, for Advisor services rendered to Telecom Italia, for the concept and creation of TV content for television platforms, called Digital Content; - MTV Italia Mobile revenues from Telecom Italia S.p.A., Domestic Market Operations division, amounting to Euro 3,448 thousand for the recovery of costs incurred for content production, e.g. downloadable ringtones, percentage revenue sharing on the sale of handsets and the sale of advertising spaces; - Euro 3,508 thousand from MTV Italia for miscellaneous TV advertising income to the Domestic Market Operations division; - other revenues of MTV Italia from Telecom Italia, Domestic Market Operations division, amounting to Euro 452 thousand; - the item also includes MTV Italia revenues from the Parent Company Telecom Italia S.p.A., Domestic Market Operations division, amounting to Euro 750 thousand and referring to videophone operations; - Telecom Italia Media S.p.A. revenues for the distribution of event DVBH channel amounting to Euro 750 thousand from the Parent Company Telecom Italia, Domestic Market Operations division; - revenues of Telecom Italia Media Broadcasting from bandwidth rental to the company Telbios S.p.A. for Euro 1,179 thousand.
Other operating income	20,552	35	The balance at December 31, 2011 refers to employee expenses recovery from Telecontact amounting to Euro 16 thousand and from Telecom Italia Sparkle for Euro 8 thousand. It also refers to recovery for services from Tm News amounting to Euro 28 thousand. The item also includes the compensation for the early termination of the Competence Center agreement with the Domestic Market Operations division of Telecom Italia for Euro 20,500 thousand. The contract was set to expire on December 31, 2012. The balance for 2010 refers to recovery for services from Tm News amounting to Euro 28 thousand and Euro 2 thousand from the Parent Company Telecom Italia S.p.A. It also includes other income from Emsa Servizi amounting to Euro 5 thousand.

(in thousands of euro)	Year 2011	Year 2010	Type of transaction
Acquisition of goods and services	14,208	13,835	The balance at December 31, 2011 mainly refer to revenues from Telecom Italia S.p.A. and is broken down as follows: - acquisition of services related to signal conveyance amounting to Euro 1,563 thousand from the National Wholesale Services division of Telecom Italia S.p.A.; - acquisition of services related to telephone and data transmission amounting to Euro 3,002 thousand from the Domestic Market Operations division of Telecom Italia; - rental of High Frequency workstations from the Technology Operations division of Telecom Italia totaling Euro 169 thousand; - audit service amounting to Euro 369 thousand from TI Audit. - acquisition of energy and fluids from Telenergia, mainly by Telecom Italia Media S.p.A. and Telecom Italia Media Broadcasting, for the amount of Euro 2,547 thousand; - costs for insurance premiums, guarantee policies, administrative services and other services amounting to Euro 1,402 thousand, made up of insurance premiums and guarantee policies amounting to Euro 449 thousand, administrative services amounting to Euro 903 thousand and other expenses amounting to Euro 50 thousand; - rental fees for buildings, condominium expenses, cleaning services and rentals from the Parent Company Telecom Italia S.p.A. amounting to Euro 2,189 thousand; - acquisition of professional services from the subsidiary SSC amounting to 166 thousand; - acquisition of services from the associate company Tm News, news agency, amounting to Euro 1,305 thousand; - acquisition of advertising, promotion and outsourced services for the management of Internet services from Matrix amounting to Euro 676 thousand. The amounts for 2010 mainly refer to revenues from Telecom Italia S.p.A. and are broken down as follows: - acquisition of services related to signal conveyance amounting to Euro 1,557 thousand from the National Wholesale Services division of Telecom Italia S.p.A.; - acquisition of services related to telephone and data transmission amounting to Euro 2,787 thousand from the Domestic Market Operations division of Telecom Italia; - rental of high frequency workstations from the Technology Operations division of Telecom Italia totaling Euro 240 thousand; - audit service amounting to Euro 397 thousand from TI Audit; - acquisition of energy and fluids from Telenergia, mainly by Telecom Italia Media S.p.A. and Telecom Italia Media Broadcasting, for the amount of Euro 2,176 thousand; - costs for insurance premiums, guarantee policies, administrative services and other services amounting to Euro 1,393 thousand, made up of insurance premiums and guarantee policies amounting to Euro 469 thousand, administrative services amounting to Euro 843 thousand and other expenses amounting to Euro 81 thousand; - rental fees for buildings, condominium expenses, cleaning services and rentals from the Parent Company Telecom Italia S.p.A. amounting to Euro 1,963 thousand; - acquisition of DTT application development from Technology Operations division of Telecom Italia totaling Euro 65 thousand and rental of software licenses amounting to Euro 165 thousand; - acquisition of services and advertising from the company Matrix amounting to Euro 679 thousand; - acquisition of professional services from the subsidiary SSC amounting to 151 thousand; - acquisition of services from the associate company Tm News, news agency, amounting to Euro 1,309 thousand.
Employee benefits expenses	393	485	The balance at December 31, 2011 includes seconded personnel amounting to Euro 215 thousand, costs for personnel benefits amounting to Euro 58 thousand and Euro 108 thousand to Telecom Italia S.p.A. They also include other charges for employees amounting to Euro 12 thousand from the company Matrix. Amounts for 2010 included personnel benefits amounting to Euro 75 thousand to Telecom Italia S.p.A., costs for seconded personnel amounting to Euro 92 thousand to Matrix and Euro 184 thousand to Telecom Italia S.p.A. They also included other personnel costs totaling Euro 113 thousand and remuneration of non-employed personnel Telecom Italia S.p.A amounting to Euro 50 thousand, as well as a positive recovery from Matrix amounting to Euro 29 thousand.
Other operating expenses	161	183	The balance at December 31, 2011 and December 31, 2010 refer to other miscellaneous costs.

(in thousands of euro)	Year 2011	Year 2010	Type of transaction
Net finance income (expense)	(4,412)	(4,599)	The balance at December 31, 2011 refers to interest paid to Telecom Italia S.p.A. amounting to Euro 2,359 thousand and to Telecom Italia Finance SA amounting to Euro 1,419 thousand. They also include financial fees amounting to Euro 408 thousand and other finance expenses amounting to Euro 226 thousand to Intesa Group. The balance for 2010 referred to interest paid to Telecom Italia S.p.A. amounting to Euro 1,507 thousand and to Telecom Italia Finance SA amounting to Euro 2,690 thousand. They also included financial fees amounting to Euro 330 thousand to Telecom Italia and expenses from the discounting of non-current items amounting to Euro 75 thousand to Telecom Italia. Euro 3 thousand in other finance income.
Income tax expense	6,929	12,991	The balance at December 31, 2011 refers to the receivable from Telecom Italia S.p.A. from the participation in Telecom Italia's National Tax Consolidation and includes an income of Euro 8,460 thousand from Telecom Italia Media S.p.A. and an expense of Euro 1,531 thousand from Telecom Italia Media Broadcasting. The balance for 2010 referred to the receivable from Telecom Italia S.p.A. from the participation in Telecom Italia's National Tax Consolidation and includes an income of Euro 18,879 thousand from Telecom Italia Media S.p.A. and an expense of Euro 5,888 thousand from Telecom Italia Media Broadcasting. Telecom Italia Media income was affected by taxes from capital increase of Euro 1,139 thousand, inasmuch as these taxes are recognized in Group Equity.

Investments in tangible and intangible assets	1,454	2,756	The balance at December 31, 2011 refers to investments made by Telecom Italia Media Group and other companies of the Media group for the acquisition of intangible assets from the subsidiary Ssc amounting to Euro 96 thousand, from A1 International Investment amounting to Euro 764 thousand, from Technology Operations division of Telecom Italia totaling Euro 95 thousand, from Matrix amounting to Euro 45 thousand and from Domestic Market Operations division amounting to Euro 49 thousand. Acquisitions of tangible assets amounted to Euro 45 thousand by Telecom Italia Media S.p.A., to Euro 127 thousand by MTV Italia and to Euro 33 thousand by Telecom Italia Media Broadcasting from Telecom Italia's Domestic Market Operations division. Moreover, investments made by Telecom Italia Media in the company Italtel amounted to Euro 200 thousand. Amounts at December 31, 2010 referred to investments made by the companies of the Telecom Italia Media Group for the acquisition of intangible assets from the subsidiary Ssc amounting to Euro 128 thousand, from Technology Operations division of Telecom Italia totaling Euro 205 thousand, from Domestic Market division amounting to Euro 169 thousand, from Matrix amounting to Euro 295 thousand and from A1 International Investment totaling Euro 1,300 thousand. Acquisitions made by Telecom Italia Media Brooadcasting totaled Euro 139 thousand. Acquisitions of tangible assets amounted to Euro 520 thousand, mainly by Telecom Italia Media S.p.A., of which Euro 196 thousand from Telecom Italia and Euro 324 thousand from Telecom Italia Group companies.

(in thousands of euro)	12/31/2011	12/31/2010	
Non-current financial assets	-	-	
Miscellaneous receivables and other non-current assets	8,460	18,879	The amount at December 31, 2011 of Euro 8,460 thousand related to amounts due to Telecom Italia Media S.p.A. from Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation, for the tax loss for 2011. The receivable is expected to be collected in June 2013. The balance at December 31, 2010 of Euro 18,879 related to amounts due to Telecom Italia Media S.p.A. from Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation, for the tax loss for 2010. The receivable is expected to be collected in June 2012.
Trade receivables (due within and after 12 months)	2,451	10,604	The balance at December 31, 2011 includes receivables from Telecom Italia S.p.A. for the above-mentioned revenues. More specifically receivables from the Domestic Market Operations division amounting to Euro 2,349 thousand and from Telecom Italia amounting to Euro 17 thousand. Moreover, they include trade receivables from the following companies: H.R. Service for Euro 5 thousand, TM News for Euro 40 thousand, Telecontact for Euro 16 thousand, Olivetti for Euro 19 thousand and Intesa Group for Euro 5 thousand. The balance at December 31, 2010 included receivables from Telecom Italia S.p.A. for the above-mentioned revenues. More specifically receivables from the Domestic Market Operations division amounting to Euro 10,418 thousand, from Telecom Italia amounting to Euro 13 thousand and Technology Operations division totaling Euro 1 thousand. Moreover, they included trade receivables from the following companies: Euro 132 thousand from Matrix and Euro 40 thousand from TM News.
Miscellaneous receivables and other current assets	24,659	19,040	The balance at December 31, 2011 included Euro 23,492 thousand from Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation for the loss of Euro 19,321 thousand incurred in 2010 by Telecom Italia Media, that should be collected in June 2012, as well as Euro 4,171 thousand from Telecom Italia Media Broadcasting. It also includes other miscellaneous operating receivables for Euro 1,023 thousand from Telecom Italia S.p.A., for Euro 137 thousand from A1 International and Euro 6 thousand from the associate company TM News, as well as a credit resulting from the National Tax Consolidation amounting to Euro 1 thousand from the parent company Telecom Italia S.p.A. The balance at December 31, 2010 included Euro 18,406 thousand from Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation for the loss incurred in 2009 by the Telecom Italia Media Group companies. Collection of this receivable should take place in June 2011. This item also included the following companies: Telecom Italia Media S.p.A. for Euro 17,477 thousand and Telecom Italia Media Broadcasting for Euro 929 thousand. Moreover, it included other miscellaneous operating receivables from Telecom Italia S.p.A. for Euro 388 thousand and Euro 6 thousand from the associate TM News, as well as a receivable of Euro 240 thousand from A1 International Investment.
Financial receivables and other current financial assets	22	-	This item refers to prepaid finance expense.
Cash and cash equivalents	5,187	3,225	The balance at December 31, 2011 and December 31, 2010 refers to a financial receivable due from the parent company Telecom Italia in connection with current accounts held as part of the centralized treasury program.
Financial payables owed after 12 months	100,000	100,000	The balance at December 31, 2011 and December 31, 2010 refer to the financial debt of Telecom Italia Media S.p.A. with the parent company Telecom Italia S.p.A. This loan had been approved on July 18, 2006 and issued on December 21, 2006 by the EIB for the investment plan of the Telecom Italia Group. Through an infra-group agreement, Telecom Italia issued a loan of the same amount and with the same conditions to Telecom Italia Media S.p.A. to fund the investment program for the Digital Terrestrial network.

(in thousands of euro)	**12/31/2011**	**12/31/2010**	
Miscellaneous payables and other non-current liabilities	11,456	11,596	The amounts at December 31, 2011 and December 31, 2010 of Euro 11,400 thousand refer to the purchase from Telecom Italia of receivables claimed by the latter from Dahlia TV and used to underwrite a hybrid financial instrument consisting of redeemable, convertible privileged shares with limited rights as part of the agreement to strengthen Dahlia TV's financial position; this payable is guaranteed by a with recourse clause. The balance at December 31, 2011 also includes a non-current account payable of Telecom Italia Media Broadcasting to Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation, amounting to Euro 56 thousand. The balance at December 31, 2010 also included the account payable of Telecom Italia Media Broadcasting to Telecom Italia in relation to participation in the National Tax Consolidation, amounting to Euro 196 thousand, linked to the tax gain for 2010.
Financial payables owed within 12 months	45,154	20,055	The balance at December 31, 2011 includes a short-term financial debt, plus interest, towards Telecom Italia Finance, as stated in the variable-rate (based on EURIBOR) loan agreement amounting to Euro 45,090 thousand, finalized on December 22, 2010 and renewed on December 20, 2011, for the credit facility for the total amount of Euro 60,000 thousand. Other financial payables included Euro 64 thousand to Telecom Italia S.p.A. The balance at December 31, 2010 included a short-term financial debt, plus interest, towards Telecom Italia Finance, as stated in the variable-rate (based on EURIBOR) loan agreement amounting to Euro 20,003 and disbursed on December 30, 2010. Other payables included Euro 52 thousand to Telecom Italia.
Trade payables	10,999	11,273	The balance at December 31, 2011 and December 31, 2010 include trade payables to Telecom Italia S.p.A. and its subsidiaries, mainly referring to the same for services rendered and telephone fees from Telecom Italia S.p.A. to companies of the Telecom Italia Media Group. At December 31, 2011 trade payables refer to Telecom Italia for Euro 7,115 thousand (they amounted to Euro 6,942 at December 31, 2010), to Telenergia for Euro 1,768 thousand (Euro 666 thousand), to TM News for Euro 376 thousand (Euro 591 thousand), to TI Audit for Euro 50 thousand (Euro 397 thousand), to Matrix for Euro 733 thousand (Euro 901 thousand), to the subsidiary SSC for Euro 212 thousand (Euro 196 thousand), to A1 International Investment for Euro 423 thousand (Euro 1,146 thousand), to Intesa Group for Euro 226 thousand and to other companies for Euro 96 thousand (Euro 434 thousand).
Miscellaneous payables and other current liabilities	4,383	6,734	The balance at December 31, 2011 and December 31, 2010 include miscellaneous operating and non-operating debts to the parent company Telecom Italia amounting to Euro 4,248 thousand (Euro 6,683 thousand), to Matrix for Euro 15 thousand (Euro 51 thousand at December 31, 2010) and to TM News for Euro 120 thousand. The balance at December 31, 2011 and December 31, 2010 also include Euro 217 thousand (Euro 5,691 thousand at December 31, 2010), related to amounts due to Telecom Italia Media Broadcasting from Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation, for the tax

Amounts due to pension funds

The following table shows the main income statement, balance sheet, and cash flow items pertaining to transactions between fully consolidated companies and employee pension funds of the companies of the Telecom Italia Media Group.

(in thousands of euro)	Year 2011	Year 2010	Type of transaction
Employee benefits expenses	1,185	1,166	At December 31, 2011, contributions to Italian Pension Funds and Fontedir for Telecom Italia Media Group's employees and executives amounted to Euro 228 thousand and Euro 135 thousand, respectively. The balance also included amounts paid to INPS totaling Euro 822 thousand. At December 31, 2010, contributions to Italian Pension Funds and Fontedir for Telecom Italia Media Group's employees and executives amounted to Euro 239 thousand and Euro 136 thousand, respectively. The balance also included amounts paid to INPS totaling Euro 791 thousand.
	12/31/2011	12/31/2010	
Miscellaneous payables and other current liabilities	959	845	At December 31, 2011, payables to Italian Pension Funds and Fontedir amounted to Euro 719 thousand and Euro 135 thousand, respectively. This item also included payables to INPS amounting to Euro 105 thousand. At December 31, 2010, payables to Italian Pension Funds and Fontedir amounted to Euro 602 thousand and Euro 138 thousand, respectively. Payables to INPS amounted to Euro 105 thousand.

The most significant transactions between the Telecom Italia Media Group and the companies in the Telecom Italia Group are listed below, and the related balances are indicated in the following pages.

Telecom Italia S.p.A.

Assets

- Through its Digital Content business, Telecom Italia Media acts as Telecom Italia's exclusive advisor for the design and development of programming, research and the acquisition of media content for use on Telecom Italia's various television platforms (IPTV, CUBO, and the Web – formerly Yalp!). At September 30, 2011, the agreement was resolved as previously illustrated on page 12 of this Report;

- supply by MTV Italia of services and audiovisual content for mobile telephone service;

- agreement between MTV Italia and Telecom Italia S.p.A. for MTV Mobile powered by TIM – new mobile carrier. The contract envisages the billback to Telecom Italia of expenses incurred for content production, i.e., downloadable ringtones, and the revenue sharing percentage on the sale of devices and advertising space;

- recovery of labor costs, with Telecom Italia Media liable for expenses and charge-back to Telecom Italia S.p.A. for the secondment of personnel;

- the provision of broadcasting capacity by MTV Italia under the DVB-H standard to Telecom Italia's Mobile Division;

- agreement with Telecom Italia regulating the supply of services aimed at promoting products/contents of the La7 brand, which may be granted by Telecom Italia Media to Telecom Italia in order to add them to the services currently referred to as "Cubovision" or "IPTV di Telecom Italia."

Liabilities

- agreement for the supply to Telecom Italia Media Broadcasting S.r.l. of satellite transmission capacity;

- granting to Telecom Italia Media Broadcasting S.r.l. of exclusive rights (for 12 years starting on January 1, 2006) to use the fiber optics network as necessary to allow the Telecom Italia Media Group – both for its own purposes and for third parties – to transport the Digital Terrestrial Television signal; the agreement includes a charge for hosting and network maintenance;

- supply of transmission capacity (metroGiganet) to Telecom Italia Media Broadcasting S.r.l. for unprotected optical channels necessary for point-to-point connections in urban areas;

- supply by Telecom Italia of fixed and mobile telephone services;

- supply of administrative and accounting services to companies of Telecom Italia Media S.p.A. Group;

- medium-/long-term loan granted by Telecom Italia S.p.A. to Telecom Italia Media S.p.A. relating to the loan obtained by Telecom Italia S.p.A. from the European Investment Bank to finance the company's Digital Terrestrial initiatives;

- regulation contract of the loan and the running account held with the Parent Company, Telecom Italia S.p.A., in connection with the Telecom Group's centralized treasury program;

- certain costs will be recharged to subsidiaries in conjunction with the services Telecom Italia S.p.A. plans to centralize under its own organization. These include, but are not limited to: insurance, management and computer application solutions, etc.;

- lease agreements for office buildings to be used by Telecom Italia Media S.p.A.;

- management, maintenance and cleaning of the buildings leased by the Telecom Italia Media Group from Telecom Italia S.p.A. or third parties.

Telenergia

Liabilities

Electricity supplied to Telecom Italia Media Broadcasting S.r.l. and Telecom Italia Media S.p.A. for High Frequency stations and buildings to be used as office space or La7 television studios.

Matrix

Liabilities

- Technical consultancy for the management of the La7.it website application and La7 advertising on the Matrix website.

Telecom Italia Finance S.A.

Liabilities

- A short-term variable-rate (based on EURIBOR) loan agreement signed on December 20, 2011 by Telecom Italia Media S.p.A for a credit facility amounting to Euro 60,000 thousand (Euro 45,000 thousand used at December 31, 2011). In this view, and pursuant to Article 5 of CONSOB Regulation No. 17221 of March 12, 2010, as amended by resolution No. 17389 of June 23, 2010, the company prepared a specific informative document available at the website www.telecomitaliamedia.it, section Investors – Company Reports.

NOTE 40 - Stock options

At December 31, 2011, Telecom Italia Media S.p.A. did not have any more authorized capital increases for stock option plans.

NOTE 41 – Positions or transactions arising on atypical and/or unusual transactions

Pursuant to CONSOB notice DEM/6064293 of July 28 2006, it should be noted that during 2011 the Company did not undertake any atypical or unusual transactions, as defined in said notice.

NOTE 42 – OTHER INFORMATION

CONTENTS:

SEGMENT REPORTING

The Telecom Italia Media Group is organized into the following operating segments: TI Media – La7, MTV Group and Network Operator. In detail:

- **TI Media – La7**[1] includes the Company's operations relating to the television broadcasters La7 and La7d and the Multimedia/Web area (La7.it and La7.tv); until September 30, 2011, it also included the Telecom Italia Group's Digital Content operations, which were discontinued effective October 1, 2011 following the early termination of the agreement with Telecom Italia;
- **MTV Group** includes the operations of MTV Italia and its subsidiary MTV Pubblicità relating to the television broadcasters MTV and MTV Music, the production unit 360° Playmaker, the production of multimedia music platforms and satellite channels and MTV Mobile and Digital (Web);
- **Network Operator (TIMB)** includes the operations of Telecom Italia Media Broadcasting relating to managing the analog and digital broadcasting networks of La7 and MTV and the Digital Multiplexes operated by the Group, as well as the offering of accessory services and television broadcasting platforms for Group companies and third parties.

	TI MEDIA-LA 7		MTV GROUP		NETWORK OPERATOR		Other activities cancellations and adjustments		Group Total	
(in thousands of euro)	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010
Revenues from third parties	139,017	114,776	73,309	96,615	25,863	47,062	-	21	238,189	258,474
Intragroup revenues	850	840	510	1,193	29,078	29,019	(30,438)	(31,052)	-	-
TOTAL REVENUES	**139,867**	**115,616**	**73,819**	**97,808**	**54,941**	**76,081**	**(30,438)**	**(31,031)**	**238,189**	**258,474**
TOTAL OPERATING REVENUES AND OTHER INCOME	**166,275**	**119,551**	**74,747**	**98,753**	**55,849**	**77,228**	**(32,395)**	**(32,712)**	**264,476**	**262,820**
Acquisition of services and other operating costs	(122,902)	(112,020)	(56,009)	(71,878)	(29,012)	(39,140)	32,207	34,358	(175,716)	(188,680)
Employee benefits expenses	(44,922)	(43,149)	(12,114)	(14,585)	(3,850)	(3,361)	-	148	(60,715)	(60,947)
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(1,549)**	**(35,618)**	**6,624**	**12,290**	**22,987**	**34,727**	**(188)**	**1,794**	**28,045**	**13,193**
Depreciation and amortization	(27,487)	(27,291)	(6,216)	(7,298)	(24,622)	(24,691)	(23)	(22)	(58,348)	(59,302)
Gains (losses) realized on disposals of non-current assets	1	(47)	(392)	-	14	171	-	-	(377)	124
Reversals (Impairment) of non-current assets	-	-	(13,550)	-	(43,100)	-	-	-	(56,650)	-
OPERATING PROFIT (LOSS) (EBIT)	**(29,035)**	**(62,956)**	**(13,534)**	**4,992**	**(44,721)**	**10,207**	**(211)**	**1,772**	**(87,330)**	**(45,985)**
Other finance income (expense) from investments	(56)	(8,772)	-	-	-	-	-	-	(56)	(8,772)
Other finance income (expense)	(1,728)	(2,461)	46	(76)	(2,580)	(5,145)	-	-	(4,262)	(7,682)
PROFIT (LOSS) BEFORE TAX	**(30,819)**	**(74,189)**	**(13,488)**	**4,916**	**(47,301)**	**5,062**	**(211)**	**1,772**	**(91,648)**	**(62,439)**
Income tax expense	8,200	17,231	(685)	(2,574)	803	(3,663)	-	(4)	8,318	10,990
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(22,619)**	**(56,958)**	**(14,173)**	**2,342**	**(46,498)**	**1,399**	**(211)**	**1,768**	**(83,330)**	**(51,449)**
Profit (loss) from discontinued operations/non-current assets held for sale	-	-	-	-	-	-	26	(1,771)	26	(1,771)
PROFIT (LOSS) FOR THE YEAR	**(22,619)**	**(56,958)**	**(14,173)**	**2,342**	**(46,498)**	**1,399**	**(185)**	**(3)**	**(83,304)**	**(53,220)**
Attributable to:										
equity holders of the Parent Company	(22,619)	(56,958)	(14,173)	2,342	(46,498)	1,399	291	(1,155)	(82,999)	(54,372)
Minority Interests	-	-	-	-	-	-	(305)	1,152	(305)	1,152

[1] In 2010, this operating segment was denominated Telecom Italia Media S.p.A.

	TI MEDIA – La7		MTV GROUP		NETWORK OPERATOR		Other activities cancellations and adjustments		GROUP TOTAL	
(in thousands of euro)	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Intangible assets	52,914	49,892	29,090	43,950	223,790	276,678	-	-	305,794	370,520
Tangible assets	11,593	11,002	3,537	4,346	72,080	61,269	42	65	87,252	76,682
Other assets	212,513	224,081	2,203	2,597	5,322	3,911	(185,424)	(185,424)	34,614	45,165
TOTAL FIXED CAPITAL	277,020	284,975	34,830	50,893	301,192	341,858	(185,382)	(185,359)	427,660	492,367
Working capital	(35,627)	(28,907)	12,740	10,741	(20,072)	(27,069)	2,987	2,981	(39,972)	(42,254)
Employee termination indemnities and other liabilities	(7,722)	(8,635)	(1,451)	(1,533)	(23,524)	(24,851)	-	-	(32,697)	(35,019)
TOTAL INVESTED CAPITAL	233,671	247,433	46,119	60,101	257,596	289,938	(182,395)	(182,378)	354,991	415,094
TOTAL EQUITY									216,312	299,586
NET FINANCIAL POSITION									138,679	115,508

	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
INVESTMENTS										
Industrial	31,100	31,574	4,489	6,932	25,786	28,372	-	-	61,375	66,878
Financial	-	3,000	-	-	36	-	-	-	36	3,000

EARNINGS PER SHARE - FINANCIAL YEAR 2011

Earnings per share in the financial year 2011 was as follows:

ORDINARY SHARES

Profit (loss) from continuing operations	Profit (loss) (in thousands of euro)	Number of shares	Earnings per Share (in euro)
Profit (loss) from continuing operations	(83,330)		
Profit (loss) attributable to ordinary shares	(83,014)		
Average number of ordinary shares		1,446,317,896	
Basic and diluted earnings per ordinary share			**(0.0574)**

Profit (loss) from discontinued operations			
Profit (loss) from discontinued operations	26		
Profit (loss) attributable to ordinary shares	26		
Average number of ordinary shares		1,446,317,896	
Basic and diluted earnings per ordinary share			**0.0000**

Profit (loss) for the year			
Profit (loss) for the year	(83,304)		
Profit (loss) attributable to ordinary shares	(82,989)		
Average number of ordinary shares		1,446,317,896	
Basic and diluted earnings per ordinary share			**(0.0574)**

SAVINGS SHARES

Profit (loss) from continuing operations	Profit (loss) (in thousands of euro)	Number of shares	Earnings per Share (in euro)
Profit (loss) from continuing operations	(83,330)		
Profit (loss) attributable to savings shares	(316)		
Average number of savings shares		5,496,951	
Basic earnings per savings share			**(0.0574)**

Profit (loss) from discontinued operations			
Profit (loss) from discontinued operations	26		
Profit (loss) attributable to savings shares	0		
Average number of savings shares		5,496,951	
Basic earnings per savings share			**0.0000**

Profit (loss) for the year			
Profit (loss) for the year	(83,304)		
Profit (loss) attributable to savings shares	(315)		
Average number of savings shares		5,496,951	
Basic earnings per savings share			**(0.0574)**

ANNEX 1

LIST OF EQUITY INVESTMENTS CONSOLIDATED

Company name	Registered offices	Currency	Share capital	%	Investing companies
Parent company					
TELECOM ITALIA MEDIA S.p.A. *(Publishing and sale of published products, advertising sales and execution, management of all activities related to information processing and use)*	Rome	Euro	212,188,324		
SUBSIDIARIES CONSOLIDATED USING THE LINE-BY-LINE METHOD					
Television					
BEIGUA S.r.l. *(Transactions, management and maintenance of systems for the repairing and distribution of radio and television programs)*	Rome	Euro	51,480	51.00	TI Media Broadcasting S.r.l.
MTV ITALIA S.r.l. *(TV and radio services, production and marketing of TV, radio and movie programs)*	Rome	Euro	12,151,928	51.00	Telecom Italia Media S.p.A.
MTV PUBBLICITA' S.r.l. *(Licensee for advertising)*	Milan	Euro	10,400	100.00	MTV Italia S.r.l.
TI MEDIA BROADCASTING S.r.l. *(Transactions, management and maintenance of systems for the repairing and distribution of radio and television programs)*	Rome	Euro	15,000,000	100.00	Telecom Italia Media S.p.A.
AFFILIATED COMPANIES VALUED USING THE EQUITY METHOD					
TM NEWS S.p.A. *(Multimedia journalistic information)*	Rome	Euro	1,120,000	40.00	Telecom Italia Media S.p.A.
OTHER COMPANIES					
ITALBIZ.COM, INC. *(Internet services)*	Los Angeles	$	4,720	19.50	Telecom Italia Media S.p.A.
DAHLIA TV S.p.A. (in liquidation) *(Pay-per-view services)*	Rome	Euro	11,318,833	10.08	Telecom Italia Media S.p.A.

SUMMARY TABLE OF THE FEES OF THE INDEPENDENT AUDITORS AND ENTITIES BELONGING TO THE SAME CORPORATE NETWORK

The following table shows the total fees owed to PwC S.p.A. and other entities belonging to the PwC network by way of consideration for auditing the 2011 financial statements, in addition to the emoluments accrued in 2011 for all other auditing/non auditing services rendered to the companies of the Telecom Italia Media Group by PwC S.p.A. and other companies belonging to its network. The table also includes the out-of-pocket expenses incurred in 2011 in connection with those services.

	PricewaterhouseCoopers S.p.A.			Other undertakings of the PricewaterhouseCoopers network			Total PwC network
	Telecom Italia Media S.p.A.	Subsidiaries	Telecom Italia Media Group	Telecom Italia Media S.p.A.	Subsidiaries	Telecom Italia Media Group	
Auditing services	89,200	59,700	148,900	-	-	-	148,900
Control services involving the issue of an attestation	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-
Total costs accrued in 2011 for auditing services and others to due to PwC network	**89,200**	**59,700**	**148,900**	**-**	**-**	**-**	**148,900**
Current expenses							7,394
TOTAL							**156,294**

NOTE 43 – Events Subsequent to December 31, 2011

There were no events to report.

Attestation of the Consolidated Financial Statements pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 dated May 14, 1999, with subsequent amendments and riders

1. The undersigned Giovanni Stella, in his capacity as Vice Chairman and Managing Director and Paolo Serra, in his capacity as Executive in charge of the financial reports of Telecom Italia Media S.p.A., pursuant to Article 154-*bis,* paragraphs 3 and 4, of Legislative Decree No. 58 dated February 24, 1998, hereby declare that the administrative and accounting procedures for preparing the consolidated financial statements for 2011:

   - are appropriate in relation to the company's features; and
   - have been consistently applied.

2. Telecom Italia Media has adopted the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* as reference framework used to prepare and assess its internal control system, with specific reference to internal audits applied in preparing the financial statements.

3. The undersigned further declare that:

   3.1 the Consolidated Financial Statements at December 31, 2011:

   a) have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union pursuant to EC regulation 1606/2002 of the European Parliament and Council on July 19, 2002, and applicable current Italian laws and regulations, with specific reference to the provisions issued in accordance with Article 9 of Legislative Decree No. 38 of February 28, 2005;

   b) reflect the accounting books and records;

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the companies included in the scope of consolidation;

   3.2 the Report on Operations includes a reliable analysis of the operating performance and income and financial situation of the issuer, as well as all the companies included in the scope of consolidation, along with a description of the primary risks and uncertainties to which they are exposed.

March 20, 2012

/signature/Giovanni Stella	/signature/Paolo Serra
Giovanni Stella	Paolo Serra
Vice Chairman and Managing Director	Executive in Charge of Financial Reports

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Telecom Italia Media SpA

1. We have audited the consolidated financial statements of Telecom Italia Media SpA and its subsidiaries ("Telecom Italia Media Group") as of 31 December 2011 which comprise the consolidated statement of financial position, consolidated separate income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated cash flow statements and related notes. The directors of Telecom Italia Media SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 15 March 2011.

3. In our opinion, the consolidated financial statements of the Telecom Italia Media Group as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Telecom Italia Media Group for the period then ended.

4. The directors of Telecom Italia Media SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Governance" of the website of Telecom Italia Media SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Catania** 95129 Corso Italia 302 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10122 Corso Palestro 10 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37135 Via Francia 21/C Tel.0458263001

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operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by the CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Telecom Italia Media SpA as of 31 December 2011.

Turin, 2 April 2012

PricewaterhouseCoopers SpA

Signed by

Mattia Molari
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Notes and Accounting Statements Telecom Italia Media S.p.A.

CONTENTS:

Statements of Financial Position

ASSETS

(in euro)	Notes	12/31/2011	of which related parties	12/31/2010	of which related parties
NON-CURRENT ASSETS					
Intangible assets:					
Goodwill	3)	70,697,268		108,837,268	
Intangible assets with finite useful lives	4)	40,714,207		37,691,631	
		111,411,475		146,528,899	
Tangible assets:	5)				
Property, plant and equipment owned		11,592,526		11,002,112	
Assets held under finance leases					
		11,592,526		11,002,112	
Other non-current assets	6)				
Investments		183,443,061		183,998,897	
Non-current financial assets		725,522	-	752,085	-
Miscellaneous receivables and other non-current		22,899,462	8,460,000	33,328,505	18,879,000
Deferred tax assets	7)	6,170,879		6,753,813	
		213,238,924		224,833,300	
TOTAL NON-CURRENT ASSETS (A)		**336,242,925**		**382,364,311**	
CURRENT ASSETS					
Inventories	8)	1,371,350		1,167,436	
Trade and miscellaneous receivables and other current assets	9)	68,251,981	21,327,000	76,046,360	24,582,000
Current income tax receivables		26,608		26,694	
Current financial assets					
Securities other than investments, financial receivables and other current financial assets	10)	70,192,037	70,022,000	70,180,982	70,000,000
Cash and cash equivalents	11)	18,127,793	18,014,000	3,378,387	3,236,000
TOTAL CURRENT ASSETS (B)		**157,969,769**		**150,799,859**	
TOTAL ASSETS (A+B)		**494,212,694**		**533,164,170**	

LIABILITIES

(in euro)	Notes	12/31/2011	of which related parties	12/31/2010	of which related parties
EQUITY	12)				
Share Capital		212,188,324		212,188,324	
- Reserves		82,871,035		236,050,705	
- Retained earnings (accumulated losses), including profit for the year		(60,759,334)		(153,209,321)	
TOTAL EQUITY (A)		**234,300,025**		**295,029,708**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	13)	100,021,132	100,000,000	100,022,871	100,000,000
Employee Benefits	15)	7,722,450		8,635,313	
Deferred tax liabilities					
Provisions					
Miscellaneous payables and other non-cu	16)	14,400,089	14,400,000	14,400,089	14,400,000
TOTAL NON-CURRENT LIABILITIES (B)		**122,143,671**		**123,058,273**	
CURRENT LIABILITIES					
Current financial liabilities	13)	46,892,758	46,885,000	23,328,480	23,321,000
Trade and miscellaneous payables and other current liabilities	17)	90,757,726	13,511,000	91,747,709	12,198,000
Current income tax payables		118,514		-	
TOTAL CURRENT LIABILITIES (C)		**137,768,998**		**115,076,189**	
TOTAL LIABILITIES (D=B+C)		**259,912,669**		**238,134,462**	
TOTAL EQUITY AND LIABILITIES (A+D)		**494,212,694**		**533,164,170**	

SEPARATE INCOME STATEMENT

(in euro)	Notes	Year 2011	of which related parties	Year 2010	of which related parties
Revenues	21	139,866,717	15,146,000	115,615,793	14,579,000
Other Income	22	26,407,717	22,312,000	3,935,208	1,546,000
Total operating revenues and other income	**20**	**166,274,434**		**119,551,001**	
Acquisition of goods and services	23	(118,486,055)	(28,012,000)	(105,551,930)	(27,826,000)
Employee benefits expenses	24	(44,922,016)	(1,942,000)	(43,148,981)	(1,949,000)
Other operating expenses	25	(4,619,941)	(150,000)	(5,786,442)	(165,000)
Changes in inventories	26	203,913		(681,401)	
Internally generated assets		-		-	
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**(1,549,665)**		**(35,617,753)**	
Depreciation and amortization	27	(27,487,140)		(27,291,155)	
Gains (losses) realized on disposals of non-current assets	28-29	1,070		(46,778)	
Reversals/(Impairment losses) of non-current assets	30	(38,140,000)		(96,251,200)	
OPERATING INCOME (EBIT)		**(67,175,735)**		**(159,206,886)**	
Other income (expense) from equity investments	31	(55,835)		(8,771,671)	
Finance income	32	2,905,077	2,764,000	2,664,734	2,313,000
Finance expenses	33	(4,633,195)	(4,518,000)	(5,126,767)	(4,561,000)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(68,959,688)**		**(170,440,590)**	
Income tax expense	34	8,200,354	8,460,000	17,231,269	18,879,000
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(60,759,334)**		**(153,209,321)**	
Profit (loss) from discontinued operations/Non-current assets held for sale		-		-	
PROFIT (LOSS) FOR THE YEAR		**(60,759,334)**		**(153,209,321)**	

STATEMENT OF COMPREHENSIVE INCOME

Profit (loss) for the year	**(60,759,334)**	**(153,209,321)**
Other components of the statement of comprehensive income	-	-
Comprehensive profit (loss) for the year	**(60,759,334)**	**(153,209,321)**

Statement of Changes in equity from January 1 to December 31, 2011

(in euro)	Share capital	Share premium account	Exchange gains from conversion of foreign operations	Retained earnings (accumulated losses), including profit (loss) for the year	Total Equity
Balance at December 31, 2010 (Note 12)	**212,188,324**	**235,994,862**		**(153,153,478)**	**295,029,708**
Change in Equity for 2011					
Authorized dividends					
Total profit (loss) for the year				(60,759,334)	**(60,759,334)**
Capital increases					
Conversion of bonds					
Treasury shares					
Exercise of instruments representing equity (share options)				29,651	**29,651**
Other movements		(153,209,321)		153,209,321	
Balance at December 31, 2011 (Note 12)	**212,188,324**	**82,785,541**		**(60,673,840)**	**234,300,025**

Statement of Changes in equity from January 1 to December 31, 2010

(in euro)	Share Capital	Share premium account	Exchange gains from conversion of foreign operations	Retained earnings (accumulated losses), including profit (loss) for the year	Total Equity
Balance at December 31, 2009 (Note 12)	**100,510,260**	**143,450,865**		**(32,323,391)**	**211,637,734**
Change in Equity for 2010					
Authorized dividends					
Total profit (loss) for the year				(153,209,321)	**(153,209,321)**
Capital increases	111,678,064	127,871,385			**239,549,449**
Conversion of bonds					
Treasury shares					
Exercise of instruments representing equity (share options)				55,843	**55,843**
Other movements		(35,327,388)		32,323,391	**(3,003,997)**
Balance at December 31, 2010 (Note 12)	**212,188,324**	**235,994,862**		**(153,153,478)**	**295,029,708**

Cash Flow Statements

(in thousands of euro)	Notes	Year 2011	Year 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year		(60,759)	(153,209)
Adjustments for:			
Depreciation and amortization	27)	27,487	27,291
Impairment losses/reversals of non-current assets (including investments)	30)	38,196	105,023
Net change in deferred tax assets and liabilities		583	1,875
Gains/losses realized on disposals of non-current assets (including investments)	28-29)	(1)	47
Share of losses/gains of associates accounted for using the equity method			
Change in employee benefits	17)	(913)	(43)
Changes in inventories	8)	(204)	682
Change in trade receivables and in net receivables for contract works		6,969	(5,209)
Change in trade payables		(3,335)	8,705
Net change in income tax receivables/payables		-	-
Net change in miscellaneous receivables/payables and other assets/liabilities		13,455	4,148
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**21,478**	**(10,690)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets on an accrual basis	4)	(26,701)	(27,642)
Purchase of tangible assets on an accrual basis	5)	(4,399)	(3,932)
Total acquisitions of intangible and tangible assets on an accrual basis (2)		(31,100)	(31,574)
Change in trade payables relating to investing activities		293	2,516
Total purchase of intangible and tangible assets on a cash basis		(30,807)	(29,058)
Acquisition of subsidiaries and businesses, net of cash acquired		-	-
Acquisition of other equity investments		-	-
Change in financial receivables and other financial assets		15	15,755
Proceeds from sale of subsidiaries, net of cash disposed of		-	-
Proceeds from sale/repayment of tangible, intangible and other non-current assets		501	1
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(30,291)**	**(13,302)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in current financial liabilities and other liabilities		25,088	(185,183)
Proceeds from non-current financial liabilities (including current portion)			
Repayments of non-current financial liabilities (including current portion)		-	-
Other changes in non-current financial liabilities		9	(48)
Proceeds from equity instruments		-	236,546
Amount paid for instruments representing equity			
Dividends paid (2)			
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**25,097**	**51,315**
AGGREGATE CASH FLOWS (E=A+B+C+D)		**16,284**	**27,323**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (F)		**113**	**(27,210)**
Net foreign exchange differences on net cash and cash equivalents (G)		-	-
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (H=E+F+G)		**16,397**	**113**

(2) **OF WHICH TRANSACTIONS WITH RELATED PARTIES**		Year 2011	Year 2010
(in thousands of euro)			
Total acquisitions of intangible and tangible assets on an accrual basis	37)	(1,106)	(2,031)
Dividends paid to Minority Interests (including distribution of reserves)			

Additional cash flow information

(in thousands of euro)	Year 2011	Year 2010
Income tax expense (paid)/received	17,477	31,039
Interest expense	(3,197)	(4,255)
Interest income	2,775	2,301
Dividends received		

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2011	Year 2010
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:		
Cash and cash equivalents - from continuing operations	3,379	5,086
Bank overdraft repayable on demand - from continuing operations	(3,266)	(32,296)
	113	**(27,210)**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents - from continuing operations	18,128	3,379
Bank overdraft repayable on demand - from continuing operations	(1,731)	(3,266)
	16,397	**113**

NOTES

NOTE 1 – General, Structure and Content Information

Structure and content

Telecom Italia Media is a company limited by shares (S.p.A.) organized according to the Italian legal system.

Telecom Italia Media S.p.A.'s registered office is in Rome (Italy), Via della Pineta Sacchetti 229.

The duration of the Company, as per its Bylaws, is until December 31, 2100.

Telecom Italia Media S.p.A operates in Italy and is engaged in the production and broadcasting of editorial content through the use of a television transmission network granted under Italian Government concession, as well as the marketing of advertising space during commercial breaks in programming. It also operates as both an analog and digital television broadcaster, and manages satellite channels, as well.

The separate financial statements of Telecom Italia Media S.p.A. for the financial year ended December 31, 2011 have been prepared in accordance with the *International Financial Reporting Standards* issued by the *International Accounting Standards Board* and approved by the European Union (referred to as "**IFRS**"), in addition to compliance with the Italian law and regulations in force (particularly, the provisions enacted following the implementation of the article 9 of the Legislative Decree No. 38 of February 28, 2005).

Furthermore, it should be noted that in 2011 Telecom Italia Media applied accounting standards consistent with those followed in the previous year and did not adopt any IFRSs early.

The separate financial statements were prepared using the cost method, with the exception of AFS financial assets, financial assets held for trading and derivatives that were measured at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value attributable to the risks being hedged (fair value hedge).

In accordance with IAS 1 (*Presentation of the Financial Statements*), comparative information presented in the financial statements refers to the previous year, unless specified to the contrary.

The statement of financial position, the separate income statement, the statement of comprehensive income and changes in equity are presented in euro (without decimals), while the cash flow statement and notes are presented in thousands of euro, unless indicated to the contrary.

The Separate Financial Statements of the Telecom Italia Media S.p.A. for the year ended December 31, 2011 were authorized for publication with a resolution passed by the Board of Directors on March 20, 2012.
Moreover, the Shareholder's Meeting is responsible for final approval of the Separate Financial Statements of Telecom Italia Media S.p.A.

Financial Statements

The presentation format of the financial statements complies with the requirements of IAS 1. Specifically:

- in the statement of financial position, assets and liabilities were classified as "current" or "non current";
- in the separate income statement, operating costs are classified by nature, as such format is considered most appropriate for representing the Company's specific business. Furthermore, it conforms to the Group's internal reporting methods and is consistent with the procedures applied in the industrial sector in which the Group operates.
  In addition to EBIT, the separate income statement includes the following non-IFRS indicators: EBITDA (Operating result before depreciation and amortization, capital gains/(losses), and impairment reversals/(losses) on non-current assets).
  In detail, Telecom Italia Media uses EBITDA, in addition to EBIT, as a financial target in internal (business plan) and external (made for analysts and investors) presentations. It provides a useful unit of measurement for assessing Telecom Italia Media's operating performance. EBIT and EBITDA are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Expenses (Income) from equity investments
EBIT- Operating Income	
+/-	Impairment losses/(Reversals) of non-current assets
+/-	Losses/(Gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA — Operating result before depreciation and amortization, capital gains/(losses), and impairment reversals/(losses) on non-current assets	

- the Statement of Comprehensive Income includes net income (loss) for the year, as stated in the separate income statement, as well as all changes in equity other than those regarding Shareholders;
- in the cash flow statement, cash flows from operations are measured using the "indirect method", as provided for by IAS 7 (Cash Flows Statement).

In addition, as required by CONSOB Resolution No. 15519 of July 27, 2006, in the separate income statement, income and expenses relating to non-recurring transactions and the related effects on the main intermediate result levels are shown separately.
Non-recurring events and transactions have been identified primarily on the basis of the nature of the transactions. In particular, non-recurring expenses/income include cases that by their nature do not occur consistently in the course of normal operating activities, such as income and expenses deriving from the purchase/sale of properties, business units and equity investments included among non-current assets; income and expenses deriving from company reorganization processes; and income and expenses deriving from fines levied by regulatory entities.

In further reference to the cited CONSOB resolution, the statements present positions or transactions with related parties separately.

NOTE 2 – Accounting Standards

Going concern

The separate financial statements for 2011 were prepared on a going concern basis, meaning that it can be reasonably assumed that Telecom Italia Media S.p.A. will continue in its operating activities in the foreseeable future (and in any case for a longer period than the coming 12 months).

Specifically, management considered the following factors and felt that, at present, they do not generate doubts as to the Company's ability to continue functioning as a business entity:

- the main risks and uncertainties (the majority of which are external in nature) to which Telecom Italia Media is exposed:
  - changes in macro-economic situation in the Italian market;
  - changes in business conditions;
  - changes in the regulatory framework;
  - the result of litigations and disputes with regulatory authority, competitors and other entities;
  - financial risks (performance of interest rates and/or exchange rates);
- the financial risk management policies (market risk, credit risk and liquidity risk) detailed in the note entitled "Financial risk management."

Intangible assets

Goodwill

According to IFRS 3 *(Business Combinations*), goodwill is recognized in the separate financial statements at the date of acquisition of companies or branches of companies (including by means of merger or transfer). Goodwill is determined as the difference between the consideration paid (measured according to IFRS 3, which is usually based on fair value at the date of acquisition) and the fair value of the identifiable assets acquired less the identifiable liabilities assumed at the date of acquisition.
Goodwill is classified as an intangible asset with an indefinite useful life. Any "gain resulting from acquisition at favorable prices (negative goodwill)" is recognized in the separate income statement.
IFRS 3 also envisages that incidental costs in connection with a business combination, which were previously included in the calculation of the consideration paid, be recognized in the separate income statement.
Goodwill is initially recognized and subsequently reduced only to take account of impairment losses (further details are provided in the section *Impairment of Tangible and Intangible Assets — Goodwill*).
In the case of the disposal of part or all of a previously acquired company/business unit, the capital gain or loss must be measured considering the corresponding value of the goodwill.
Upon first-time adoption of IFRS, the Company elected not to apply IFRS 3 (*Business Combinations*) retroactively to the acquisition of businesses occurring before January 1, 2004. As a result, the goodwill generated on acquisitions before such date was maintained at the previous value determined according to Italian accounting standards, after testing them for impairment.

Development costs

Internal costs incurred for the development of new products and services, based on the situation, comprise intangible assets (mainly software costs) or tangible assets generated internally. Such costs are recognized as assets only if all the following conditions are met: i) the cost attributable to development activity may be measured reliably, ii) the entity has the intention, financial resources and technical ability to complete the asset and make it available for use or sale and iii) the entity can demonstrate that the asset will generate future economic benefits.
Capitalized development costs include only expenses incurred that may be directly attributed to the development process of new products and services.
Capitalized development costs are systematically amortized over the estimated life of the product/service, so as to reflect the ways in which the future economic benefits deriving from the asset are expected to be used by the entity.

Other intangible assets with finite useful lives

Other intangible assets with finite useful lives acquired or produced internally are recognized as assets in accordance with IAS 38 (*Intangible Assets*) when it is probable that use of the asset will generate future benefits and when the cost of the asset can be measured reliably.

Such assets are recognized at acquisition or production cost and are amortized on a straight-line basis over their estimated useful lives. The amortization rates are reviewed annually and adjusted if the current estimated useful life differs from the previous estimate. The effects of such changes are recognized prospectively in the separate income statement. The component approach has not been used.

Multi-year rights (of a duration of more than 12 months) to broadcast films, series, soaps, cartoons, classical concerts, short films, and the like, inclusive of ancillary charges (dubbing, editing and materials) and contributions to productions, acquired under licensing agreements, are carried as “intellectual property rights” and subjected to straight-line amortization on an annual basis throughout the term of the rights as established under the licensing agreement, as from the time when the related underlying materials are available and ready for use.

Regardless of amortization already recognized and in the case that the rights have exhausted possible transfers, the residual value is entirely capitalized in the period in which the last transfer is executed.

As required under Law No. 66 of 2001, the costs sustained for the purchase from third parties of the right to use television frequencies that are bundled together with business segments, or television broadcasting plant acquired by the Company, are carried under “Concessions, licenses, trademarks and similar rights”. Frequencies used for broadcasting using the Digital Terrestrial technique are amortized up to 2028, with the enactment of Italian Legislative Decree No. 59 of April 8, 2008, which transformed individual licenses governing the use of digital frequencies (duration of 12 years) into general authorizations (duration of up to 20 years; renewable). Frequencies used for broadcasting in Analog mode have been fully amortized.

Tangible assets

Property, plant and equipment owned

Property, plant and equipment owned are carried at acquisition or production cost. Subsequent costs are capitalized only if they increase the future economic benefits inherent in the asset to which they refer. All other costs are recognized in the separate income statement as incurred.

The initial cost of the assets also includes estimated costs of dismantling the asset and restoring the site in the presence of a legal or constructive obligation. The corresponding liability is stated at current value in the period in which it arises under provisions; the capitalized costs are charged to the separate income statement as depreciation over the useful lives of the related tangible assets.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation rates are reviewed annually and revised if the current estimated useful life is different from that estimated previously. The effects of such changes are recognized prospectively in the separate income statement.
Land, including that pertaining to buildings, is not depreciated.

Assets held under finance lease

Assets held under finance lease, in which all risks and rewards of ownership are effectively transferred to the Company, are initially recognized at fair value or, if lower, at the present value of the minimum lease payments, including any amount due to exercise the purchase option. The corresponding liability owed to the lessor is included in the financial statements under financial liabilities.
Lease payments are broken down into interest (recognized in the separate income statement) and principal (recognized as reduction of liabilities). The above breakdown is calculated so as to obtain a constant interest rate on the outstanding balance of the liability.
Furthermore, gains realized on sale or leaseback of assets based on finance lease contracts are deferred over the lease term.
The depreciation policy for depreciable assets held under finance leases shall be consistent with that for depreciable assets that are owned. If there is no reasonable certainty over the acquisition of the ownership of an asset at the end of the lease period, assets held under finance leases are depreciated over the shorter of the lease term and their useful lives.

Leases where the lessor substantially retains all risks and rewards of ownership of the assets are classified as operating leases. Operating lease rentals are recognized in the separate income statement on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

Goodwill

Goodwill is tested for impairment at least annually, or more frequently whenever specific events or changing circumstances indicate that goodwill may be impaired, in accordance with IAS 36 (*Impairment of Assets*). The value is not reversed when the conditions that gave rise to an impairment loss no longer prevail.
The impairment test is usually conducted at the end of each financial year, therefore the reference date for the test is the reporting date. Goodwill acquired and allocated during the course of the year is tested for impairment at the end of the financial year in which the acquisition and allocation take place.
For the purpose of the impairment test, goodwill is allocated, at the acquisition date, to each cash generating unit (CGU) or group of CGUs that benefit from the acquisition.

If the carrying amount of the cash-generating unit (or group of CGUs) exceeds the respective recoverable amount, an impairment loss is recognized in the separate income statement. Impairment losses are charged to the income statement, first against the goodwill allocated to the CGU (or group of CGUs) and then against the other assets within the CGU in proportion to their carrying amount up to the recoverable amount of the assets with finite useful lives. The recoverable value of a CGU (or group of CGUs) to which goodwill has been allocated is the higher of fair value less costs to sell and its value in use.
An asset's value in use is the present value of estimated future cash flows, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Future cash flows consist of projected cash flows over an explicit three-year period, as well as the cash flows extrapolated from the last year of an explicit period to estimate terminal value. The growth rate used to measure the terminal value of the CGU (or group of CGUs) is assumed not to exceed the average long-term growth rate of the industry or market in which the CGU (or group of CGUs) operates.
Future cash flows are estimated based on the current condition of the CGU (or group of CGUs), and therefore do not consider benefits originating from future restructuring to which the entity is not yet committed or future investments for the unit's improvement or optimization.

For the purpose of calculating impairment, the carrying amount of the cash-generating unit is determined using the same criteria used to determine its recoverable amount, excluding surplus assets (i.e., financial assets, deferred tax assets and net non-current assets held for sale).
After carrying out the impairment test of the CGU (or group of CGUs) to which goodwill is allocated, a second-level impairment test is carried out including corporate assets that do not generate positive cash flows and that cannot be allocated to the individual units according to reasonable and consistent criteria. With this second-level test, the recoverable amount for all the CGUs (or group of CGUs) is compared with the carrying amount of all the CGUs (or group of CGUs), including those units to which no goodwill has been allocated and the corporate assets.

Tangible and intangible assets with finite useful lives

At each reporting date, the Company assesses whether there is any indication of impairment of tangible and intangible assets with finite useful lives. Both internal and external sources are considered. Internal sources include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include a decline in the market prices of the assets, changes in technology, markets or laws, increases in market interest rates and the cost of capital used to evaluate investments, and, lastly, an excess of the carrying amount of the Company's net assets over market capitalization.

If the Group determines any indication that tangible and intangible assets with finite useful lives have been impaired, the carrying amount of the asset is reduced to the recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. An asset's value in use is the present value of estimated future cash flows, calculated using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When it is not possible to estimate the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs. Any impairment loss is recognized in the separate income statement.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have been recorded had no impairment loss been recognized. The reversal is recognized in the separate income statement.

Financial instruments

Investments in subsidiaries, associates and companies under common control

Investments in subsidiaries, associates and companies under common control are recognized at cost adjusted for impairment. When the reasons for impairment cease to exist, the carrying value of the investment is reversed up to the amount reflecting its original cost. The reversal is recognized in the separate income statement.

Other investments

Other investments (other than in subsidiaries, associates and companies under common control) are recognized as non-current assets unless they are intended to be disposed of within 12 months (in which case they are recognized in current assets).

Upon acquisition, investments are classified in the following categories:

- "available-for-sale (AFS) financial assets" (either non-current or current);
- "assets at fair value through profit or loss" (current, as they are held for trading).

Other investments classified as "AFS financial assets" are measured at fair value. Changes in the values of such investments are recognized in an equity reserve ("*Reserve for adjustment to fair value of AFS financial assets*"), which is reversed to the separate income statement upon sale or impairment of the investments.

Other investments in unlisted companies classified as "AFS financial assets", the fair value of which cannot be reliably determined, are measured at cost adjusted for impairments, which is recognized in the separate income statement, in accordance with IAS 39.
Investments in other minor companies for which fair value is not available are recognized at cost and written down for impairment as necessary.
Impairment losses on Other investments classified as AFS financial assets may not be subsequently reversed.
Changes in the value of other investments classified as financial assets at fair value through profit or loss are recognized directly in the separate income statement.

Receivables and loans

The receivables generated by the company and the loans included among both non-current and current assets are initially recognized at fair value and later valued at amortized cost.

Cash and cash equivalents

Cash and cash equivalents are recognized at their nominal value or amortized cost, according to their nature.
Cash equivalents represent short-term and highly liquid investments that are readily convertible into cash and subject to negligible risk of change in value, whose original maturity or remaining maturity at the time of acquisition does not exceed 3 months.

Impairment of financial assets

At each reporting date, financial assets are regularly assessed to determine whether there is objective evidence that a financial asset, or group of assets, may be impaired. If there is objective evidence, the impairment loss is recognized in the separate income statement for financial assets carried at cost or amortized cost. The accounting treatment used for AFS financial assets has been described above.

Financial liabilities

Financial liabilities comprise financial debts, including debt for advances received on the assignment of receivables and other financial liabilities, including financial derivatives, and finance lease obligations.
In accordance with IAS 39, they also include trade and miscellaneous payables.
Financial liabilities, other than derivatives, are initially recognized at fair value and subsequently measured at amortized cost, i.e., the initial amount net of principal repayments already made, adjusted (upwards or downwards) by the amortization (using the effective interest method) of any differences between the initial amount and the maturity amount.

Financial liabilities hedged by derivative instruments for the purpose of hedging the risk of changes in liability value (fair value hedge derivatives) are recognized at fair value in accordance with the methods established in IAS 39 for hedge accounting: Gains and losses arising on adjustments to fair value, limited to the hedged component, are recognized in the separate income statement and are offset from the effective portion of the gain or loss arising from relevant fair value recognition of the hedging instrument.

Financial liabilities hedged by derivatives for the purpose of hedging the risk of change in cash flows (cash flow hedge derivatives) are recognized at amortized cost, in accordance with the procedures established in IAS 39 for hedge accounting.

Transfer of receivables

The Telecom Italia Media S.p.A. transfers receivables pursuant to Law No. 52/1991 on factoring. In most cases, such factoring transactions involve the transfer to third parties of substantially all of the risks and rewards associated with the factored receivables, and thus meet the requirements set forth in IAS 39 for derecognition.

Inventories

Inventories are measured at the lower of acquisition cost and estimated realizable value; cost is determined by individual movement on a weighted average basis.
Provision is made for inventories considered obsolete or of slow rotation, taking into account their expected future use and their estimated realizable value.

Stocks of TV productions include television programs produced in-house or purchased from third parties and not yet broadcast, including rights on films, television films, series, and the like (and relevant ancillary costs), featuring a duration of less than 12 months, and set design. For in-house production, the inventory measurement includes only directly attributable costs, while for externally produced goods the specific cost of the weighted average cost of the installments realized but not transferred is included.

Discontinued operations/non-current assets held for sale

Non-current assets (or disposal groups), the carrying amount of which will be recovered primarily through sale rather than ongoing use, are classified as held for sale and presented separately from other assets and liabilities in the statement of financial position. The corresponding amounts for the previous year have not been reclassified.
A discontinued operation is a part of an entity that has been sold or classified as held for sale and:

- represents a major line of business or geographical area of operations;
- is part of a coordinated plan to dispose of a major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss on discontinued operations — whether the assets have been disposed of or classified as held for sale or under disposal — is presented separately in the separate income statement, net of the tax effects. The corresponding amounts for the previous year, where present, are reclassified and presented separately in the separate income statement, net of tax effects, for comparative purposes.

Non-current assets (or disposal groups) classified as held for sale are initially recognized in accordance with the specific IFRS applicable to each type of asset or liability and then measured at the lower of carrying amount and fair value, less costs to sell.
Any subsequent impairment losses are recognized by deducting them directly from non-current assets (or disposal groups) classified as held for sale with offsetting in the income statement.
Reversals are recognized for each subsequent increase in an asset's fair value less costs to sell, but only up to the amount of the total impairment loss previously recognized.

Employee benefits

Employee Termination Indemnities

Employee termination indemnities, which are mandatory under Article 2120 of the Italian Civil Code, are considered a defined benefit plan and, as such, are based on the service life of employees and the compensation earned during that time.

Employee termination indemnities calculated in accordance with IAS 19 are considered a “defined benefit plan,” and the liability to be recognized in the statement of financial position (under “Employee termination indemnities”) is calculated using an actuarial method. As allowed by IAS 19, Telecom Italia Media S.p.A. has elected to recognize all actuarial gains and losses brought to light over time in the income statement.

Costs for the increase in the present value of employee benefit obligations, accumulating as the date for benefit pay-outs draws near, are included among “Employee benefits expenses”.

Effective January 1, 2007, Italian law allows workers to choose between allocating their employee termination indemnity accruals to supplementary pension funds or their employers. For companies with at least 50 employees, such accruals must be transferred to the Treasury Fund managed by Italy’s national social security institute, INPS. As a result, the amounts payable to INPS and supplementary pension funds are considered “defined contribution plans” under IAS 19, while the amounts held in the provision to employee termination indemnities are considered “defined benefit plans”.

Share-based payment plans

Telecom Italia Media S.p.A. may recognize additional benefits to certain executives and middle managers of the Group Companies through share-based payment plans (stock option plans, long-term incentive plans and employee share ownership plans). The above-mentioned plans are accounted for in accordance with IFRS 2 (*Share-based Payments*).
Pursuant to IFRS 2, such plans represent a component of the beneficiaries’ remuneration. Accordingly, the cost of plans that involve remuneration based on share-based payments is represented by the grant date fair value of those instruments and is recognized among “Employee benefits expenses” in the case of Company’s employees, and among "Investments” in the case of associates’ employees, over the period from the grant date until the vesting date, through an equity reserve designated “Other equity instruments.” Changes in fair value after the grant date do not affect the initial measurement. The estimate of the number of rights that will vest prior to expiry is updated at the end of each year. The change in the estimate is recognized as a reduction of item "Other equity instruments” with as contra-entry “Employee expenses” or “Equity investments”, respectively.
For plans subject to vesting conditions that are market conditions, if those conditions have not been met, the amount carried under the item "Other equity instruments" is reclassified to the item "Other reserves".
The part of plans that involves the payment of cash remuneration is recognized among liabilities through “Employee expenses, ”in the case of Company’s employees, and among "Investments” in the case of associates’ employees, and the liability concerned is measured at its fair value at the end of each year.

Provisions

The Company allocates provisions when, in the presence of a current, legal or contingent obligation versus third parties as a result of a past event, the use of resources is likely to become necessary to fulfill the obligation and when a reliable estimate of the amount of the obligation can be made.

When the effect of the time value is material and the dates of payment of obligations can be estimated reliably, the provision is determined by discounting expected cash flows calculated on the basis of the risks associated with the obligation. The increase in the provision due to the passing of time is recognized in the income statement under "Finance expenses".

Treasury shares

Treasury shares are recognized in reduction of equity. More in detail, the nominal amount of treasury shares is recognized as a reduction of share capital issued, while the excess cost of acquisition over the nominal amount is carried in reduction of "Other reserves and retained earnings (accumulated losses), including profit (loss) for the year".

Foreign currency transactions

Transactions in foreign currencies are recognized at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Exchange differences generated by the settlement of monetary items or by their conversion at rates different from their initial entry in the year or at the end of the previous year are recognized in the separate income statement.

Revenues

Revenues include only the gross inflows of economic benefits received and receivable on behalf of the Company. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the Company and do not result in increases in equity. Therefore, they are excluded from revenues.

Revenues are recognized to the extent to which it is probable that income will flow to the Company and the amount can be reliably measured; revenues are measured net of discounts, allowances, and returns.

- Services revenues
  Service revenues are recognized in the separate income statement according to the degree of completion of the service and only when the outcome of the service may be estimated reliably.
- Contract work in progress
  Revenues from contract work in progress are recognized in accordance with progress made (the percentage of completion method).

Research costs and advertising costs

Research and advertising costs are directly charged to the separate income statement in the year in which they are incurred.

Finance income and expenses

Finance income and expenses are recognized on an accrual basis and include the interest accrued on the associated financial assets and liabilities according to the effective interest rate method, changes in the fair value of derivatives and other financial instruments at fair value through profit or loss, exchange gains and losses and gains and losses on financial instruments (including derivatives).

Dividends

Dividend income is recognized in the separate income statement on an accrual basis, i.e., in the period in which the right to receive payment is established following approval of the distribution of dividends by the investee companies.

Dividends payable are recognized as changes in equity in the financial year in which they are approved by the General Shareholders' Meeting.

Taxes

Income taxes include all taxes calculated on the taxable income of the Company.
Income taxes are reported in the income statement, except those relating to items directly debited or credited to an equity reserve, in which case the tax effect is recognized directly in the relevant equity reserve. In the statement of comprehensive income, the amount of income taxes to be recognized is indicated in relation to each item included in "Other components of the statement of comprehensive income." Deferred tax liabilities/assets are recognized using the balance sheet liability method. These taxes are calculated on all timing differences emerging between the tax base of assets and liabilities and the related accounting values in the separate financial statements, except for non-tax deductible goodwill. Deferred tax assets on tax losses that can be carried forward are recognized to the extent that it is likely that future taxable income will be available, against which they can be recovered. Current and deferred tax assets and liabilities are offset when there is a legal right to compensation. Deferred tax assets and liabilities are determined by adopting tax rates expected to be applicable in the financial years in which the temporary differences will be eliminated.

Other taxes not related to income are included among "Other operating expenses".

Use of estimates

In preparing the separate financial statements and the Notes in accordance with the IFRS, management is required to make estimates based also on subjective views, experience and assumptions that are deemed to be reasonable and realistic based on the information available at the time the estimate is made. Such estimates have an effect on the recognized amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date, and the amount of revenues and costs during the reporting period. Actual results could differ, including to a material extent, from such estimates due to possible changes in the elements contemplated when determining those estimates. Estimates are periodically reviewed.

The most significant accounting estimates entailing a high degree of reliance on assumptions and subjective judgments are detailed below.

Item	Accounting Estimates
Goodwill (Euro 70,697 thousand)	Goodwill is tested for impairment by comparing the carrying amount and recoverable amount of cash-generating units. The recoverable amount is represented by the higher of the fair value, less costs to sell, and the value in use of the cash-generating unit in question. This complex measurement process involves, *inter alia*, the use of methods such as the discounted cash flow method, with the requisite assumptions concerning cash flow. The recoverable amount depends to a significant degree on the discount rate used in the discounted cash flow model, as well as on the projected future cash flows and the growth rate used for extrapolation. The key assumptions used to determine the recoverable amount for the various cash-generating units, including a sensitivity analysis, are explained in detail in the note entitled "Goodwill."
Provision for doubtful receivables (Euro 4,917 thousand)	The recoverability of receivables is assessed by taking account of the risk that they may become irrecoverable, their seniority, and the impairment losses recognized on similar types of receivables in the past.
Depreciation and amortization (Euro 27,487 thousand)	Changes in market conditions, technology and the competitive scenario could have a material effect on the useful lives of non-current tangible and intangible assets and could result in a change in the timing of the depreciation process and the amount of depreciation and amortization expense.
Provisions, contingent liabilities and personnel provisions (Euro 2,709 thousand)	Accruals to provisions associated with lawsuits, arbitration proceedings and tax disputes are the result of a complex estimation process that is also founded upon the probability of an unfavorable outcome. Employee benefits, the provision for employee termination indemnities in particular, are calculated on the basis of actuarial assumptions. Changes in such assumptions could have a material impact on such provisions.
Income taxes (Euro 8,200 thousand)	Income taxes (current and deferred) are calculated according to a prudent interpretation of the current tax code. On occasion, this process involves complex estimates in determining taxable income and the temporary deductible differences and taxable income between the carrying amounts and the taxable amounts. In particular, deferred tax assets are recognized to the extent that it is likely that future taxable income will be available, against which they can be recovered. The recoverability of deferred tax assets, recognized in connection with tax losses that may be carried forward to subsequent years, and temporary deductible differences is assessed by considering an estimate of future taxable income and conservative tax planning.
Derivatives and equity instruments	The fair value of derivatives and equity instruments is determined on the basis of either prices in regulated markets or quoted prices provided by financial counterparties, as well as through the use of valuation models that also take account of subjective measurements, such as, for example, cash flow estimates, expected price volatility, etc.

In the absence of a standard or interpretation specifically applicable to a given transaction, the Company's management conducts thorough subjective assessments in order to define the accounting treatment to be adopted with the aim of providing financial statements that faithfully represent the Company's financial position, reflect the economic substance of transactions and are neutral, prepared on a conservative basis, and complete in all significant respects.

New Standards and Interpretations adopted by the EU and in force since January 1, 2011

In accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*), the following new standards/interpretations (included relevant improvements/amendments) effective since January 1, 2011 regulate circumstances and cases which were not present in Telecom Italia Media S.p.A. at the reporting date of this separate Financial Statements, but could produce accounting effects on future transactions or agreements:

- Amendments to IAS 32 *(Classification of Rights Issues);*
- Amendments to IAS 24 (*Related Party Disclosures*);
- Amendments to IFRIC 14 (*Prepayments of a Minimum Funding Requirement*);
- IFRIC 19 (*Extinguishing Financial Liabilities with Equity Instruments*);
- Improvements to IFRS - Issued in 2010.

New Standards and Interpretations acknowledged by the EU not yet in force

In 2011, several amendments to IFRS 7 (*Disclosures – Transfers of Financial Assets*) were adopted at EU level. These amendments are applicable starting from January 1, 2012. The application of these amendments is not expected to have a material impact on the Group's separate financial statements.

NOTE 3 – Goodwill

Euro 70,697 thousand

(Euro 108,837 thousand at December 31, 2010)

The item amounted to Euro 70,697 thousand, down Euro 38,140 thousand compared to December 31, 2010 and, considering the decision not to apply IFRS 3 retroactively during first-time adoption of IFRSs, it referred to the merger deficit resulting from the merger of La7 Televisioni S.p.A. into Telecom Italia Media S.p.A., on January 1, 2006.

The breakdown and changes in 2011 and 2010 are detailed below:

YEAR 2010	Goodwill
(in thousands of euro)	
Gross value at 12/31/2009	**205,088**
Investments	
Disposals	
Other movements (Impairment loss)	(96,251)
Gross value at 12/31/2010	**108,837**

YEAR 2011	Goodwill
(in thousands of euro)	
Gross value at 12/31/2010	**108,837**
Investments	
Disposals	
Other movements (Impairment loss)	(38,140)
Gross value at 12/31/2011	**70,697**

At December 31, 2011, goodwill to book was tested for impairment, as required by IAS 36. The impairment test showed an overall impairment loss of Euro 38,140 thousand.
The impairment test as of December 31, 2011 involved the three CGUs MTV Group, Telecom Italia Media S.p.A. and Network Operator TIMB (the so-called first level of impairment testing), and the Group as a whole (the so-called second level of impairment testing) due to the presence of general and administrative costs not allocated to the CGUs.

At the first level, the recoverable value of CGUs to which goodwill was allocated (MTV, TI Media S.p.A., and Network Operator TIMB) was compared to the relevant carrying amount. Recoverable values were calculated on the basis of the criteria used to estimate the recoverable value of the three CGUs within the consolidated Financial Statements, as well as using value assessments provided by independent experts.

Therefore, the recoverable amounts were as follow:
- fair value less costs to sell for the Telecom Italia Media S.p.A. CGU;
- value in use for the Operating Network TIMB and MTV CGUs.

At the second level, considering the severe decline in the value of Telecom Italia Media's stock in 2011 and given that the accounting standard requires that greater importance be attributed to information from external sources, market capitalization (fair value of first level) was used (as in the previous year) to determine the recoverable value.

Fair value estimates were based on the multiples of comparable listed European companies, a continuation of the method used in the previous year. The sample of comparable companies was compiled on the basis of the business conducted by the companies (Television Broadcasting Stations and Cable and Other Pay Television Services). The type of multiples — in line with the method previously adopted — includes leading multiples based on the relationship between the current market values of the comparable listed companies (Enterprise value = market capitalization + net debt + minority interests - non-consolidated equity investments) and consensus forecasts of equity analysts that follow the listed companies in relation to sales and the ratio of gross income to sales (EBITDA margin). The internal variables underlying the estimate of the fair value of the two CGUs measured were the expected level of sales and the EBITDA margin projected.

The fair value of the Telecom Italia Media S.p.A. CGU was estimated starting with a larger aggregate (in other words, starting with the unit of valuation, which is larger than the unit of account) and calculating the value using a sum-of-the-parts approach. In detail:

- first, the fair value of the aggregate of the two CGUs Telecom Italia Media S.p.A. and Network Operator TIMB was calculated based on the multiples of comparable companies and the projected sales and EBITDA margin of the two CGUs (overall value);
- next, the value of the Network Operator CGU, calculated based on its value in use (details are provided later in this note), was subtracted from that amount (so-called value of the Network Operator TIMB CGU);
- next, the value of Telecom Italia Media S.p.A. was calculated as the difference between the total value and the value of the Network Operator TIMB, after subtracting the current value of the CGU Telecom Italia Media S.p.A.'s projected net losses.

In line with the valuation process of the previous year, the use of this method was necessary due to both the absence of pure comparable players (Telecom Italia Media S.p.A. does not have its own network; it uses TIMB's network and incurs the related costs), and to avoid obtaining a value for the two CGUs "Telecom Italia Media S.p.A." and "Network Operator TIMB" that is greater than what would have resulted from a valuation based on the multiples of an aggregate of the two CGUs.

The recoverable amount for TIMB was estimated by drawing on the the economic and financial forecasts approved by the Managing Director, and considering:

- trade policies to support the launch of new channels and select reliable clients;
- a remaining life of the CGU corresponding to the remaining life of the licenses (2028);
- an annual reduction in operating profits for the period 2016-2028 of 1.8% (due to an annual decrease in revenue of 1.0% and increase in costs of 0.8 %);
- a realizable value of zero;
- a full equity financial structure and a post-tax cost of capital of 11.65% (previous year: 11.3%).

The estimate of the Network Operator's recoverable amount on the basis of these assumptions was less than its carrying amount of Euro 9,390 thousand, hence the need to recognize a first-level impairment loss.

The recoverable amount of the MTV CGU was determined on the basis of projections of its earnings through 2016. MTV's projections call for negative results at the level of EBIT in 2012 and 2013 and a recovery of profitability beginning in 2014. The expected flows have been discounted according to a weighted average cost of capital (WACC) of 9.20%, in line with the estimates of analysts who cover TI Media stock. The growth rate in the terminal value was set at zero. The recoverable amount calculated according to this process is higher than the carrying amount.

The second-level impairment test was conducted on the basis of the market capitalization as of December 31, 2011 (fair value). It was deemed appropriate to refer to that value in order to account for the significant decline in the stock's performance registered in 2011.
The recoverable amount calculated according to this process was in excess of the carrying amount of level-two invested capital (after the impairment loss on goodwill recognized at first level, totaling Euro 9,390 thousand) and called for further goodwill writedowns amounting to Euro 28,750 thousand. Second-level impairment was divided among CGUs in relation to the values regarding goodwill (after level-one impairment test).

After the first- and second-level impairment tests, goodwill values attributed to each CGU were therefore as follows:

	Goodwill 12/31/2010 a	Impairment 2011 b	Goodwill 12/31/2011 a-b
MTV CGU	23,300	(6,750)	16,550
Telecom Italia Media S.p.A. CGU	10,537	(3,040)	7,497
Network Operator (TIMB) CGU	75,000	(28,350)	46,650
Total	108,837	(38,140)	70,697

NOTE 4 – Intangible assets with finite useful lives

Euro 40,714 thousand

(Euro 37,692 thousand at December 31, 2010)

In 2011, this item amounted to Euro 40,714 thousand, with an increase compared to 37,692 thousand in 2010. It was broken down as follows:

Year 2010	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Work in process	Advance payments for intangible assets	Total
(in thousands of euro)					
Gross value at 12/31/2009	**75,526**	**13,320**	**1,961**		**90,807**
Investments	26,566	263	813		27,642
Disposals and other movements	(15,453)		(1,639)		(17,092)
Gross value at 12/31/2010	**86,639**	**13,583**	**1,135**		**101,357**
Amortization at 12/31/2009	**(43,935)**	**(13,073)**			**(57,008)**
Amortization for the year	(23,559)	(142)			(23,701)
Disposals and other movements	17,044				17,044
Amortization at 12/31/2010	**(50,450)**	**(13,215)**			**(63,665)**
Net value at 12/31/2009	**31,591**	**247**	**1,961**		**33,799**
Investments	26,566	263	813		27,642
Depreciation and amortization	(23,559)	(142)			(23,701)
Disposals and other movements	1,591	-	(1,639)		(48)
Net value at 12/31/2010	**36,189**	**368**	**1,135**		**37,692**

Year 2011	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Work in process	Advance payments for intangible assets	Total
(in thousands of euro)					
Gross value at 12/31/2010	**86,639**	**13,583**	**1,135**		**101,357**
Investments	24,854	220	1,627		26,701
Disposals and other movements	(26,794)	(14,542)	(724)		(42,060)
Gross value at 12/31/2011	**84,699**	**(739)**	**2,038**		**85,998**
Amortization at 12/31/2010	**(50,450)**	**(13,215)**			**(63,665)**
Amortization for the year	(23,579)	(122)			(23,701)
Disposals and other movements	27,540	14,542			42,082
Amortization at 12/31/2011	**(46,489)**	**1,205**			**(45,284)**
Net value at 12/31/2010	**36,189**	**368**	**1,135**		**37,692**
Investments	24,854	220	1,627		26,701
Depreciation and amortization	(23,579)	(122)			(23,701)
Disposals and other movements	746	-	(724)		22
Net value at 12/31/2011	**38,210**	**466**	**2,038**		**40,714**

Industrial patents and intellectual property rights Euro 38,210 thousand

This item includes Euro 36,731 thousand for television rights for the use and economic exploitation of films, sit-coms, series, cartoons, and documentaries.
This item also includes Euro 1,479 thousand for software and license rights with indefinite time of usage.
TV rights were amortized on an annual straight-line basis in the period of their contractual availability, as from the time when the related underlying materials are available and ready for use. Software was amortized based on its expected useful life.

Concessions, licenses, trademarks and similar rights Euro 466 thousand

This item increased by Euro 98 thousand compared to December 31, 2010 and, net of amortization for the reporting year, it referred mainly to trademarks and similar rights for Euro 449 thousand and software user licenses of limited duration for Euro 17 thousand.

NOTE 5 - Tangible assets Euro 11,593 thousand

(Euro 11,002 thousand at December 31, 2010)

Tangible assets increased by Euro 591 thousand.

The breakdown and changes in 2010 and 2011 are detailed below:

Year 2010	Industrial and civilian buildings	Plant and machinery	Manufacturing and distribution equipment	Work in process	Other tangible assets	Total
(in thousands of euro)						
Gross value at 12/31/2009	**14**	**21,649**	**98**	**298**	**15,809**	**37,868**
Investments		2,197	8	717	1,010	3,932
Disposals and other movements				(224)	224	-
Gross value at 12/31/2010	**14**	**23,846**	**106**	**791**	**17,043**	**41,800**
Depreciation at 12/31/2009	**(1)**	**(14,948)**	**(97)**	**-**	**(12,162)**	**(27,208)**
Depreciation for the year	(1)	(2,082)	(2)		**(1,505)**	(3,590)
Disposals and other movements						-
Depreciation at 12/31/2010	**(2)**	**(17,030)**	**(99)**	**-**	**(13,667)**	**(30,798)**
Net value at 12/31/2009	**13**	**6,701**	**1**	**298**	**3,647**	**10,660**
Investments	-	2,197	8	717	1,010	3,932
Depreciation	(1)	(2,082)	(2)		(1,505)	(3,590)
Disposals and other movements	-	-	-	(224)	224	**-**
Net value at 12/31/2010	**12**	**6,816**	**7**	**791**	**3,376**	**11,002**

Year 2011	Industrial and civilian buildings	Plant and machinery	Manufacturing and distribution equipment	Work in process	Other tangible assets	Total
(in thousands of euro)						
Gross value at 12/31/2010	**14**	**23,846**	**106**	**791**	**17,043**	**41,800**
Investments		3,251		202	946	4,399
Disposals and other movements		(962)		(752)	517	(1,197)
Gross value at 12/31/2011	**14**	**26,135**	**106**	**241**	**18,506**	**45,002**
Depreciation at 12/31/2010	**(2)**	**(17,030)**	**(99)**	**-**	**(13,667)**	**(30,798)**
Depreciation for the year	(2)	(2,110)	(2)		(1,672)	(3,786)
Disposals and other movements		1,175				1,175
Depreciation at 12/31/2011	**(4)**	**(17,965)**	**(101)**	**-**	**(15,339)**	**(33,409)**
Net value at 12/31/2010	**12**	**6,816**	**7**	**791**	**3,376**	**11,002**
Investments	-	3,251	-	202	946	4,399
Depreciation	(2)	(2,110)	(2)		(1,672)	(3,786)
Disposals and other movements	-	213	-	(752)	517	**(22)**
Net value at 12/31/2011	**10**	**8,170**	**5**	**241**	**3,167**	**11,593**

The ratio of the accumulated depreciation on the gross value of fixed assets amounted to 74.2% (73.7% at December 31, 2010).

The accumulated depreciation (Euro 33,409 thousand) is deemed adequate to cover the depreciation of all types of assets, based on their estimated residual life.

Plant and machinery — Euro 8,170 thousand

This item increased by Euro 1,354 thousand. It includes low-frequency facilities, including studios and broadcasting and electric and generic facilities. In 2011 investments amounted to Euro 3,251 thousand, including Euro 2,581 thousand for the implementation of broadcasting systems for low-frequency TV plants.

Other tangible assets — Euro 3,167 thousand

Other fixed assets decreased by Euro 209 thousand compared to December 31, 2010. They include leasehold improvements, furniture and fixtures and office machinery. Investments for 2011 include Euro 384 thousand for improvements to third-party property involving refurbishment and extension of the Rome offices.

The minimum and maximum depreciation rates (reformulation of useful lives in %) for 2011 and 2010 are set out below:

	2011	2010
Industrial and civilian buildings	9.1% - 9.1%	9.1% - 9.1%
Plant and machinery	9.1% - 33.3%	9.1% - 33.3%
Manufacturing and distribution equipment	20.0% - 25.0%	20.0% - 25.0%
Other tangible assets	10.0% - 40.0%	11.1% - 33.3%

NOTE 6 – Other non-current assets

Euro 213,239 thousand

(Euro 224,833 thousand at December 31, 2010)

This item decreased by Euro 11,594 thousand compared to December 31, 2010.

The changes in the main items comprising non-current assets are detailed on the following pages.

(in thousands of euro)	12/31/2011	*of which financial instruments (1)*	12/31/2010	*of which financial instruments (1)*	Change
Investments in:					
Subsidiaries	172,124		172,124		-
Other companies	1,061		1,617		(556)
Payments for future capital increases	10,258		10,258		-
	183,443		183,999		(556)
Securities and financial receivables					
Securities other than investments					
Financial receivables and other non-current financial assets from related parties					
Financial receivables and other non-current financial assets from other parties	726	726	752	752	(26)
	726		752		(26)
Miscellaneous receivables and other non-current assets					
Non current receivables due to National Tax Consolidation	8,460		18,879		(10,419)
Other miscellaneous receivables	14,439	14,439	14,449	14,251	(10)
	22,899		33,328		(10,429)
Deferred tax assets	6,171		6,754		(583)
Total	**213,239**	**15,165**	**224,833**	**15,003**	**(11,594)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 18.

- **Securities** Euro 183,443 thousand

This item is made up as follows:

(in thousands of euro)	12/31/2010	Investments	Transfers / reimbursement of capital	Impairment	Reclassifications and other movements	12/31/2011
Investments in:						
Subsidiaries	**172,124**					**172,124**
MTV Italia S.r.l.	9,202					9,202
Telecom Italia Media Broadcasting S.r.l.	162,922					162,922
Other companies	**1,617**		**(500)**	**(56)**		**1,061**
Auditel S.r.l.	46					46
Consorzio per Distribuzione Audiovisivo e ITC	5					5
Consorzio Sardegna digitale	13					13
Consorzio Valle d'Aosta digitale	7					7
Italbiz.com Inc.	1					1
TI Audit S.c.a.r.l.	500		(500)			
Tiglio I S.r.l.	1,010			(56)		954
TIVU' S.r.l.	35					35
Total investments	**173,741**		**(500)**	**(56)**		**173,185**
Payments for future capital increases	**10,258**					**10,258**
MTV Italia S.r.l.	258					258
Telecom Italia Media Broadcasting S.r.l.	10,000					10,000
Total	**183,999**		**(500)**	**(56)**		**183,443**

Investments at December 31, 2011 amounted to Euro 183,443 thousand, a reduction of Euro 556 thousand compared to December 31, 2010 (Euro 183,999 thousand).

In detail:

– Disposals: Euro 500 thousand was attributable to the disposal of the investment in TI Audit S.c.a.r.l. to Telecom Italia S.p.A. The consideration for the sale, in line with the carrying amount of the investment, was determined by an appraisal prepared by an independent expert appointed jointly by Telecom Italia Media S.p.A. and Telecom Italia S.p.A.;

– Impairment: this item referred to the impairment of investments in Tiglio 1 S.r.l. for Euro 56 thousand, aimed at adjusting the carrying value to the economic value of the Company.

- **Securities and financial receivables** Euro 23,625 thousand

Securities and financial receivables decreased by Euro 10,455 thousand compared to December 31, 2010.

The breakdown of this item is shown in the following table:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Securities other than investments			
Loans to employees	726	752	(26)
Total securities and non-current financial receivables	**726**	**752**	**(26)**
Miscellaneous non-current receivables:			
Receivables from the Parent Company for National Tax Consolidation	8,460	18,879	(10,419)
Deposits for third parties as collateral	11	11	
Other miscellaneous receivables from third parties	14,428	14,438	(10)
Total non-current miscellaneous receivables	**22,899**	**33,328**	**(10,429)**
Total securities and receivables	**23,625**	**34,080**	**(10,455)**

- **Other non-current miscellaneous receivables** Euro 22,899 thousand

Other non-current receivables, which decreased by Euro 10,429 thousand compared to December 31, 2010, consisted mainly of an amount due (Euro 8,460 thousand) from the Parent Company, Telecom Italia S.p.A., for tax losses from 2011 as a result of the Company's participation in the National Tax Consolidation scheme. The amount is expected to be received in June 2013.
Starting with the 2004 tax period and the introduction of the National Tax Consolidation pursuant to Legislative Decree No. 344 of December 12, 2003, then renewed in 2007 for the 2007/2009 period and in 2010 for the 2010/2012 period, the parent company Telecom Italia S.p.A. adhered to Group corporate income tax (IRES) and exercised the joint option — which is binding for three years — also for Telecom Italia Media S.p.A.
The decision to apply the National Tax Consolidation allows the company to recognize and then transfer current taxes even in the event of negative taxable income, offsetting a credit towards Telecom Italia S.p.A. Inversely, in the event that tax is due, the current taxes will offset a liability towards the Parent Company. The relationship between the parties, regulated by contract, envisages complete recognition of the sum equivalent to multiplication of the corporate income tax rate (IRES) and the transferred tax losses or gains, including the consolidation changes.
The amount of other miscellaneous receivables from third parties at December 31, 2011 included Euro 14,400 thousand deriving from a transaction aimed at improving the financial solidity of the investee Dahlia TV (in liquidation) finalized in August 2010 through the subscription of newly issued preference shares (designated "class B shares").
Telecom Italia Media subscribed those shares by converting trade receivables previously acquired from Telecom Italia Media Broadcasting and Telecom Italia S.p.A. in the amounts of Euro 3,000 thousand and Euro 11,400 thousand, respectively, on a with-recourse basis.
Dahlia TV was placed in liquidation on January 10, 2011. Accordingly, Telecom Italia Media had not recognized any impairment on the receivables in question inasmuch as they are guaranteed by the above-mentioned with-recourse clause.

Note 7 – Deferred tax assets

Euro 6,171 thousand

(Euro 6,754 thousand at December 31, 2010)

This item decreased by Euro 583 thousand compared to December 31, 2010.

The breakdown of this item is shown in the following table:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Deferred tax assets:			
Write-down of equity investments			
Provisions for future risks and charges	3,750	4,294	(544)
Provision for doubtful receivables	2,156	2,480	(324)
Tax losses			
Other deferred taxes	265	(20)	285
Total deferred tax assets, net of deferred tax reserves	**6,171**	**6,754**	**(583)**

All Group's companies recognized deferred tax assets in accordance with the accruals principle, recording amounts attributable to future periods but payable in the current period.
Deferred tax assets and liabilities are recognized on temporary differences between the accounting and tax values attributed to an asset or liability.
Temporary differences are used as a basis for calculating deferred tax assets and liabilities and mainly arise as a result of differences between pre-tax accounting results and taxable income; such differences originate in one year and reverse in one or more subsequent years. The differences are due to income and costs or portions of income and costs that contribute to the determination of taxable income in a different tax period than the one in which they contribute to the determination of accounting results.

Deferred tax assets arise from differences between taxable income and accounting results (amounts that are taxable in the period in which they arise and deductible in subsequent periods) and are recognized in the financial statements to the extent that it is probable that they refer to differences that can be reasonably expected to reverse in a future period.

Deferred tax assets are recorded net of deferred tax liabilities (Euro 1 thousand).

For this reason, total theoretical future tax benefits relating to deductible temporary differences (Euro 6,170 thousand at December 31, 2011 and Euro 6,754 thousand at December 31, 2010) decreased by Euro 584 thousand at December 31, 2011.
Specifically, deferred tax assets included Euro 3,750 thousand at December 31, 2011 (Euro 4,294 thousand at December 31, 2010) in relation to provisions.

There are no tax loss carryforwards.

NOTE 8 – Inventories

Euro 1,371 thousand

(Euro 1,167 thousand at December 31, 2010)

Inventories at December 31, 2011 amounted to Euro 1,371 thousand, up by Euro 204 thousand.

(in thousands of euro)	12/31/2011	12/31/2010	Change
Raw materials and supplies			
Work in progress and semifinished goods			
Finished goods	1,371	1,167	204
Advances on inventories			
Total	**1,371**	**1,167**	**204**

In detail:

- television programs (Euro 1,063 thousand);
- film rights with a duration of less than 12 months (Euro 308 thousand).

NOTE 9 - Trade and miscellaneous receivables, and other current assets (excluding income tax receivables) Euro 68,252 thousand

(Euro 76,046 thousand at December 31, 2010)

This item decreased by Euro 7,794 thousand compared to December 31, 2010, and includes:

(in thousands of euro)	12/31/2011	*of which financial instruments (1)*	12/31/2010	*of which financial instruments (1)*	Change
Receivable for contract works					
Trade receivables:					
- receivables from customers	45,098	45,098	47,081	47,081	(1,983)
- receivables from Parent Companies	1,187	1,187	6,067	6,067	(4,880)
- receivables from subsidiaries	598	598	613	613	(15)
- receivables from other related parties	69	69	160	160	(91)
	46,952	**46,952**	**53,921**	**53,921**	**(6,969)**
Miscellaneous receivables and other current assets:					
- other receivables	21,039	125	21,007	133	32
- commercial and other prepaid expenses	261		1,118		(857)
	21,300	**125**	**22,125**	**133**	**(825)**
Total	**68,252**	**47,077**	**76,046**	**54,054**	**(7,794)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 18.

Trade receivables Euro 46,952 thousand

Receivables from customers Euro 45,098 thousand

Trade receivables, not including the provision for doubtful accounts, amounted to Euro 50,015 thousand. This item primarily included Euro 40,473 thousand as consideration, net of the allowance for doubtful debts totaling Euro 2,566 thousand, owed to Telecom Italia Media S.p.A. by the advertising agency Cairo Communications S.p.A., whose contract is based on guaranteed minimums correlated with increases in share. In addition, trade receivables included Euro 1,965 thousand for direct sales of advertising spaces to Gruppo Reti Televisive Italiane under the advertising agreement signed on December 2008, direct sales of advertising spaces to Anicaflash for Euro 404 thousand, sales of programs produced by La7 to the Viacom Group of Euro 261 thousand and technical services involving digital television broadcasting and transmission on various platforms of sundry third-party television channels of Euro 278 thousand.

The value of receivables from customers was in line with their presumed realizable amounts after the appropriate impairment losses, determined according to thorough recoverability analyses that also reflected the input of external legal counsel. The provision for doubtful accounts amounted to Euro 4,917 thousand. The evolution of the provisions for doubtful trade receivables was as follows:

(in thousands of euro)	12/31/2010	Increase	Decrease	Release to income statement	Other movements	12/31/2011
Provision for doubtful receivables	6,180	1,340	(1,362)	(1,350)	109	4,917

Receivables from parent companies Euro 1,187 thousand

The entire balance of this item (Euro 1,187 thousand) is due from the parent company Telecom Italia Spa, mainly for amounts invoiced for the development and transmission of content promos within the service rendered by Telecom Italia S.p.A. and referred to as "Cubovision" (Euro 500 thousand), and the implementation and supply of Barker Channel service (Euro 300 thousand).

Receivables from subsidiaries — Euro 598 thousand

This item refers for Euro 537 thousand to receivables from Telecom Italia Media Broadcasting and for Euro 59 thousand to receivables from MTV Italia.

Miscellaneous receivables and other current assets — Euro 21,300 thousand

Other receivables — Euro 21,039 thousand

This item increased by Euro 32 thousand compared to December 31, 2010, and includes:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Advances to suppliers	1,052	2,751	(1,699)
Receivables from employees	109	122	(13)
Advance payments for other taxes	114	163	(49)
Current receivables from the Parent Company for National Tax Consolidation	19,321	17,477	1,844
Other items	443	494	(51)
Total	**21,039**	**21,007**	**32**

Receivables from the Parent Company Telecom Italia S.p.A. (Euro 19,321 thousand) relating to the tax losses recognized in 2010 in adherence with the National Tax Consolidation for which pay-in is expected within June 2012.

Commercial and other prepaid expenses — Euro 261 thousand

Commercial and other prepaid expenses amounted to Euro 261 thousand (Euro 1,118 thousand for 2010), down by Euro 857 thousand compared to the previous year.

In accordance with the disclosure requirements of IFRS 7, a breakdown by maturity of trade receivables, other receivables and other current assets is provided below:

(in thousands of euro)	12/31/2011	Of which not expired	Of which expired since: 0-90 days	91-180 days	181-365 days	beyond 365 days
Trade and miscellaneous receivables and other current assets	61,516	60,765	605	111	35	

(in thousands of euro)	12/31/2010	Of which not expired	Of which expired since: 0-90 days	91-180 days	181-365 days	beyond 365 days
Trade and miscellaneous receivables and other current assets	68,305	67,766	401	21	66	51

NOTE 10 – Financial receivables and other current financial assets

Euro 70,192 thousand

(Euro 70,181 thousand at December 31, 2010)

This item increased by Euro 11 thousand compared to December 31, 2010 (Euro 70,181 thousand) and included mainly Euro 70,000 thousand for the short-tem loan to Telecom Italia Media Broadcasting S.r.l. (Euro 70,000 thousand at December 31, 2010) and loans to personnel amounting to Euro 170 thousand.

(in thousands of euro)	12/31/2011	12/31/2010	Change
Deposits for temporary use of liquidity with original maturity exceeding 90 days but not exceeding 12 months			
Financial receivables for net investments from lessors			
Other short-term financial receivables	70,192	70,181	11
Hedging derivatives relating to hedged elements classified among current financial assets/liabilities			
Total	**70,192**	**70,181**	**11**

NOTE 11 – Cash and cash equivalents

Euro 18,128 thousand

(Euro 3,379 thousand at December 31, 2010)

(in thousands of euro)	12/31/2011	12/31/2010	Change
Cash at bank, financial and postal institutes			
Cheques			
Cash	114	143	(29)
Receivable and deposits for cash flexibility	18,014	3,236	14,778
Securities other than investments (with maturity not exceeding 90 days)			
Total	**18,128**	**3,379**	**14,749**

Cash and cash equivalents were Euro 18,128 thousand, improving by Euro 14,749 thousand compared to Euro 3,379 thousand at December 31, 2010. This increase is primarily attributable to the running account receivable from Telecom Italia Media Broadcasting S.r.l., which totaled Euro 12,827 thousand at December 31, 2011 (not present at December 31, 2010), and to the running account receivable from Telecom Italia S.p.A., increasing by Euro 1,962 thousand (Euro 5,187 thousand at December 31, 2011 and Euro 3,225 thousand at December 31, 2010).

Receivables and deposits for cash flexibility, which amounted to Euro 18,014 thousand, include short-term financial receivables from subsidiaries and parent companies established in connection with the Telecom Italia Media Group's centralized treasury program. Consistent with Telecom Italia Group's centralized treasury procedures, the program requires that the Parent Company provide financial resources to its subsidiaries through running accounts.
At December 31, 2011, the most significant receivable was thus that of Euro 12,827 thousand from Telecom Italia Media Broadcasting.

NOTE 12 – Equity

Euro 234,300 thousand

(Euro 295,030 thousand at December 31, 2010)

Changes for the year are shown in the following table:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Issued capital	**212,188**	**212,188**	-
Less treasury shares			
Share capital	**212,188**	**212,188**	-
Share premium account	82,786	235,995	(153,209)
Other reserves:			
Other	85	56	29
Total other reserves	85	56	29
Retained earnings (accumulated losses) including profit for the year	(60,759)	(153,209)	92,450
Total	**234,300**	**295,030**	**(60,730)**

During 2011, there were no movements in **share capital.**

Share capital structure

Subscribed, paid-in share capital amounted to Euro 212,188,324.10, divided into 1,446,317,896 ordinary shares without par value and 5,496,951 savings shares without par value.

The categories of shares representing TI Media's share capital are:

	No. of shares	% of share capital	Listed / not listed	Rights and obligations
Ordinary shares	1,446,317,896	99.62%	Listed on Borsa Italiana S.p.A.	Right of vote at Ordinary and Extraordinary Shareholders' Meetings of the Company
Savings shares	5,496,951	0.38%	Listed on Borsa Italiana S.p.A.	Right of vote at Special Category Meeting. Preferential rights provided by Article 6 of the By-Laws under attached.

Privileges of Savings Shares

An extract of article 6 of the Telecom Italia Media S.p.A.'s Bylaws that describes the privileges attaching to savings shares, is provided below:

6.6 - Savings shares have the privileges described in this article.

6.7 - Net profits reported in the regularly approved financial statements, less the amount to be allocated to the legal reserve, shall be distributed to holders of savings shares up to an amount equal to five per cent of the par value of the shares (Euro 0.30).

6.8 - Any profits remaining after allocating the savings shares the preferred dividend as established in the previous paragraph and as resolved by the General Shareholders' Meeting, shall be distributed among all shares so that savings shares receive a greater cumulative dividend than common shares, equal to two percent of the par value of the share (Euro 0.30).

6.9 - When a dividend that is less than the amount indicated in the seventh paragraph hereof is allocated to savings shares during any fiscal year, the difference shall be added to the preferred dividend during the two subsequent fiscal years.

6.10 - In the case of distribution of reserves, savings shares have the same rights of other shares. Furthermore, the Shareholders' Meeting which approves the financial statements for the year, in the event that the financial statements show no or insufficient net profit, has the power to use the available reserves in order to meet the capital rights referred to in paragraph seven above as may have increased pursuant to paragraph nine above.

6.11 – The payment from reserves excludes the application of the dragging mechanism in the two subsequent financial periods to the right to the preferred dividend not received by way of distribution of profits, referred to in paragraph nine.

6.12 – A capital stock reduction due to losses has no effect on savings shares except for the portion of the loss not included in the full extent covered by other shares.

6.13 At the winding up of the Company, savings shares shall have preference in redemption of capital stock up to Euro 0.30 per share. In the event of subsequent stock splits or reverse stock splits (as well as of capital transactions, where required in order to avoid altering the rights of savings shareholders with respect to the situation when shares had par value), said fixed amount per share shall be modified accordingly.

6.14 - If at any time common or savings shares of the Company are excluded from trading savings shareholders have the right to request conversion of their shares to ordinary shares, according to the terms and conditions to be defined by a resolution of the Extraordinary Shareholders' Meeting convened for this purpose.

6.15 – The holders of savings shares shall be organized as established by law and these Bylaws. All expenses associated with the organization of the special meetings of holders of savings shares and the compensation of the common representative shall be borne by the Company.

***

The **Share premium account** amounted to Euro 82,786 at December 31, 2011, down by Euro 153,209 thousand compared to December 31, 2010 (Euro 235,995 thousand). This change was due to the replenishment of prior-year losses (Euro 153,209 thousand).

Other reserves totaled Euro 85 thousand (Euro 56 thousand at December 31, 2010), showing an increase of Euro 29 thousand. This amount included Euro 25 thousand related to the rights of the Telecom Italia Media Share Granting Stock Option Plan assigned to Top Management and Euro 60 thousand for the rights of 2010-2014 employee share ownership plans.

Accumulated profit (loss) including profit (loss) for the year was negative at Euro 60,759 thousand compared to December 31, 2011 and included the loss of the year.

To complete the report on equity, the following table is provided as per Article 2427 No. 7–*bis*, with a breakdown of equity items by origin, usage and distribution possibility, as well as their use during previous financial years.

Annex pursuant to Article 2427, Paragraph 7-*bis*

Nature/description (in thousands of euro)	Amount	Possibility of use	Available portion	Summary of uses made in the previous three accounting years: to replenish losses	for other reasons
Share capital	**212,188**				
Capital reserves:					
Share premium account	82,786	A,B,C	82,786	185,533	
Legal reserve		A,B,C		21,459	
Reserve Re. Law No. 342 of 11/21/2000		A,B,C			
Capital grant reserve		A,B,C			
Extraordinary reserve		A,B,C		10,038	
Revaluation reserve Re. Law 413/91		A,B,C			
Euro reserve		A			
Other reserves	85	B	85	204	
Retained earnings:					
Legal reserve		A,B,C			
Total			82,871		
Non-distributable portion			(42,523)		
Remaining distributable portion			40,348		

A: for capital increase
B: to replenish losses
C: for distribution to shareholders

At December 31, 2011, Telecom Italia Media S.p.A. did not have any more authorized capital increases for stock option plans.

NOTE 13 – Financial liabilities (current and non current)

Euro 146,914 thousand

(Euro 123,352 thousand at December 31, 2010)

Financial liabilities increased by Euro 23,562 thousand compared to the previous year, and can be broken down as follows:

(in thousands of euro)	12/31/2011	12/31/2010	Change
Financial payables (medium/long-term share):			
- Bonds			
- Convertible and exchangeable bonds			
- Due to banks			
- Other financial liabilities	100,000	100,000	
	100,000	100,000	
Medium/long-term finance lease liabilities			
Other medium/long-term liabilities	21	23	(2)
Total medium/long-term financial liabilities (A)	**100,021**	**100,023**	**(2)**
Short-term payables:			
- Bonds			
- Convertible and exchangeable bonds			
- Due to banks			
- Hedging derivatives and hedged items classified among current financial assets and liabilities			
- Non-hedging derivatives			
- Other financial liabilities	46,885	23,321	23,564
	46,885	23,321	23,564
Short-term finance lease liabilities			
Other short-term financial liabilities	8	8	
Total short-term financial liabilities (B)	**46,893**	**23,329**	**23,564**
Total financial liabilities C= (A+B)	**146,914**	**123,352**	**23,562**

NOTE 14 – Net financial debt

TELECOM ITALIA MEDIA S.p.A - BREAKDOWN OF NET FINANCIAL DEBT [1]

(in thousands of euro)		12/31/2011	12/31/2010	Change
Non-current financial liabilities[2]:				
Financial payables		100,000	100,000	-
Finance lease liabilities				-
Non-currrent liabilities for hedging derivatives				-
Other financial liabilities		21	23	(2)
	(1)	100,021	100,023	(2)
TOTAL NON-CURRENT FINANCIAL LIABILITIES [2]	**(A)**	**100,021**	**100,023**	**(2)**
Current financial liabilities[2]:				
Financial payables		46,885	23,321	23,564
Finance lease liabilities				-
Current liabilities for hedging and non-hedging derivatives				-
Other financial liabilities		8	8	-
	(2)	46,893	23,329	23,564
TOTAL CURRENT FINANCIAL LIABILITIES [2]	**(B)**	**46,893**	**23,329**	**23,564**
TOTAL FINANCIAL DEBT [2]	**(C=A+B)**	**146,914**	**123,352**	**23,562**
Current financial assets [2]				
Securities		-	-	-
Financial receivables and other current financial assets		(70,192)	(70,181)	(11)
Cash and cash equivalents		(18,128)	(3,379)	(14,749)
	(3)	(88,320)	(73,560)	(14,760)
		(88,320)	**(73,560)**	**(14,760)**
TOTAL CURRENT FINANCIAL ASSETS [2]	**(D)**	**(88,320)**	**(73,560)**	**(14,760)**
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION No. DEM/6064293/2006	**(E=C+D)**	**58,594**	**49,792**	**8,802**
Non-current financial assets [2]				
Securities other than investments		-	-	-
Financial receivables and other non-current financial assets		(726)	(752)	26
	(4)	(726)	(752)	26
TOTAL NON-CURRENT FINANCIAL ASSETS [2]	**(F)**	(726)	(752)	26
NET FINANCIAL DEBT	**(G=E+F)**	**57,868**	**49,040**	**8,828**
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial liabilities	(1)	100,021	100,023	(2)
Current gross financial liabilities	(2)	46,893	23,329	23,564
		146,914	**123,352**	**23,562**
Total gross financial assets:				-
Non-current gross financial assets	(4)	(726)	(752)	26
Current gross financial assets	(3)	(88,320)	(73,560)	(14,760)
		(89,046)	**(74,312)**	**(14,734)**
		57,868	**49,040**	**8,828**

[1] As regards the effects of related party transactions on net financial debt, see the specific table in the Notes "Related Party Transactions".

[2] Net of hedging derivative assets and financial accounts receivable for net investments from lenders.

At December 31, 2011, net financial debt was Euro 57,868 thousand, with an increase of Euro 8,828 thousand compared to Euro 49,040 thousand at December 31, 2010.

In detail, figures for 2011 refer to:

- **Non-current financial liabilities.** This item amounted to Euro 100,000 thousand (unchanged compared to the previous year) and is composed entirely of the financing granted by parent company Telecom Italia S.p.A. following the establishment of a loan agreement between Telecom Italia and the European Investment Bank, for the same amount and under the same conditions. The soft loan was granted by the EIB to the Parent Company to finance Telecom Italia Media's investment program in the Digital Terrestrial network, completed in 2007. The details of the loan with the Parent Company, which was issued on December 21, 2006, are outlined below:

Amount	Euro 100 million
Duration	7-year bullet
Interest rate	EURIBOR 6M

- **Current financial liabilities.** At December 31, 2011, current financial liabilities were Euro 46,885 thousand, with an increase of Euro 23,564 thousand compared to December 31, 2010, and were mainly attributable to the financial loan to Telecom Italia Finance SA for the variable-rate credit facility agreement (based on EURIBOR), signed on December 20, 2011 for a total amount of Euro 60,000 thousand. As of December 31, 2011, Euro 45,000 thousand of said amount had been used.

- **Financial receivables and other current financial assets.** The item amounted to Euro 70,192 thousand, up by Euro 11 thousand compared to December 31, 2010 (Euro 70,181 thousand) and included a loan of Euro 70,000 thousand to Telecom Italia Media Broadcasting S.r.l. and loans of Euro 170 thousand to employees.

- **Cash and cash equivalents.** Cash and cash equivalents amounted to Euro 18,128 thousand, a Euro 14,749 thousand increase compared to Euro 3,379 thousand reported at December 31, 2010. This performance was mainly attributable to receivable from the subsidiary Telecom Italia Media Broadcasting S.r.l. (Euro 12,827 thousand), not accounted for as of December 31, 2010, and the Euro 1,962 thousand rise in receivables from Telecom Italia S.p.A. associated with current accounts used in centralized treasury management program.

NOTE 15 – Employee benefits

Euro 7,722 thousand

(Euro 8,635 thousand at December 31, 2010)

The following changes occurred during the year:

(in thousands of euro)	12/31/2010	Provisions	Indemnities paid to personnel no longer in office	Advances	Withholdings on revaluation of Employee Termination Indemnities	Other movements	12/31/2011
Reserve for employee termination indemnities	8,635	(620)	(121)	(197)		25	7,722
Fund for pensions and similar obligations							
Funds for personnel outflow incentives (payable after 12 months)							
Total	**8,635**	**(620)**	**(121)**	**(197)**		**25**	**7,722**

Under Italian legislation, each employee's benefit accrues based on the service rendered by that employee and is payable when the employee leaves the company. The amount due on termination of employment is calculated in accordance with the length of employment and each employee's taxable income. The liability, which is adjusted annually based on Italy's official cost-of-living index and interests recognized by law, is not associated with any vesting condition or period or any funding obligation; accordingly, no assets have been allocated to the fund. In accordance with IAS 19, this item was recognized as "Defined benefit plan" for the portion accrued at December 31, 2006.

Based on the legislation introduced by Italian Legislative Decree No. 252/2005 and Law No. 296/2006 "2007 Financial Law", benefits accrued from 2007 must be paid to either the INPS Treasury Fund or a supplementary pension scheme and are considered "Defined contribution plans." However, writeups to the provision as of December 31, 2006, which have been made based on Italy's official cost-of-living index and interest accrued, continue to be carried under employee benefits.

In application of IAS 19, employee termination benefits were determined through actuarial recalculation using the Projected Unit Credit Cost Method — Service Pro-Rate, as follows:

- on the basis of a series of financial assumptions (cost-of-living increases, interest rates, pay increases, etc.), the Group has projected the possible future benefits that could be issued in favor of each employee enrolled in the program in case of retirement, decease, disability, resignation, etc.; The estimate of future benefits takes into account any foreseeable increases corresponding to further seniority of service, as well as the presumable increase in the level of pay received at the valuation date;
- the Group calculated the *average present value of future benefits*, based on the annual interest rate adopted and the probability that each benefit has to be effectively issued;
- the Group defined the liability for each company, identifying the share of the average present value of future benefits referring to the benefit already accumulated by the employee in the company at the valuation date.

More in detail, the Group adopted the following assumptions:

Economic forecasts	Executives	Non-executives
Inflation rate	2.0%	2.0%
Discount rate	5.1%	5.1%
Compensation increase:		
- up to 40 years of age	1.0%	1.0%
- over 40 years but up to 55 years of age	0.5%	0.5%
- over 55 years of age	0.0%	0.0%

Demographic forecasts	Executives	Non-executives
Death probability	RG 48 mortality rate table published by the Italian General Accounting Office	RG 48 mortality rate table published by the Italian General Accounting Office
Invalidity probability	Tables drawn by the National Social Security Institute (INPS) by age and gender	Tables drawn by the National Social Security Institute (INPS) by age and gender
Resignation probability:		
- up to 40 years	4.0% each year	4.0% each year
- later than 40 but up to 50 years	2.5% each year	2.5% each year
- Foglio1!over 50 years	non-existent	non-existent
Retirement probability:	Attainment of the minimum requirements set by the General Compulsory Insurance, updated pursuant to Law 214 of December 22, 2011	Attainment of the minimum requirements set by the General Compulsory Insurance, updated pursuant to Law 214 of December 22, 2011
Probability of receiving at year start a 70% advance on allowances for termination indemnities	3.0% each year	3.0% each year

NOTE 16 - Miscellaneous accounts payable and other non-current liabilities   Euro 14,400 thousand

(Euro 14,400 thousand at December 31, 2010)

(in thousands of euro)	12/31/2011	*of which financial instruments (1)*	12/31/2010	*of which financial instruments (1)*	Change
Capital grants					
Medium/long-term deferred income					
Other medium/long-term debts	14,400	14,400	14,400	14,400	-
Total	**14,400**	**14,400**	**14,400**	**14,400**	**-**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 18.

The figure refers to trade receivables acquired in 2010 by Telecom Italia S.p.A. and Telecom Italia Media Broadcasting S.r.l. on a with-recourse basis amounting to Euro 11,400 thousand and Euro 3,000 thousand respectively and claimed by the latter from Dahlia TV (in liquidation), and used to underwrite a hybrid financial instrument consisting of redeemable, convertible privileged shares with limited rights as part of the agreement to strengthen Dahlia TV's financial position.

NOTE 17 – Trade and miscellaneous payables and other current liabilities (excluding income tax payables)   Euro 90,758 thousand

(Euro 91,747 thousand at December 31, 2010)

The item decreased by Euro 989 thousand compared to the previous year, and can be broken down as follows:

(in thousands of euro)	12/31/2011	*of which financial instruments (1)*	12/31/2010	*of which financial instruments (1)*	Change
Trade payables:					
- payables to suppliers	50,517	50,542	51,887	51,887	(1,370)
- payables to parent companies	2,795	2,795	3,086	3,086	(291)
- payables to subsidiaries	4,094	4,095	4,046	4,046	48
- payables to other related parties	2,198	2,172	3,627	3,627	(1,429)
	59,604	**59,604**	**62,646**	**62,646**	**(3,042)**
Tax payables for other taxes	1,513		1,567		(54)
Miscellaneous payables and other current liabilities:					
- amounts due for short-term pay to employees	6,505	6,505	6,776	6,776	(271)
- contributions to pension and social security institutions	4,121		4,161		(40)
- short-term commercial and other deferred income					
- advances					
- dividends approved, but not yet paid			58	58	(58)
- other current liabilities	6,691	6,469	3,918	3,555	2,773
- provisions for taxes, for the portions expected to be paid within 12 months					
- provisions for future risks and charges, for the portions expected to be paid within 12 months	12,324		12,621		(297)
- employee benefits (other than employee termination indemnities) for the portions expected to be paid within 12 months					
	29,641	12,974	27,534	10,389	2,107
	31,154	**12,974**	**29,101**	**10,389**	**2,053**
Total	**90,758**	**72,578**	**91,747**	**73,035**	**(989)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 18.

TRADE PAYABLES Euro 59,604 thousand

- **Trade payables** Euro 50,517 thousand

This item decreased by Euro 1,370 thousand compared to December 31, 2010 (Euro 51,887 thousand). It mainly includes amounts payable in connection with the purchase of television rights and programs.

- **Trade payables to parent companies** Euro 2,795 thousand

This item consists primarily of payables associated with administrative service agreements, telephone bills, and real-estate leases.

- **Trade payables to subsidiaries** Euro 4,094 thousand

Trade payables to subsidiaries included payables to Telecom Italia Media Broadcasting and refer in particular to considerations owed to third parties for services associated with the broadcasting network and technical equipment rentals amounting to Euro 4,080 thousand.

MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES Euro 29,641 thousand

- **Amounts due for short-term pay to employees** Euro 6,505 thousand

This item decreased by Euro 271 thousand from December 31, 2010 (Euro 6,776 thousand). It includes accrued but unpaid employee compensation.

- **Contributions to pension and social security institutions** Euro 4,121 thousand

This account refers to contributions to pension and social security institutions that have matured and have not yet been paid.

- **Other current liabilities** Euro 6,691 thousand

Other current liabilities rose by Euro 2,476 thousand and included Euro 3,593 thousand in miscellaneous payables to Group companies and other related parties, mainly the parent company Telecom Italia S.p.A. (Euro 3,222 thousand), of which Euro 2,421 thousand in Group's VAT and other miscellaneous payables to third parties for Euro 3,098 thousand.

- **Provisions (current amount)** Euro 12,324 thousand

The breakdown of this entry is shown in the following table:

(in thousands of euro)	12/31/2010	Provisions	Direct use	Surplus	Other changes/ reclassifications	12/31/2011
Provisions for taxes and tax risks						
Provisions for litigation risks	1,569	35		(1,024)		580
Provisions for commercial and contractual risks	1,262		(280)		(26)	956
Provisions for risks and future charges on equity investments and corporate transactions						
Provisions for litigation with personnel and social securities institutions	5,680	2,699	(450)	(126)		7,803
Other employee benefits	1,905	265		(879)		1,291
Other provision for future risks and charges	2,205	330		(867)	26	1,694
Total provisions (current portion)	**12,621**	**3,329**	**(730)**	**(2,896)**		**12,324**

The **Provision for commercial and contractual risks** amounted to Euro 956 thousand, down by Euro 306 thousand compared to 2010 (Euro 1,262 thousand).

The **Provision for litigation with personnel and social-securities institutions** totaled Euro 7,803 thousand. This item included provisions made in 2011 and amounting to Euro 1,967 thousand, related to the control performed by the National Insurance Institute for Italian Journalists (INPGI) and subsequent service of relevant proceedings. Further provisions of Euro 250 thousand attributable to the so-called Collegato Lavoro" law are included".

Other personnel provisions of Euro 1,291 thousand referred to risks associated with contractual stability clauses.

Other provisions for risks and future charges amounted to Euro 1,694 thousand, decreasing by Euro 511 thousand compared to December 31, 2010 Provisions for the reporting year refer essentially to possible compensation for damages in disputes that originated during the production and broadcasting of television programs.

NOTE 18 – Information on other financial instruments

In accordance with the disclosure required by IFRS 7, the following section includes an analysis of the impact of financial instruments on the balance sheet, as well as qualitative and quantitative information on the risks associated with such financial instruments.

A breakdown of the Company's financial instruments in 2011 and 2010 is provided below.

Accounting value for each class of financial assets/liabilities at 12/31/2011

(in millions of euro)	Categories IAS 39 [(2)]	Book value at 12/31/2011	Book value as per IAS 39 Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the statement of income	Book value as per IAS 17
ASSETS							
Non-current financial assets							
Other investments	AfS						
Securities, financial receivables and other non-current financial assets							
of which loans and receivables	LaR	726	726				
of which securities	HtM						
Miscellaneous receivables and other non-current assets [(1)]							
of which loans and receivables	LaR	14,439	14,439				
of which non-hedging derivatives	FAHfT						
	(a)	**15,165**	**15,165**				
Current financial assets							
Trade and miscellaneous receivables and other current assets [(1)]							
of which loans and receivables	LaR	47,077	47,077				
Securities							
of which held to maturity	HtM						
of which available for sale	AFS						
of which held for trading	FAHfT						
Financial receivables and other current financial assets							
of which loans and receivables	LaR	70,192	70,192				
of which non-hedging derivatives	FAHfT						
Cash and cash equivalents	LaR	18,128	18,128				
	(b)	**135,397**	**135,397**				
Total	**(a+b)**	**150,562**	**150,562**				
LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC	100,021	100,021				
Miscellaneous payables and other non-current liabilities [(1)]							
of which liabilities at amortized cost	FLAC	14,400	14,400				
	(c)	**114,421**	**114,421**				
Current financial liabilities							
of which liabilities at amortized cost	FLAC	46,893	46,893				
of which non-hedging derivatives	FLHfT						
Trade and miscellaneous payables and other current liabilities [(1)]							
of which liabilities at amortized cost	FLAC	72,578	72,578				
	(d)	**119,471**	**119,471**				
Total	**(c+d)**	**233,892**	**233,892**				

[(1)] Share of assets or liabilities related to application of IFRS7.

[(2)] Cf. glossary – page 131

Comparison between accounting value and fair value for each class of financial assets/liabilities at 12/31/2011

(in thousands of euro)	Categories IAS 39 [(2)]	Book value at 12/31/2011	Book value as per IAS 39				Book value as per IAS 17	Fair Value at 12/31/2011
			Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the statement of		
ASSETS								
Loans and receivables	LaR	150,562	150,562					150,562
Available-for-sale financial assets	AfS							
Financial assets held for trading at fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**150,562**	**150,562**					**150,562**
Liabilities								
Liabilities at amortized cost	FLAC	233,892	233,892					233,892
Financial liabilities held for trading at a fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**233,892**	**233,892**					**233,892**

[(2)] Cf. glossary – page 131

Accounting value for each class of financial assets/liabilities at 12/31/2010

(in millions of euro)	Categories IAS 39 [2]	Book value at 12/31/2010	Book value as per IAS 39				Book value as per IAS 17
			Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the statement of income	
ASSETS							
Non-current financial assets							
Other investments	AfS						
Securities, financial receivables and other non-current financial assets							
of which loans and receivables	LaR	752	752				
of which securities	HtM						
Miscellaneous receivables and other non-current assets [1]							
of which loans and receivables	LaR	14,251	14,251				
of which non-hedging derivatives	FAHfT						
	(a)	**15,003**	**15,003**				
Current financial assets							
Trade and miscellaneous receivables and other current assets [1]							
of which loans and receivables	LaR	54,054	54,054				
Securities							
of which held to maturity	HtM						
of which available for sale	AFS						
of which held for trading	FAHfT						
Financial Receivables and other current financial assets							
of which loans and receivables	LaR	70,181	70,181				
of which non-hedging derivatives	FAHfT						
Cash and Cash Equivalents	LaR	3,379	3,379				
	(b)	**127,614**	**127,614**				
Total	(a+b)	**142,617**	**142,617**				
LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC	100,023	100,023				
Miscellaneous payables and other non-current liabilities [1]							
of which liabilities at amortized cost	FLAC	14,400	14,400				
	(c)	**114,423**	**114,423**				
Current financial liabilities							
of which liabilities at amortized cost	FLAC	23,329	23,329				
of which non-hedging derivatives	FLHfT						
Trade and miscellaneous payables and other current liabilities [1]							
of which liabilities at amortized cost	FLAC	73,035	73,035				
	(d)	**96,364**	**96,364**				
Total	(c+d)	**210,787**	**210,787**				

[1] Share of assets or liabilities related to application of IFRS7.

[2] Cf. glossary — page 131

Comparison between accounting value and fair value for each class of financial assets/liabilities at 12/31/2010

(in thousands of euro)	Categories IAS 39 [2]	Book value at 12/31/2010	Book value as per IAS 39			Book value as per IAS 17	Fair Value at 12/31/2010
			Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the statement of income		
ASSETS							
Loans and receivables	LaR	142,617	142,617				142,617
Available-for-sale financial assets	AfS						
Financial assets held for trading at fair value through profit or loss	FLHfT						
of which non-hedging derivatives	FLHfT						
Total		**142,617**	**142,617**				**142,617**
Liabilities							
Liabilities at amortized cost	FLAC	210,787	210,787				210,787
Financial liabilities held for trading at fair value through profit or loss	FLHfT						
of which non-hedging derivatives	FLHfT						
Total		**210,787**	**210,787**				**210,787**

[2] Cf. glossary – page 131

Management of financial risk: objectives and criteria

Telecom Italia Media S.p.A.'s main financial liabilities consist of outstanding debts with the parent company, Telecom Italia S.p.A. and Telecom Italia Finance SA, deriving from the Telecom Italia Group's centralized treasury model, mainly concerning the loan granted by the European Investment Bank, the credit facility agreement with Telecom Italia Finance SA and the running-account agreement with Telecom Italia S.p.A. for the ordinary treasury account activities. The Company also has other assets and liabilities, consisting mainly of trade receivables and payables, cash and short-term deposits deriving directly from operations.

Telecom Italia Media S.p.A. did not directly trade financial instruments in 2010 or 2011.

The main risks arising from financial instruments are interest rate, liquidity, exchange rate and credit risk.

Interest-rate risk

The Company's exposition to interest rate risk is mainly a result of its relations with the Parent Company, Telecom Italia S.p.A. Specifically:

- a loan granted by the European Investment Bank at a 6-month EURIBOR rate (Telecom Italia S.p.A.);
- a running-account agreement at an average monthly EURIBOR rate +2.45% (Telecom Italia S.p.A.);
- a credit facility agreement at EURIBOR rate +4.57% (Telecom Italia Finance S.A.).

Exchange rate risk

In 2011, 100% of the revenues earned by Telecom Italia Media S.p.A. were denominated in Euro.

Credit risk

Telecom Italia Media S.p.A. deals only with known, reliable companies. 82.1% of revenues were related to the exclusive contract with Cairo Communications S.p.A.; this high incidence of a single customer on the total turnover could highlight a risk in the event of insolvency. However, it should be noted that, since the contract has been in force, there have never been any cases of late or missed payments by Cairo Communications S.p.A. However, payments due from Cairo Communications S.p.A. are backed by a bank guarantee of Euro 16,800 thousand, issued by a leading national bank. Furthermore, the balance of receivables is monitored during the financial year to ensure that the amount of exposure to losses is not material. The maximum exposure to credit risk is specified in Note 9. Note 9 also indicates that net receivables, which are not impaired and more than 365 days overdue, are zero.
The maximum credit risk exposure of the Company's financial assets if the counterparty defaults is the carrying amount of such assets.

Liquidity risk

Telecom Italia Media S.p.A. is protected from liquidity risk through the centralized treasury program of Telecom Italia S.p.A. The cash-pooling agreement and the loan agreement guarantee the company adequate financial resources to meet its needs in terms of current assets and investments.

NOTE 19 – Commitments and other contingent liabilities

This item amounted to Euro 62,747 thousand, consisting of the following:

GUARANTEES PROVIDED Euro 1,064 thousand
(Euro 1,064 thousand at December 31, 2010)

This item refers mainly to *guarantees on behalf of other companies* (Euro 1,063 thousand) in connection with guarantees issued by Banca Intesa to Elerto B.V. (Euro 500 thousand) and the Ministry of Production Activities (Euro 563 thousand).

OTHER Euro 61,683 thousand
(Euro 1,533 thousand at December 31, 2010)

This item mainly consists of guarantees granted by Telecom Italia S.p.A. to back the timing fulfillment of the obligations assumed by Telecom Italia Media S.p.A. in relation to the participation into the beauty contest for the digital frequency assignment (Euro 60,000 thousand) and guarantees that Telecom Italia S.p.A. granted in favor of tax authorities in the interest of Telecom Italia Media S.p.A. in guarantee of receivables resulting from VAT returns for the years 2008 offset at Group VAT settlement in the amount of Euro 1,319 thousand.

• NOTES – STATEMENT OF INCOME ITEMS

NOTE 20 – Operating revenues and income

Euro 166,275 thousand

(Euro 119,551 thousand in 2010)

Revenues and income increased by Euro 46,274 thousand compared to financial year 2010, and consist of the following:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Sales and service revenues	139,867	115,616	24,251	21.0
Total revenues	**139,867**	**115,616**	**24,251**	**21.0**
Other Income	26,408	3,935	22,473	571.1
Total operating revenues and other income	**166,275**	**119,551**	**46,724**	**39.1**

NOTE 21 - Revenues

Euro 139,867 thousand

(Euro 115,616 thousand in 2010)

Revenues increased by Euro 24,251 thousand from Euro 115,616 thousand at December 31, 2010 to Euro 139,867 thousand in 2011, and were broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Revenues from advertising sales	120,969	97,942	23,027	23.5
Revenues from DTT TV broadcasting services	296	330	(34)	(10.3)
Other revenues for TV activities	4,906	4,217	688	16.3
Other revenues	13,696	13,127	570	4.3
Total revenues	**139,867**	**115,616**	**24,251**	**21.0**

Revenues from advertising sales amounted to Euro 120,969 thousand and were mainly related to the agreement in force with Cairo Communications S.p.A. (Euro 114,890 thousand) and that in force with Gruppo Reti Televisive Italiane as part of the advertising agreement signed in December 2008 (Euro 6,079 thousand). The agreement with Cairo Communications is based on guaranteed minimums correlated with increases in share.

Other revenues from television operations included proceeds from the sale of journalism services sold to the subsidiary MTV Italia S.r.l. amounting to Euro 250 thousand, proceeds from channel distribution in DVBH for Telecom Italia S.p.A. of Euro 250 thousand, Euro 1,318 thousand for the sale of programming spaces to third parties, Euro 572 thousand for technical services involving digital radio-television broadcasting and transmission, Euro 500 thousand for the development and transmission of content promos within the service rendered from Telecom Italia S.p.A. and referred to as “Cubovision”, and Euro 311 thousand for the sale of La7 programs to Viacom Group and Euro 639 thousand for the sale to third parties.

Other revenues consisted of Euro 13,268 thousand, recognized in the first nine months of 2011 and related to the design and creation of content for the IPTV and DVB-H technological platforms for the parent company, Telecom Italia, as part of the operations of the Content Competence Center. This activity was completed on October 1, 2011, as a result of the early termination of the agreement.

The breakdown by country is set out in the table below:

REVENUES BY COUNTRY	Year 2011	Year 2010
ITALY	139,346	115,233
GERMANY	4	-
UK	311	351
FRANCE	12	2
BELGIUM	-	-
GREECE	-	-
POLAND	-	-
IRELAND	148	8
SPAIN	1	-
DENMARK	-	-
SWEDEN	-	12
NETHERLANDS	2	-
Total EUROPEAN UNION	**139,824**	**115,606**
SWITZERLAND	30	-
RUSSIA	2	-
Total REST OF EUROPE	**32**	**-**
U.S.A	6	3
ARGENTINA	-	4
AUSTRALIA	2	-
SOUTH AFRICA	-	3
JAPAN	3	-
Total OTHER COUNTRIES	**11**	**10**
TOTAL REVENUES	**139,867**	**115,616**

NOTE 22 – Other income

Euro 26,408 thousand

(Euro 3,935 thousand in 2010)

Other income increased by Euro 22,473 thousand compared to Euro 3,935 thousand in 2010, thanks to the Euro 20,500 thousand indemnity for the early termination of the Competence Center agreement; excluding this amount, figures referred primarily to administrative services provided to subsidiaries for Euro 1,760 thousand, use of other funds for Euro 1,891 thousand and use of provision for doubtful receivables for Euro 1,390 thousand.

An analysis is provided below:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Use of provisions	3,281	2,175	1,106	50.9
Recovery and reimbursements of personnel costs, purchases, services and use of property not owned	307	134	173	129.1
Other revenue and income	22,820	1,626	21,194	1,303.4
Total other income	**26,408**	**3,935**	**22,473**	**571.1**

NOTE 23 - Acquisition of goods and services

Euro 118,486 thousand

(Euro 105,553 thousand in 2010)

Acquisitions of goods and services increased by Euro 12,933 thousand compared to 2010, and are broken down as follows:

(in thousand of euro)	Year 2011	Year 2010	Change Abs.	Change %
Raw materials, supplies and merchandise	1,935	1,665	270	16.2
subtotal	**1,935**	**1,665**	**270**	**16.2**
Services	93,918	80,493	13,425	16.7
Use of property not owned	22,633	23,395	(762)	(3.3)
subtotal	**116,551**	**103,888**	**12,663**	**12.2**
Total acquisition of goods and services	**118,486**	**105,553**	**12,933**	**12.3**

The item consists of:

- **Raw materials, supplies and merchandise** — Euro 1,935 thousand
  (Euro 1,665 thousand in 2010)

This item increased by Euro 270 thousand compared to 2010 and included:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Set design materials	1,122	795	327	41.2
RVM Materials	187	222	(35)	(15.6)
Consumables used in the management of corporate assets, materials for TV production and other generic materials	243	296	(53)	(17.9)
Books, newspapers, magazines and subscription	383	352	31	8.7
Total acquisition of raw materials, supplies and merchandise	**1,935**	**1,665**	**270**	**16.2**

- **Services** — Euro 93,918 thousand
  (Euro 80,493 thousand in 2010)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Professional services and consultancy	18,197	16,640	1,557	9.4
Television programs under contract	26,065	18,082	7,983	44.1
Electricity	680	565	115	20.4
Travel and accommodation	1,439	1,568	(129)	(8.2)
Commissions, fees and other commercial expenses	392	354	38	10.7
Location filming and troupes	4,899	5,456	(557)	(10.2)
Agencies and news and sport services	3,583	3,769	(186)	(4.9)
Advertising and promotion expenses	3,067	2,333	734	31.5
Signal conveyance, connections, inter-connections, telephone	3,105	2,805	300	10.7
Editing of external operations	790	1,020	(230)	(22.5)
Outsourcing	2,571	2,104	467	22.2
Distribution and storage	889	495	394	79.6
Insurance	153	165	(12)	(7.3)
T&E services	100	99	1	1.0
Other costs for services	27,988	25,038	2,950	11.8
Total acquisition of services	**93,918**	**80,493**	**13,425**	**16.7**

Purchase costs for services amounted to Euro 93,918 thousand, up Euro 13,425 thousand from Euro 80,493 thousand in 2010. The item refers to services for operations. This change is essentially attributable to the increase recorded in the price of the programs under contract (Euro 7,983 thousand), cost of professional services and consultancy (Euro 1,557 thousand) and cost for other outsourced services (Euro 467 thousand). The rise in Other costs for services (Euro 2,950 thousand) included mainly the increase of costs for television transmission services (Euro 3,036 thousand) and costs of on-air graphics design (Euro 594 thousand), partially offset by a costs reduction in high-frequency management services (Euro 1,890 thousand). At December 31, 2011, other costs for services amounted to Euro 27,988 thousand and included Euro 13,473 thousand for television programming services and Euro 5,503 thousand for high-frequency management services, both rendered by Telecom Italia Media Broadcasting.

- **Use of property not owned** Euro 22,633 thousand
  (Euro 23,395 thousand in 2010)

Costs for use of property not owned amounted to Euro 22,633 thousand, a decrease of Euro 762 thousand from Euro 23,395 thousand in 2010.
This performance was mainly due to the reduction in costs associated with fees for the use of satellite and high-frequency systems (Euro 1,211 thousand) and royalties and other rights paid (Euro 635 thousand), partially counterbalanced by the increase of real estate rents (Euro 282 thousand) and rental fees (Euro 767 thousand).

The breakdown by nature is as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Real estate rents	3,688	3,406	282	8.3
Rental fees	4,495	3,728	767	20.6
Programs rights and other royalties				
sport rights	3,017	3,627	(610)	(16.8)
television rights and copyright	7,474	6,821	652	9.6
other royalties paid and other rights	2,805	3,482	(677)	(19.4)
Fees for the use of satellite and high-frequency systems	1,061	2,271	(1,211)	(53.3)
Other costs for the use of property not owned	93	60	33	55.4
Total costs for use of property not owned	**22,633**	**23,395**	**(762)**	**(3.3)**

The costs of television rights and copyrights comprise mainly the costs of purchasing content to be included in La7's programming. Costs for use of sport rights referred primarily to the right of filming and reporting sport events broadcast on La7, such as Six Nation Rugby Tournament (Euro 500 thousand), Superbike (Euro 950 thousand), the soccer cup competition "Coppa Italia" (Euro 600 thousand) and other sport rights amounting to Euro 967 thousand.

NOTE 24 – Employee benefits expenses

Euro 44,922 thousand

(Euro 43,149 thousand in 2010)

This item can be broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Gross wages and salaries	28,823	27,394	1,429	5.2
Social security contributions	9,547	9,189	358	3.9
Termination indemnities	(620)	143	(763)	n.a.
Other personnel costs	2,774	3,157	(383)	(12.1)
Employee benefits	158	147	11	7.5
Costs for assigned stock options	9	16	(7)	(43.8)
Costs for employees on payroll	**40,691**	**40,046**	**645**	**1.6**
Temporary work	**3,199**	**2,900**	**299**	**10.3**
Other charges for employees and other work services:				
- Fees to external personnel	986	731	255	34.9
- Costs for seconded personnel	386	331	55	16.6
- Provisions for employee outflow incentives		300	(300)	(100.0)
- Other employee expenses	(340)	(1,159)	819	(70.7)
Sub-total other charges	**1,032**	**203**	**829**	**408.4**
Total employee benefits expenses	**44,922**	**43,149**	**1,773**	**4.1**

Employee benefits expenses for 2011 amounted to Euro 44,922 thousand, marking an increase of Euro 1,773 compared to Euro 43,149 in 2010 (4.1%), and included Euro 2,207 thousand (Euro 2,481 thousand in 2010), primarily attributable to provisions for employment-related disputes with employees and social-security institutions. In 2010, this item also accounted for redundancy costs of Euro 300 thousand. Net of the above-mentioned effect, employee benefits expenses amounted to Euro 42,715 thousand, increasing by Euro 2,347 thousand (Euro 40,368 thousand in 2010) as a result of the normal contractual dynamics and the renewal of the Italian national labor collective agreement and the rise in the average workforce (+27.6).

According to IFRS 2, employee benefits expenses for 2011 and 2010 also incorporates the fair value of the option rights assigned to key members of staff, under the Performance Share Granting plan worth Euro 20 thousand approved by the Board of Directors of Telecom Italia on August 8, 2008 (Euro 40 thousand in 2010).

Average workforce is broken down as follows:

AVERAGE WORKFORCE (1)	Year 2011	%	Year 2010	%
Executives	19.0	3.9	18.0	3.9
Middle managers	73.7	15.3	71.6	15.5
Journalists	93.2	19.4	85.2	18.5
White collars	293.5	61.0	284.6	61.7
Blue collars	2.0	0.4	2.0	0.4
Total workforce	**481.4**	**100.0**	**461.4**	**100.0**

(1) Total average workforce does not include temporary personnel for a total of 63.4 units at December 31, 2011 and 55.8 units at December 31, 2010.

NOTE 25 – Other operating expenses

Euro 4,620 thousand

(Euro 5,786 thousand in 2010)

Other operating expenses amounted to Euro 4,620 thousand and are broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Writedowns and charges connected with receivables management	1,367	1,501	(134)	(8.9)
Provisions	365	828	(463)	(55.9)
Concession fees for the exercise of TLC activities	1,101	1,089	12	1.1
Indirect fees and taxes	104	106	(2)	(1.9)
Associations fees	225	187	38	20.3
Other expenses and charges	1,458	2,075	(617)	(29.7)
Other operating expenses	**4,620**	**5,786**	**(1,166)**	**(20.2)**

Other operating expenses decreased by Euro 1,166 thousand, from Euro 5,786 thousand in 2010 to Euro 4,620 thousand in 2011. This change is mainly due to the reduction in provisions for future risks and charges (Euro 463 thousand) and a decrease in other costs and charges (Euro 617 thousand). The 2011 allocations pertained essentially to possible compensation for damages in disputes that originated during the production and broadcasting of television programs.
Writedowns and charges connected to receivables management of Euro 1,367 thousand decreased by Euro 134 thousand compared to the previous year and include writedowns of receivables from the advertising agency Cairo Communications, recognized according to the rules set forth in the contract, which calls for an allocation to the provision of a fixed amount (1.5%) calculated on 50% of Cairo Communications' sales.

NOTA 26 – Change in inventories

Euro 204 thousand

(Euro -681 thousand in 2010)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Films, series and documentaries	(182)	252	(434)	n.a.
Finished goods, merchandise, TV productions	386	(933)	1,319	n.a.
Total	**204**	**(681)**	**885**	**n.a.**

NOTE 27 – Depreciation and amortization

Euro 27,487 thousand

(Euro 27,291 thousand in 2010)

Depreciation and amortization amounted to Euro 27,487 thousand (Euro 27,291 thousand in 2010) for an increase of Euro 196 thousand, and included:

- amortization in the amount of Euro 23,701 thousand, unchanged compared to 2010.

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Development costs		-	-	-
Industrial patents and intellectual property rights	23,579	23,559	20	0.1
Concessions, licenses, trademarks and similar rights	122	142	(20)	(14.1)
Other intangible assets				
Total amortization of intangible assets	**23,701**	**23,701**	**-**	**-**

Amortization of rights on films, TV films, series, cartoons and other programs, which is indicated under the item "Industrial patents and intellectual property rights", totaled Euro 22,479 thousand, while amortization of software license acquired for an indefinite time period totaled Euro 1,100 thousand.
Amortization of licenses acquired for a definite time period, is indicated under the item "Concessions, licenses, trademarks and similar rights" and totaled Euro 58 thousand.

- Depreciation amounted to Euro 3,786 thousand, compared to Euro 3,590 thousand in 2010, increasing by Euro 196 thousand. Depreciation can be broken down as follows:

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Industrial and civilian buildings	1	1	-	-
Plant and machinery	2,110	2,082	28	1.3
Manufacturing and distribution equipment	2	2	-	-
Other tangible assets	1,673	1,505	168	11.2
Leased assets		-	-	-
Total depreciation of tangible assets	**3,786**	**3,590**	**196**	**5.5**

NOTE 28 – Capital gains realized on disposal of non-current assets

Euro 1 thousand

(*Euro 1 thousand in 2010*)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Gains on the disposal of tangible and intangible assets	1	1	-	-
Gains from the disposal of business lines	-	-	-	-
Gains on the sale of equity investments in consolidated subsidiaries	-	-	-	-
Total gains realized on disposals of non-current assets	**1**	**1**	**-**	**-**

NOTE 29 – Losses realized on disposals of non-current assets

Euro 0 thousand

(Euro 48 thousand in 2010)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Losses on the disposal of tangible and intangible assets	-	(48)	48	100.0
Losses from the disposal of business lines	-	-		
Losses on the sale of equity investments in consolidated subsidiaries	-	-		
Total losses realized on disposals of non-current assets	**-**	**(48)**	**48**	**100.0**

NOTE 30 – Reversals/(impairment losses) on non-current assets

Euro -38,140 thousand

(Euro -96,251 thousand in 2010)

Reversals/(Impairment losses) of non-current assets in 2011 amounted to Euro -38,140 thousand (Euro -96,251 thousand in 2010) and related to the goodwill writedown resulting from the impairment test as of December 31, 2011, mainly due to the decline in the value of Telecom Italia Media's stock in 2011 (-32%).

NOTE 31 – Income and expense from investments

Euro -56 thousand

(Euro -8,772 thousand in 2010)

This item amounted to Euro -56 thousand in 2011, down by Euro 8,716 thousand compared to 2010 (Euro -8,772 thousand).

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
Income from equity investments:				
gains on disposals of equity investments recognized among non-current assets				
Expense from investments				
losses on disposals of equity investments recognized among non-current assets				
other expenses from equity investments				
allowance for doubtful accounts	(56)	(8,772)	8,716	99.4
provision for charges on subsidiaries and affiliated companies				
Net income (expense) from equity investments	**(56)**	**(8,772)**	**8,716**	**99.4**

Expense from equity investments included negative value adjustment to the equity investments in Tiglio 1 S.r.l. in the amount of Euro 56 thousand, aimed at adjusting the carrying value to the economic value of the Company.

NOTE 32 – Finance income

Euro 2,904 thousand

(Euro 2,665 thousand in 2010)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Income from receivables included in long-term investments	9	240	(231)	(96.3)
Income from other receivables included in long-term investments				
Interest income received from parent companies				
Interest income received from subsidiaries	2,764	2,313	451	19.5
Interest income received from third parties	8	7	1	14.3
Interest income received from bank and postal accounts				
Interest income received on current receivables				
Other finance income	2	7	(5)	(71.4)
Exchange gains	121	98	23	23.5
Total finance income	**2,904**	**2,665**	**239**	**9.0**

Finance income amounted to Euro 2,904 thousand in 2011, compared to Euro 2,665 thousand in 2010. The increase of Euro 239 thousand was primarily attributable to interest income from subsidiaries (Euro 451 thousand), partially offset by the reduction in the income from receivables included in non-current financial assets (Euro 231 thousand) and related to the interest income from Telecom Italia Media Broadcasting for Euro 2,749 thousand and MTV Italia for Euro 15 thousand.

NOTE 33 – Finance expenses

Euro 4,632 thousand

(Euro 5,126 thousand in 2010)

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	Change %
Interest expense paid to parent companies	4,145	4,508	(363)	(8.1)
Interest expense paid to subsidiaries	131	47	84	178.7
Interest expense paid to third parties	226	-	226	-
Interest expense paid to suppliers	32	16	16	100.0
Other finance expenses	-	247	(247)	100.0
Financial fees paid	-	-	-	-
Exchange losses	98	308	(210)	(68.2)
Total finance expenses	**4,632**	**5,126**	**(494)**	**(9.6)**

Finance expense totaled Euro 4,632 thousand in 2011, decreasing by Euro 494 thousand compared to 2010 (Euro 5,126 thousand) and regarding the medium-/long-term loan (BEI) for Euro 1,542 thousand, the short-term financial payables to Telecom Italia Finance S.A. amounting to Euro 1,419 thousand and interest expense for the running account held with the parent company Telecom Italia S.p.A. amounting to Euro 289 thousand. The reduction in finance expense, net of exchange effect, was mainly attributable to the sharp decline in debt following the capital increase completed in 2010.

The following table shows interest rate performance by primary loan agreement type:

Type of transaction	Amount (in million of euros)	Rate parameter	Quarterly evolution of rates Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Medium-/long-term loan granted by the parent company Telecom Italia after EIB granted the subsidized loan to Telecom Italia to fund its investment plan	100	Euribor 6m	0.998%	0.998%	1.008%	1.035%	1.254%	1.304%	1.008%	1.035%
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	170	Euribor 3m	2.524%	2.452%						
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	35	Euribor 3m	2.661%	2.703%						
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	45	Euribor 3m	2.083%	2.283%						
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	45	Euribor 3m				2.743%	2.743%	2.948%	3.256%	(1) 3.232%
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	45	Euribor 3m								(2) 5.982%
Running account extant with the Parent Company as part of the centralized treasury program of the Telecom Italia group		Euribor 1m	3.585%	2.875%	3.059%	3.264%	3.330%	3.678%	3.826%	3.634%

Notes: (1) rate prevailing through December 20, 2011
(2) rate prevailing through December 20, 2011

NOTE 34 – Income taxes

Euro 8,200 thousand

(Euro 17,231 thousand in 2010)

Income taxes for 2011 were positive at Euro 8,200 thousand (Euro 17,231 thousand in 2010) and included:

- corporate income tax (IRES) amounting to Euro 8,460 thousand, which is recognized as income in connection with the tax loss incurred by the companies participating in the National Tax Consolidation scheme adopted by Telecom Italia S.p.A. (pursuant to Article 117 of Presidential Decree No. 917/86). Under this system, each entity involved in group taxation must present its tax return to the Revenue Agency according to the normal procedure and time limits, but does not pay the taxes, which are instead determined at the consolidated level based on the algebraic sum of the taxable income and losses of the entities involved in the tax consolidation scheme.
  Current IRES is therefore recognized as income to reflect the remuneration by the Parent Company of the tax losses at the Group level.
- current taxes (IRAP) amounting to Euro 119 thousand;
- - deferred taxes amounting to Euro 583 thousand for the use in the reporting year of deferred tax assets carried at the end of the previous year.

(in thousands of euro)	Year 2011	Year 2010	Change Abs.	%
IRAP	119		(119)	100.0
Deferred taxes	583	736	153	20.8
Income taxes for previous financial years				
Extraordinary income for taxes	(442)	(227)	215	94.7
Substitute tax				
IRES from partecipation in the National Tax Consolidation scheme	(8,460)	(17,740)	(9,280)	(52.3)
Total taxes	**(8,200)**	**(17,231)**	**(9,031)**	**(52.4)**

A comparison between theoretical and effective IRES (corporate income tax) is provided below. Information on IRAP (regional tax on production activities) is not provided, as the taxable amount is negative.

	Year 2011		Year 2010	
		%		%
Profit (loss) before taxes	**68,959**		**169,789**	
Taxes calculated based on the current tax rate	**(18,964)**	**27.5%**	**(46,692)**	**27.5%**
- Undeductible writedowns and capital loss related to equity investments	0	0%	2,487	1%
- Undeductible goodwill writedown	10,489	15%	26,290	15%
- Undeductible costs	173	0%	163	0%
- Tax adjustment and other	(17)	(0%)	(618)	(0%)
IRAP	119	0%		
Total taxes	**(8,200)**	**(12%)**	**(18,370)**	**(11%)**
Taxes on costs linked to the capital increase	0	0%	1,139	1%
Total actual taxes recognized in the income statement	**(8,200)**	**(12%)**	**(17,231)**	**(10%)**

NOTE 35 – Significant non-recurring events and transactions

In light of both the decline of Telecom Italia Media's stock performance and the changed Company's plans, considering the principles set forth in the relevant accounting standards, an impairment test was carried out by the Company on December 31, 2011 to determine the value of its assets. The impairment test resulted in the goodwill writedown for Euro 38,140 thousand, attributed to the Telecom Italia Media CGU for Euro 3,040 thousand, the TIMB CGU for Euro 28,350 thousand and the MTV CGU for Euro 6,750 thousand.

There were no other significant economic transactions that do not occur on a regular basis.

NOTE 36 – Events Subsequent to December 31, 2011

There were no events to report.

NOTE 37 – Related party transactions

When not based on specific regulations, these transactions were in any case conducted at market conditions.
The following tables indicate the balances of transactions with related parties and the effects of these amounts on the corresponding income statement and balance sheet items, the financial position and the cash flow statements. In detail:

- the effects on the individual items of Telecom Italia Media S.p.A.'s income statement for 2011 compared with 2010 are illustrated on pages 336 and 337;
- the effects on individual items of the cash flow statements at December 31, 2011, compared with the position at December 31, 2010, are illustrated on page 338;
- the effects on other balance sheet items at December 31, 2011 compared with other balance sheet items at December 31, 2010, are described on page 339;
- a description of transactions impacting the income statement and balance sheet compared to the previous year is given on pages 340, 341, 342, 343 and 344;
- amounts due to Pension Funds compared to the previous year are shown on page 345;
- a description of purchase and sale contracts with related parties is given on pages 345, 346 and 347.

STATEMENTS OF INCOME	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	2011	2010	2011	2010	2011	2010
Revenues						
Of which attributable to relations with:						
- Parent Company	14,280	13,681				
- Subsidiaries and associates of the Parent Company	16	58				
- Subsidiaries and associates of TI Media S.p.A.	850	840				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**15,146**	**14,579**	**139,867**	**115,616**	**10.8**	**12.6**
Other operating income						
Of which attributable to relations with:						
- Parent Company	20,500	-				
- Subsidiaries and associates of the Parent Company	24	-				
- Subsidiaries and associates of TI Media S.p.A.	1,788	1,546				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**22,312**	**1,546**	**26,408**	**3,935**	**84.5**	**39.3**
Acquisition of goods and services						
Of which attributable to relations with:						
- Parent Company	(5,040)	(4,939)				
- Subsidiaries and associates of the Parent Company	(1,592)	(1,476)				
- Subsidiaries and associates of TI Media S.p.A.	(21,380)	(21,411)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**(28,012)**	**(27,826)**	**(118,486)**	**(105,553)**	**23.6**	**26.4**
Employee benefits expenses						
Of which attributable to relations with:						
- Parent Company	(374)	(415)				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	(171)	(148)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
- Compensation of the Company's Key Management Personnel	(428)	(445)				
- Pension funds	(969)	(941)				
Total	**(1,942)**	**(1,949)**	**(44,922)**	**(43,149)**	**4.3**	**4.5**
Other operating expenses						
Of which attributable to relations with:						
- Parent Company	(20)	(5)				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	(130)	(160)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**(150)**	**(165)**	**(4,620)**	**(5,786)**	**3.2**	**2.9**

STATEMENTS OF INCOME	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	2011	2010	2011	2010	2011	2010
Finance income						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	2,764	2,313				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel		-				
Total	**2,764**	**2,313**	**2,904**	**2,665**	**95.2**	**86.8**
Finance expenses						
Of which attributable to relations with:						
- Parent Company	(2,742)	(1,824)				
- Subsidiaries and associates of the Parent Company	(1,645)	(2,690)				
- Subsidiaries and associates of TI Media S.p.A.	(131)	(47)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**(4,518)**	**(4,561)**	**(4,632)**	**(5,126)**	**97.5**	**89.0**
Income tax expense						
Of which attributable to relations with:						
- Parent Company	8,460	18,879				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**8,460**	**18,879**	**8,200**	**17,231**	**103.2**	**109.6**

Investments						
Of which attributable to relations with:						
- Parent Company	45	28				
- Subsidiaries and associates of the Parent Company	1,061	2,003				
- Subsidiaries and associates of TI Media S.p.A.	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**1,106**	**2,031**	**31,100**	**31,574**	**3.6**	**6.4**

(1) Breakdown on pages 340, 341 and 342.

NET FINANCIAL DEBT	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Non-current financial assets						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	-	-	726	752	-	-
Financial receivables and other current financial assets						
Of which attributable to relations with:						
- Parent Company	22	-				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	70,000	70,000				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	70,022	70,000	70,192	70,181	99.8	99.7
Cash and cash equivalents						
Of which attributable to relations with:						
- Parent Company	5,187	3,225				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	12,827	11				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	18,014	3,236	18,128	3,379	99.4	95.8
Non-current financial liabilities						
Of which attributable to relations with:						
- Parent Company	100,000	100,000				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	100,000	100,000	100,021	100,023	100.0	100.0
Current financial liabilities						
Of which attributable to relations with:						
- Parent Company	64	52				
- Subsidiaries and associates of the Parent Company	45,090	20,003				
- Subsidiaries and associates of TI Media S.p.A.	1,731	3,266				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	46,885	23,321	46,893	23,329	100.0	100.0
Total net financial debt						
Of which attributable to relations with:						
- Parent Company	94,855	96,827				
- Subsidiaries and associates of the Parent Company	45,090	20,003				
- Subsidiaries and associates of TI Media S.p.A.	(81,096)	(66,745)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	58,849	50,085	57,868	49,040	101.7	102.1

(1) Breakdown on pages 343 and 344

OTHER BALANCE SHEET ITEMS	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Miscellaneous receivables and other non-current assets						
Of which attributable to relations with:						
- Parent Company	8,460	18,879				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**8,460**	**18,879**	**22,899**	**33,328**	**36.9**	**56.6**
Trade receivables						
Of which attributable to relations with:						
- Parent Company	1,187	6,067				
- Subsidiaries and associates of the Parent Company	40	132				
- Subsidiaries and associates of TI Media S.p.A.	627	642				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**1,854**	**6,841**	**46,952**	**53,921**	**3.9**	**12.7**
Miscellaneous receivables and other current assets						
Of which attributable to relations with:						
- Parent Company	19,330	17,494				
- Subsidiaries and associates of the Parent Company	137	240				
- Subsidiaries and associates of TI Media S.p.A.	6	7				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**19,473**	**17,741**	**21,300**	**22,125**	**91.4**	**80.2**
Miscellaneous payables and other non-current liabilities						
Of which attributable to relations with:						
- Parent Company	11,400	11,400				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	3,000	3,000				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
- Pension funds						
Total	**14,400**	**14,400**	**14,400**	**14,400**	**-**	**-**
Trade payables						
Of which attributable to relations with:						
- Parent Company	2,795	3,086				
- Subsidiaries and associates of the Parent Company	1,822	3,032				
- Subsidiaries and associates of TI Media S.p.A.	4,470	4,638				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**9,087**	**10,756**	**59,604**	**62,646**	**15.2**	**17.2**
Miscellaneous payables and other current liabilities						
Of which attributable to relations with:						
- Parent Company	3,222	632				
- Subsidiaries and associates of the Parent Company	15	15				
- Subsidiaries and associates of TI Media S.p.A.	356	47				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
- Pension funds	831	748				
Total	**4,424**	**1,442**	**31,154**	**29,101**	**14.2**	**5.0**

(1) Breakdown on pages 343 and 344

The following table shows the main items of the income statement, balance sheet, and cash-flow items pertaining to transactions between fully consolidated companies and between associates, affiliates and subsidiaries of the Parent Company, and companies under common control, as well as through directors of the Parent Company.

(in thousands of euro)	2011	2010	
Revenues	15,146	14,579	For 2011 this item refers to revenues generated by Telecom Italia Media S.p.A. from Telecom Italia S.p.A. and other subsidiaries, broken down as follows: - revenues amounting to Euro 13,268 thousand, for Advisor services rendered to Telecom Italia, for the concept and creation of TV content for television platforms, called Digital Content; - rendering of journalistic services to MTV and other revenues from TV operations amounting to Euro 250 thousand; - revenues for channel distribution of DVBH event amounting to Euro 250 thousand from the Parent Company Telecom Italia, Mobile division; - rebilling of management fee to the subsidiary Telecom Italia Media Broadcasting amounting to Euro 600 thousand. - production and broadcasting of promos about contents of Telecom Italia S.p.A.'s service called "Cubovision" amounting to Euro 500 thousand. For 2010 this item refers to revenues generated by Telecom Italia Media S.p.A. from Telecom Italia S.p.A. and other subsidiaries, broken down as follows: - revenues amounting to Euro 12,556 thousand, for Advisor services rendered to Telecom Italia, for the concept and creation of TV content for television platforms, called Digital Content; - supply of news-related services to MTV, Euro 250 thousand; - supply of credits to Matrix totaling Euro 50 thousand; - revenues for channel distribution of DVBH event amounting to Euro 750 thousand from the parent company Telecom Italia, Mobile division; - rebilling of management fee to the subsidiary Telecom Italia Media Broadcasting amounting to Euro 590 thousand.
Other operating income	22,312	1,546	For 2011 this item mainly refers to administrative and other services rendered to the subsidiary Telecom Italia Media Broadcasting totaling Euro 1,757 thousand and to Beigua totaling Euro 3 thousand; cost recoveries for personnel amounting to Euro 8 thousand from Telecom Italia Sparkle and to Euro 16 thousand from Telecontact. Cost recoveries for provision of services amounted to Euro 28 thousand from Tm News. The item also includes the compensation for the early termination of the Competence Center agreement with the Domestic Market Operations division of Telecom Italia for Euro 20,500 thousand. The contract was set to expire on December 31, 2012. For 2010 this item mainly referred to administrative and other services rendered to the subsidiary Telecom Italia Media Broadcasting totaling Euro 1,516 thousand , to Beigua totaling Euro 2 thousand and TM News totaling Euro

(in thousands of euro)	2011	2010	
Acquisition of goods and services	28,012	27,826	For 2011, this item refers to services acquired from the parent company and other subsidiaries of Telecom Italia Media S.p.A., mainly for: - costs for services of TV transmission amounting to Euro 13,473 thousand acquired from Telecom Italia Media Broadcasting; - services and rental of high/frequency equipment acquired from Telecom Italia Media Broadcasting for a total amount of Euro 6,565 thousand; - outsourcing from Telecom Italia S.p.A. totaling Euro 664 thousand; - telephone expenses and data transmission amounting to Euro 1,549 thousand from Telecom Italia S.p.A.; - rental fees and real estate management amounting to Euro 1,891 thousand from Telecom Italia S.p.A.; - acquisition of journalistic and sports news from subsidiary TM News amounting to Euro 1,306 thousand; - acquisition of electricity amounting to Euro 302 thousand from Telenergia: - audit service amounting to Euro 369 thousand from Telecom Italia Audit; - purchase of Web management and maintenance services from the company Matrix amounting to Euro 668 thousand. For 2010, this item refers to costs for the purchase of services from the Parent Company and subsidiaries of Telecom Italia Media S.p.A. Specifically: - costs for services of TV transmission amounting to Euro 10,437 thousand acquired from Telecom Italia Media Broadcasting; - services and rental of high/frequency equipment acquired from Telecom Italia Media Broadcasting for a total amount of Euro 9,666 thousand; - outsourcing from Telecom Italia S.p.A. totaling Euro 718 thousand; - telephone expenses and data transmission amounting to Euro 1,491 thousand from Telecom Italia S.p.A.; - rental fees and real estate management amounting to Euro 2,081 thousand from Telecom Italia S.p.A.; - acquisition of journalistic and sports news from subsidiary TM News amounting to Euro 1,309 thousand; - acquisition of electricity amounting to Euro 288 thousand from Telenergia: - audit service amounting to Euro 397 thousand from Telecom Italia Audit; - acquisition of services and advertising from the company Matrix amounting to Euro 540 thousand.

(in thousands of euro)	2011	2010	
Employee benefits expenses	545	563	The balance for 2011 includes expenses for seconded personnel amounting to Euro 215 thousand to Telecom Italia and to Euro 171 thousand to Telecom Italia Media Broadcasting. The item includes Employee benefits totaling Euro 58 thousand and other personnel expenses due to Telecom Italia totaling Euro 101 thousand. The balance for 2010 included expenses for seconded personnel amounting to Euro 184 thousand to Telecom Italia and to Euro 148 thousand to Telecom Italia Broadcasting, as well as expenses for personel other than employees of Euro 50 thousand to Telecom Italia. The item included Employee benefits totaling Euro 75 thousand and other personel expenses due to Telecom Italia totaling Euro 106 thousand.
Other operating expenses	150	165	This items for 2011 and 2010 refers to other expenses and charges.
Net finance income (expense)	(1,754)	(2,248)	This items for 2011 mainly refers to : - Interest income related to current account and borrowing account of Telecom Italia Media Broadcasting amounting to Euro 2,749 thousand and MTV Italia amounting to Euro 15 thousand. - interest paid for supply debts totaling Euro 16 thousand due to Telecom Italia S.p.A. - interest paid to Telecom Italia S.p.A. totaling Euro 1,831 thousand and to Telecom Italia Finance amounting to Euro 1,419 thousand - financial fees due to Telecom Italia S.p.a. amounting to Euro 398 thousand. - other finance expenses to Telecom Italia Media Broadcasting totaling Euro 131 thousand, to Telecom Italia totaling Euro 497 thousand and to Intesa Group totaling Euro 226 thousand. This items for 2010 mainly refers to : - Interest received for running account and financing relations with Telecom Italia Media Broadcasting amounting to Euro 2,245 thousand and MTV Italia amounting to Euro 68 thousand. - interest paid for supply debts totaling Euro 6 thousand due to Telecom Italia S.p.A. - interest paid to Telecom Italia S.p.A. totaling Euro 1,323 thousand and to Telecom Italia Finance amounting to Euro 2,690 thousand. - financial fees due to Telecom Italia S.p.a. amounting to Euro 319 thousand. - other finance expenses to Telecom Italia Media Broadcasting totaling Euro 47 thousand and to Telecom Italia totaling Euro 176 thousand.
Income tax expense	8,460	18,879	For 2011, Euro 8,460 thousand to Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation, for the tax loss for 2011. It was Euro 18,879 thousand for the tax loss for 2010.

Investments in tangible and intangible assets	1,106	2,031	The amount at December 31, 2011 refers to investments made by Telecom Italia Media mainly for the purchase of tangible assets from Telecom Italia S.p.A. amounting to Euro 45 thousand and from Italtel Group amounting to Euro 200 thousand. Investments for intangible assets, rights from A1 International totaling Euro 764 thousand, from Matrix totaling Euro 45 thousand and from the subsidiary Ssc amounting to Euro 52 thousand. The amount at December 31, 2010 referred to investments made by Telecom Italia Media mainly for the purchase of tangible assets from Telecom Italia S.p.A. amounting to Euro 8 thousand and from Italtel Group amounting to Euro 324 thousand. Investments for intangible assets, rights from A1 International totaling Euro 1,100 thousand, from Matrix totaling Euro 295 thousand, from the subsidiary Ssc amounting to Euro 58 thousand and from Telecom Italia amounting to Euro 20 thousand. Other investments amounting to Euro 26 thousand from the subsidiary Ssc and to Euro 200 thousand from A1 International.

(in thousands of euro)	12/31/2011	12/31/2010	
Miscellaneous receivables and other non-current assets	8,460	18,879	The balance at December 31, 2011 was Euro 8,460 thousand due from Telecom Italia for the National Tax Consolidation scheme in connection with the tax loss for 2011. The receivable is expected to be collected in June 2013. The amount at December 31, 2010 of Euro 18,879 thousand was due from Telecom Italia in relation to the participation to the National Tax Consolidation for the 2010 tax loss. The receivable is expected to be collected in June 2012.
Trade receivables (due within and after 12 months)	1,854	6,841	The amount at December 31, 2011 mainly included receivables from the parent company Telecom Italia S.p.A. for revenues previously recognized amounting to Euro 1,187 thousand (they include Euro 1,176 thousand from the Domestic Wireline Division), from Telecom Italia Media Broadcasting for Euro 537 thousand, from MTV Italia for Euro 59 thousand, from TM News for Euro 28 thousand, from H.R. Services for Euro 5 thousand, from Olivetti S.p.A. for Euro 19 thousand, from Telecontact for Euro 16 thousand and from Beigua for Euro 3 thousand. The amount at December 31, 2010 mainly included receivables from the parent company Telecom Italia S.p.A. for revenues previously recognized amounting to Euro 6,067 thousand (they include Euro 6,056 thousand from the Domestic Wireline Division), from Telecom Italia Media Broadcasting for Euro 556 thousand, MTV Italia for Euro 56 thousand, TM News for Euro 28 thousand, Matrix for Euro 132 thousand and Beigua for Euro 2 thousand.
Miscellaneous receivables and other current assets	19,473	17,741	The balance at December 31, 2011 included Euro 19,321 thousand from Telecom Italia S.p.A. for participation in the National Tax Consolidation, recognized in 2010, other miscellaneous operating receivables from A1 International amounting to Euro 137 thousand and from the subsidiary TM News amounting to Euro 6 thousand. Other receivables from Telecom Italia S.p.a. totaling Euro [illegible] thousand. The amount at December 31, 2010 included Euro 17,477 thousand to Telecom Italia S.p.A. for participation in the National Tax Consolidation, recognized in 2009, other miscellaneous operating receivables from Telecom Italia S.p.A. for Euro 10 thousand, from A1 International for Euro 240 thousand, from TM News for Euro 6 thousand and from Telecom Italia Media Broadcasting for Euro 1 thousand. Other receivables from Telecom Italia S.p.a. totaling Euro 7 thousand.
Financial receivables and other current financial assets	70,022	70,000	The balance at December 31, 2011 includes financial receivables from Telecom Italia Media Broadcasting for the short-term loan (1 year) granted on September 30, 2008 and extended till September 30, 2012 in the amount of Euro 70,000 thousand. Deferred finance expense amounting to Euro 22 thousand is included. The balance at December 31, 2010 includes financial receivables from Telecom Italia Media Broadcasting for the short-term loan (1 year) granted on September 30, 2008 and extended till June 30, 2011 in the amount of Euro 70,000 thousand.

(in thousands of euro)	12/31/2011	12/31/2010	
Cash and cash equivalents	18,014	3,236	The balance at December 31, 2011 of Euro 18,014 thousand refers to receivable for Euro 5,187 thousand due from the parent company Telecom Italia in connection with current accounts held as part of the centralized treasury program and to receivable for Euro 12,827 thousand due from Telecom Italia Media Broadcasting . The value at December 31, 2010 of Euro 3,236 thousand refers to receivable of Euro 3,225 thousand due from the parent company Telecom Italia in connection with current accounts held as part of the centralized treasury program. The item includes financial receivables from MTV Italia for Euro 11 thousand.
Financial payables owed after 12 months	100,000	100,000	The balance at December 31, 2011 and at December 31, 2010 refers to the financial payable of Telecom Italia Media S.p.A. amounting to Euro 100,000 thousand due to the parent company Telecom Italia S.p.A. The loan was approved on July 18, 2006 and issued on December 7, 2006 by the European Investment Bank to the Parent Company. Through an infra-group agreement, Telecom Italia issued a loan of the same amount and with the same conditions to Telecom Italia Media S.p.A.
Miscellaneous payables and other non-current liabilities	14,400	14,400	The amount at December 31, 2011 and at December 31, 2010 of Euro 11,400 thousand refer to the purchase from Telecom Italia of receivables claimed by the latter from Dahlia TV and used to underwrite a hybrid financial instrument consisting of redeemable, convertible privileged shares with limited rights as part of the agreement to strengthen Dahlia TV's financial position. This payable is guaranteed by a with-recourse clause. A payable of Euro 3,000 thousand to Telecom Italia Media S.p.A. is also included.
Financial payables owed within 12 months	46,885	23,321	The amount at December 31, 2011 refers to short-term financial payables for Euro 45,090 owed by Telecom Italia Media to Telecom Italia Finance SA, other payables to Telecom Italia S.p.A. for Euro 64 thousand, to Beigua for Euro 130 thousand and to MTV Italia for Euro 1,601 thousand. The amount at December 31, 2010 refers to Euro 20,003 in short-term financial payables owed by Telecom Italia Media to Telecom Italia Finance SA, other payables to Telecom Italia S.p.A. for Euro 52 thousand, to Beigua for Euro 127 thousand, to MTV Italia for Euro 1,768 thousand and other payables to Telecom Italia Media Broadcasting totaling Euro 1,371.
Trade payables	9,087	10,756	This item at December 31, 2011 consisted of trade accounts payable mainly to Telecom Italia S.p.A. for services rendered and telephone charges for Euro 2,795 thousand, to MTV Italia for Euro 14 thousand, to TM News for Euro 376 thousand and to Telecom Italia Media Broadcasting for Euro 4,080 thousand. Payables to subsidiaries of Telecom Italia S.p.A. amounted to Euro 1,822 thousand. Mainly to Intesa Group for Euro 226 thousand, to Matrix for Euro 685 thousand, to Italtel for Euro 27 thousand, to Telecom Italia Audit for Euro 50 thousand, to A1 International for Euro 423 thousand and to other companies for Euro 411 thousand. This item at December 31, 2010 consisted of trade accounts payable mainly to Telecom Italia S.p.A. for services rendered and telephone charges for Euro 3,086 thousand, to MTV Italia for Euro 26 thousand, to TM News for Euro 591 thousand and to Telecom Italia Media Broadcasting for Euro 4,021 thousand. Payables to subsidiaries of Telecom Italia S.p.A. amounted to Euro 3,032 thousand. Mainly to A1 International for Euro 1,146 thousand, to Matrix for Euro 857 thousand, to Italtel for Euro 324 thousand, to Telecom Italia Audit for Euro 397 thousand and to other companies for Euro 308 thousand.
Miscellaneous payables and other current liabilities	3,593	694	The balance at December 31, 2011 and at December 31, 2010 included miscellaneous operating payables arising from operations owed to Telecom Italia S.p.A. and Telecom Italia Media Group companies totaling respectively Euro 3,222 thousand (Euro 632 thousand at December 31,2010) and Euro 356 thousand (Euro 47 thousand at December 31,2010). To the subsidiaries of Telecom Italia totaling Euro 15 thousand (Euro 15 thousand at December 31,2010).

Amounts due to pension funds

The following table shows the main items in the statements of income, balance sheet, and cash-flow items pertaining to transactions with employee pension funds of Telecom Italia Media S.p.A.

(in thousands of euro)	Year 2011	Year 2010	Type of transaction
Employee benefits expenses	969	941	This item refers to social contributions to Italian Pension Funds and Fontedir amounting to Euro 73 thousand and Euro 91 thousand, for 2010 respectively for Telecom Italia Media S.p.A.'s employees and executives. Social contributions to INPS amounted to Euro 805 thousand. In 2010, social contributions to Italian Pension Funds and Fontedir amounted to Euro 67 thousand and 95 thousand, respectively. Payables to INPS amounted to Euro 779 thousand.
	12/31/2011	12/31/2010	
Miscellaneous payables and other current liabilities	831	748	At December 31, 2011, payables to Italian Pension Funds and Fontedir amounted to Euro 633 thousand and Euro 96 thousand, respectively. Accounts payable to INPS amounted to Euro 102 thousand. At December 31, 2010, payables to Italian Pension Funds and Fontedir amounted to Euro 552 thousand and Euro 93 thousand, respectively and to INPS amounted to Euro 103 thousand.

The most significant transactions between Telecom Italia Media S.p.A. and the companies in the Telecom Italia Group and Telecom Italia Media Group are listed below, and the related balances are indicated in the following pages.

Telecom Italia S.p.A.

Assets

- In 2011, Telecom Italia Media acts as Telecom Italia's exclusive advisor for the design and development of programming, research and the acquisition of media content for use on Telecom Italia's various television platforms (IPTV, CUBO, and the Web – formerly Yalp!). At September 30, 2011, the agreement was resolved as previously illustrated on page 12 of this Report;
- agreement with Telecom Italia regulating the supply of services aimed at promoting products/contents of the La7 brand, which may be granted by Telecom Italia Media to Telecom Italia in order to add them to the services currently referred to as "Cubovision" or "IPTV di Telecom Italia."

Liabilities

- supply by Telecom Italia of fixed and mobile telephone services;
- supply of administrative and accounting services to Telecom Italia Media S.p.A.;
- medium-/long-term loan granted by Telecom Italia S.p.A. to Telecom Italia Media S.p.A. relating to the loan obtained by Telecom Italia S.p.A. from the European Investment Bank to finance the company's Digital Terrestrial initiatives;

- regulation contract of the loan and the running account held with the Parent Company, Telecom Italia S.p.A., in connection with the Telecom Group's centralized treasury program;

- certain costs will be recharged to subsidiaries in conjunction with the services Telecom Italia S.p.A. plans to centralize under its own organization. These include, but are not limited to: insurance, management and computer application solutions, etc.;

- lease agreements for office buildings to be used by Telecom Italia Media S.p.A.;

- management, maintenance and cleaning of the buildings leased by the Telecom Italia Media S.p.A. from Telecom Italia S.p.A. or third parties.

Telecom Italia Media Broadcasting S.r.l.

Assets

- Regulation contract of the loan and the running account held in connection with the Group's centralized treasury program;

- short-term loan;

- rendering of administrative and accounting services.

Liabilities

- Lease agreement for the rental of digital bandwidth for television broadcasting.

MTV Italia S.r.l.

Assets

- Loan for the running account held in connection with the Group's centralized treasury program;

- short-term loan;

Telecom Italia Finance S.A.

Liabilities

- A short-term variable-rate (based on EURIBOR) loan agreement signed on December 20, 2011 for a credit facility amounting to Euro 60,000 thousand (Euro 45,000 thousand used at December 31, 2011). In this view, and pursuant to Article 5 of CONSOB Regulation No. 17221 of March 12, 2010, as amended by resolution No. 17389 of June 23, 2010, the company prepared a specific informative document available at the website www.telecomitaliamedia.it, section Investors – Company Reports.

Telenergia

Liabilities

- Electricity supplied to Telecom Italia Media S.p.A. for buildings used as office space or La7 television studios.

Matrix

Liabilities

- Technical consultancy for the management of the Telecom Italia Media's websites.

As regards the impact of the cash flows and earnings of related parties on income tax expense, Telecom Italia Media S.p.A. signed an agreement with Telecom Italia S.p.A. to participate in Telecom Italia S.p.A.'s National Tax Consolidation.

NOTE 38 - Stock options

At December 31, 2011, Telecom Italia Media S.p.A. did not have any more authorized capital increases for stock option plans.

NOTE 39 – Positions or transactions arising on atypical and/or unusual transactions

Pursuant to CONSOB Notice No. DEM/6064293 of July 28, 2006, it should be noted that during 2011 the Company did not undertake any atypical or unusual transactions, as defined in said notice.

NOTE 40 – OTHER INFORMATION

CONTENTS:

REMUNERATION PAID TO THE MEMBERS OF GOVERNING AND CONTROL BODIES, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Term of office	Office expiry	Fixed remuneration	Committee membership remuneration	Variable remuneration other than equity-based		Non-monetary benefits	Other remuneration	Total	Fair value of equity-based remuneration	Severance indemnities for end of office or termination of employment
						Bonuses and other incentives	Profit sharing					
SALVEMINI SEVERINO	Chairman	04/08/2011-12/31/2011	2013 financial statements approval	88,110	43,321					131,430		
STELLA GIOVANNI	Vice Chairman and Managing Director	04/08/2011-12/31/2011	2013 financial statements approval	559,615		396,000		3,427		959,042		
GHIGLIANI MARCO	General Manager	01/01/2011-12/31/2011	2013 financial statements approval	288,612		132,000		7,744		428,356		
BIGNARDI IRENE	Director	04/08/2011-12/31/2011	2013 financial statements approval	44,055						44,055		
MANGONI ANDREA	Director	01/01/2011-12/31/2011	2013 financial statements approval	60,000						60,000		
DE MAIO ADRIANO	Director	01/01/2011-12/31/2011	2013 financial statements approval	60,000	31,140					91,140		
GIUSTO MAURO	Director	04/08/2011-12/31/2011	2013 financial statements approval	44,055						44,055		
RAMPELLO DAVIDE	Director	04/08/2011-12/31/2011	2013 financial statements approval	44,055						44,055		
ZANONE POMA MARIO	Director	01/01/2011-12/31/2011	2013 financial statements approval	60,000	18,338					78,338		
GORGONI LORENZO	Director	01/01/2011-12/31/2011	2013 financial statements approval	60,000	24,230					84,230		
ROVERSI MONACO F.ALBERTO	Director	01/01/2011-12/31/2011	2013 financial statements approval	60,000	19,090					79,090		
FOIS CANDIDO	Director	01/01/2011-12/31/2011	2013 financial statements approval	60,000	6,910					66,910		
OVI ALESSANDRO	Director	01/01/2011-12/31/2011	2013 financial statements approval	60,000	8,770					68,770		
RISTUCCIA SERGIO	Director	01/01/2011-12/31/2011	2013 financial statements approval	67,342	19,090					86,433		
PATUANO MARCO EMILIO	Director	01/01/2011-04/07/2011	04/07/2011	15,945						15,945		
PALMIERI EUGENIO	Director	01/01/2011-04/07/2011	04/07/2011	15,945						15,945		
NEGRI CLEMENTI GIANFRANCO	Director	01/01/2011-04/07/2011	04/07/2011	15,945	8,770					24,715		
SPINIELLO SALVATORE	Chairman of the Board of Statutory Auditors	01/01/2011-12/31/2011	2012 financial statements approval	43,000						43,000		
DE NIGRO ALBERTO	Auditor	01/01/2011-12/31/2011	2012 financial statements approval	32,000						32,000		
ZEME MICHELA	Auditor	01/01/2011-12/31/2011	2012 financial statements approval	42,000						42,000		
(I) Remuneration in the company preparing the financial statements				1,720,680	179,659	528,000		11,171		2,439,509		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				1,720,680	179,659	528,000		11,171		2,439,509		

NOTES

SALVEMINI Committee membership remuneration: Euro 19,090 for serving as a member of the Remuneration Committee since April 8, 2011; Euro 24,230 for serving as a member of the Internal Control and Corporate Governance Committee since April 8, 2011

DE MAIO Committee membership remuneration: Euro 6,910 for serving as a member of the Remuneration Committee from January 1, 2011 to April 7, 2011; Euro 24,230 for serving as a member of the Internal Control and Corporate Governance Committee since April 8, 2011

ZANONE POMA Committee membership remuneration: Euro 6,910 for serving as a member of the Remuneration Committee from January 1, 2011 to April 7, 2011; Euro 8,769 for serving as a member of the Internal Control and Corporate Governance Committee from January 1, 2011 to April 7, 2011; Euro 2,657 for serving as a member of the Supervisory Body from January 1, 2011 to April 7, 2011

ROVERSI MONACO Committee membership remuneration: Euro 19,090 for serving as a member of the Remuneration Committee since April 8, 2011

GORGONI Committee membership remuneration: Euro 24,230 for serving as a member of the Internal Control and Corporate Governance Committee since April 8, 2011

FOIS: Euro 6,910 for serving as a member of the Remuneration Committee from January 1, 2011 to April 7, 2011

OVI Committee membership remuneration: Euro 8,769 for serving as a member of the Internal Control and Corporate Governance Committee from January 1, 2011 to April 7, 2011

RISTUCCIA fixed remuneration: it includes Euro 7,342 for serving as a member of the Supervisory Body since April 8, 2011; Committee membership remuneration: Euro 19,090 for serving as a member of the Internal Control and Corporate Governance Committee since April 8, 2011

NEGRI CLEMENTI: Euro 8,769 for serving as a member of the Internal Control and Corporate Governance Committee

ZEME fixed remuneration: it includes Euro 10,000 for serving as a member of the Supervisory Body since January 1, 2011 (in office until the approval of the 2013 financial statements).

SUMMARY TABLE OF THE FEES OF THE INDEPENDENT AUDITORS AND ENTITIES BELONGING TO THE SAME CORPORATE NETWORK

The following table shows the total fees owed to PwC S.p.A. and other entities belonging to the PwC network by way of consideration for auditing the 2011 financial statements, in addition to the emoluments accrued in 2011 for all other auditing/non-auditing services rendered to Telecom Italia Media Group by PwC S.p.A. and other companies belonging to its network. The table also includes the out-of-pocket expenses incurred in 2011 in connection with those services.

	Telecom Italia Media S.p.A.		
	PwC S.p.A.	Other entities of PwC network	Total PwC network
Auditing services:			
- Legal audit of separate financial statement	69,400	-	69,400
- Legal audit of consolidate financial statement	7,600	-	7,600
- Limited auditing of consolidated condensed half-year financial statements	7,600	-	7,600
- Other	4,600	-	4,600
Control services involving the issue of an attestation	-	-	-
Other services	-	-	-
Total 2011 costs for auditing services and others due to the PwC network	**89,200**	**-**	**89,200**
Out-of-pocket expenses			2,713
TOTAL			**91,913**

ANNEX 1

LONG-TERM INVESTMENTS

	Initial value			Year value				Final value		
(in thousands of euro)	Cost	Provision	Net value	Purchases / increase in share capital	Write-downs	Disposals and other	Write-ups	Cost	Provision	Net value (1)
a) Subsidiaries	**180,087**	**(7,963)**	**172,124**					**180,087**	**(7,963)**	**172,124**
MTV ITALIA S.r.l.	17,165	(7,963)	9,202					17,165	(7,963)	9,202
TELECOM ITALIA MEDIA BROADCASTING S.r.l.	162,922		162,922					162,922		162,922
b) Associates	**10,030**	**(10,030)**						**10,030**	**(10,030)**	
TM NEWS S.p.A.	10,030	(10,030)						10,030	(10,030)	
c) Other companies	**14,418**	**(12,801)**	**1,617**		**(56)**	**(500)**		**13,918**	**(12,857)**	**1,061**
WEBNEXT S.r.l. (in liquidation)	240	(240)						240	(240)	
AUDITEL S.r.l.	46		46					46		46
CONSORZIO PER DISTRIBUZIONE AUDIOVISIVO E ITC	5		5					5		5
CONSORZIO SARDEGNA DIGITALE	13		13					13		13
CONSORZIO VALLE D'AOSTA DIGITALE	7		7					7		7
DAHLIA TV S.p.A. (in liquidation)	8,000	(8,000)						8,000	(8,000)	
ITALBIZ.COM Inc.	1,841	(1,840)	1					1,841	(1,840)	1
TI AUDIT S.c.a.r.l.	500		500			(500)				
TIGLIO 1 S.r.l.	3,731	(2,721)	1,010		(56)			3,731	(2,777)	954
TIVU' S.r.l.	35		35					35		35
Total investments	**204,535**	**(30,794)**	**173,741**		**(56)**	**(500)**		**204,035**	**(30,850)**	**173,185**

(1) The amounts for MTV Italia S.r.l. and Telecom Italia Media Broadcasting S.r.l. do not include payments for future capital increases.

ANNEX 2

LIST OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND OTHER COMPANIES

Company name	Registered offices	Currency	Share Capital (in euros)	Equity	Profit (loss)	% held	Investment value	Book value
(in thousands of euro)			-2	-2	-2	%		
WEBNEXT S.r.l. (in liquidation)	Milan	Euro	100,000.00	(22,412)	(6,547)	0.97	(217)	0
AUDITEL	Milan	Euro	300,000.00	1,263	7	3.33	42	46
CONSORZIO PER DISTRIBUZIONE AUDIOVISIVO E ITC	Rome	Euro	271,000.00	n.a.	n.a.	1.85	n.a.	5
CONSORZIO SARDEGNA DIGITALE	Cagliari	Euro	100,000.00	100	n.a.	13.33	13	13
CONSORZIO VALLE D'AOSTA DIGITALE (in liquidation)	Aosta	Euro	50,000.00	26	(14)	13.33	3	7
DAHLIA TV S.p.A. (3)	Rome	Euro	6,526,316.00	27,684	(20,786)	10.08	2,791	0
ITALBIZ.COM INC.	Dover-Delaware (USA)	US$	4,720.496	n.a.	n.a.	19.5	n.a.	1
MTV ITALIA S.r.l.	Rome	Euro	12,151,928.00	24,225	(530)	51	12,355	9,460 (1)
TELECOM ITALIA MEDIA BROADCASTING	Rome	Euro	15,000,000.00	24,499	89	100	24,499	172,922 (1)
TM NEWS S.p.A.	Rome	Euro	1,120,000.00	6,147	(792)	40	2,459	-
TIGLIO 1 S.r.l.	Milan	Euro	5,255,704.00	46,682	(29,440)	2.1	980	954
TIVU' S.r.l.	Rome	Euro	1,001,886.00	2,197	1,033	3.5	77	35

(1) Including payments for future capital increases

(2) Taken from the most recent financial statements approved. For subsidiaries, Tm News and TI Audit IFRS-compliant data were used, as prepared for the consolidated financial statements.

(3) On January 10, 2011, the Shareholders' Meeting appointed the receiver of the company.

MANAGEMENT AND COORDINATION

The highlights of the parent company Telecom Italia S.p.A., which exercises the Management and Coordination activity, as reported in the summary statement pursuant to Article 2497-*bis* of the Italian Civil Code, have been taken from the Financial Statements for the year ended December 31, 2010. For the purposes of an adequate and comprehensive understanding of the economic and financial situation of Telecom Italia S.p.A. as of December 31, 2010, as well as the earnings performance for the financial year closed on that date, the reader is referred to the relevant Annual Report, accompanied by the Statutory Auditors' Report, which is available in the manner and according to the procedures set forth by applicable laws.

TELECOM ITALIA S.p.A. **Piazza degli Affari, 2 - 20123 MILAN**

ESSENTIAL HIGHLIGHTS (in thousands of euro)		**12/31/2010**
STATEMENTS OF FINANCIAL POSITION		
Intangible assets		43,982,927
Tangible assets		11,400,926
Other non-current assets		13,333,034
Total non-current assets		68,716,887
Current assets		9,909,308
Discontinued operations/non-current assets held for sale		-
TOTAL ASSETS		**78,626,195**
EQUITY		25,563,867
Share capital	*10,668,026*	
Other reserves	*7,192,796*	
Retained earnings (accumulated losses) for the year	*7,703,045*	
Non-current financial liabilities		37,153,689
Employee benefits		967,756
Deferred tax liabilities		1,191
Provisions		484,653
Miscellaneous payables and other non-current liabilities		675,436
Total non-current liabilities		39,282,725
Current liabilities		13,779,603
TOTAL LIABILITIES		53,062,328
TOTAL EQUITY AND LIABILITIES		**78,626,195**
STATEMENTS OF INCOME		
Revenues		18,985,351
Operating income before depreciation and amortization, gains/losses, and write-ups/write-downs of non-current assets (EBITDA)		**9,088,620**
OPERATING PROFIT(EBIT)		**4,968,893**
Income/ (expenses) from investments		1,795,665
Finance income		2,818,835
Finance expenses		(4,973,411)
Profit before taxes		**4,609,982**
Income tax expense		(1,097,401)
Profit (loss) for the year		**3,512,581**

Attestation of the Financial Statements pursuant to Article 81-*ter* of CONSOB regulation No. 11971 dated May 14, 1999, with subsequent amendments and riders

1. The undersigned Giovanni Stella, in his capacity as Vice Chairman and Managing Director and Paolo Serra, in his capacity as Executive in charge of the financial reports of Telecom Italia Media S.p.A., pursuant to Article 154-*bis,* paragraphs 3 and 4, of Legislative Decree No. 58 dated February 24, 1998, hereby declare that the administrative and accounting procedures for preparing the consolidated financial statements for 2011:

   - are appropriate in relation to the company's features; and
   - have been consistently applied.

2. Telecom Italia Media has adopted the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* as reference framework used to prepare and assess its internal control system, with specific reference to internal audits applied in preparing the financial statements.

3. The undersigned further declare that:

   3.1 the Financial Statements at December 31, 2011:

   a) have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union pursuant to EC Regulation No. 1606/2002 of the European Parliament and Council on July 19, 2002, and applicable current Italian laws and regulations, with specific reference to the provisions issued in accordance with Article 9 of Legislative Decree No. 38 of February 28, 2005;

   b) reflect the accounting books and records;

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer.

   3.2 the Report on Operations includes a reliable analysis of the operating performance and income and situation of the issuer, along with a description of the primary risks and uncertainties to which it is exposed.

March 20, 2012

/signature/Giovanni Stella	/signature/Paolo Serra
Giovanni Stella	Paolo Serra
Vice Chairman and Managing Director	Executive in Charge of Financial Reports

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Telecom Italia Media SpA

1. We have audited the separate financial statements of Telecom Italia Media SpA as of 31 December 2011 which comprise the statement of financial position, separate income statement, statement of comprehensive income, statement of changes in equity, cash flow statements and related notes. The directors of Telecom Italia Media SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 15 March 2011.

3. In our opinion, the separate financial statements of Telecom Italia Media SpA as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Telecom Italia Media SpA for the period then ended.

4. The directors of Telecom Italia Media SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Governance" of the website of Telecom Italia Media SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph

PricewaterhouseCoopers SpA

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2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by the CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Telecom Italia Media SpA as of 31 December 2011.

Turin, 2 April 2012

PricewaterhouseCoopers SpA

Signed by

Mattia Molari
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF TELECOM ITALIA MEDIA S.P.A. PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/1998

Shareholders:

During the course of the year ended December 31, 2011, the Board of Statutory Auditors of Telecom Italia Media S.p.A. (hereinafter “TI Media” or the “Company”) fulfilled its surveillance functions pursuant to law, taking into account the code of conduct recommended by the National Councils of Certified Public Accountants and the CONSOB communications concerning company audits and the activities of the Board of Statutory Auditors.

During the year, the Board of Statutory Auditors gathered information for the execution of its functions both through audits of the company departments and by participating in the meetings of the Board of Directors, the Internal Control and Corporate Governance Committee, and the Remuneration Committee. Moreover, by virtue of the internal procedure called "Procedure on information flows to members of the Board of Directors and Board of Statutory Auditors” adopted by the Company in 2007 and aimed at providing a constant and systematic flow of information to both the Board of Statutory Auditors and the Directors, especially “non-executive directors”, the Board of Directors reports quarterly on actions taken, on major events affecting the Company’s operations, financial position, and capital structure, on transactions involving a potential conflict of interest (i.e. intra-Group transactions and related party transactions other than intra-Group transactions), as well as any atypical or unusual transaction and all other activities or transactions it considers appropriate to bring to the attention of the recipients of the Report.

1. Based on the information received and the subsequent specific analysis conducted by the Board of Statutory Auditors, the major transactions impacting the operations, financial position, and capital structure carried out by the Company in 2011, also through companies in which the Company directly or indirectly holds an equity interest, are basically the following:
- in September, the early termination of the Competence Center Agreement with Telecom Italia was finalized. The amount of the indemnity, which totaled Euro 20.5 million, was reviewed in a Fairness Opinion prepared by an independent external appraiser identified by agreement between the parties. The Section “Information for Shareholders” provides additional information on this transaction;
- in December, a credit facility contract was formalized with Telecom Italia Finance S.A., for the total amount of Euro 60 million and with maturity date on December 20, 2012.

The Board of Statutory Auditors checked that the transactions described above are in accordance with the law, the company’s Bylaws, and the principles of good management, certifying that they were not manifestly imprudent or risky, in contrast to the resolutions taken by the Shareholders’ Meeting, or such as to compromise the integrity of the Company's capital structure. Since the transactions in question were effected with related parties, the Board of Statutory Auditors further verified compliance with all applicable CONSOB regulations, as well as the Group’s specific procedure for the conclusion of related party transactions (see point 2).

2. During the course of 2011 and after the close of the financial year, the Board of Statutory Auditors did not detect any atypical and/or unusual transactions executed with third parties or with related parties (including Group companies).
As for transactions involving potential conflicts of interest, the Directors indicated and explained the main intra-Group transactions and transactions with other related parties that may raise conflicts of interest in the Notes to the Consolidated Financial Statements and in the comments on the individual financial statements’ items; please refer to these sections for information, including a description of the transactions and their effects on the financial statements.

Concerning transactions with related parties:
a) the Company periodically sent to the Directors, the Auditors, and the top managers a request for a report on any transactions with related parties: the responses reported no such transactions;
b) the Company has equity, operating and financial relationships with Group companies that are described in the Notes to the financial statements and are shown in the separate and consolidated financial statements. The transactions have been carried out at market conditions;

c) the Company adopted, in accordance with the provisions of CONSOB Resolution No. 17221 of March 12, 2010 (as further amended and extended), a bespoke procedure — partially amended during 2011 — for classifying transactions under various categories pursuant to specific validation and approval processes, within an articulated procedural framework illustrated in detail in the "Telecom Italia Media S.p.A.'s 2011 Report on Corporate Governance and Ownership Structure", to which reference is here made.
With regard to transactions between Group companies and with related parties described above, the Board deems that the amounts are consistent and that the transactions have been effected in the best interests of the Company.

3. The Board of Statutory Auditors believes that the information provided by the Directors in the Notes to the consolidated financial statements of the Telecom Italia Media Group and the Notes to the financial statements of Telecom Italia Media S.p.A. with reference to transactions between Group companies and with related parties is adequate.

4. The Independent Auditors PricewaterhouseCoopers SpA - on April 2, 2012, issued their reports pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010, in which they certify that the separate and consolidated financial statements for the reporting year represent a true and fair view of the equity and financial positions, the operating result, the changes in equity and the cash flows of the Company and the Group.

5. In 2011, the Board of Statutory Auditors filed no briefs pursuant to Article 2408 of the Italian Civil Code.

6. During 2007, the Statutory Auditors, in implementation of the Corporate Governance Code, adopted a procedure for the management of notifications and complaints, including those made by Company employees. Instructions for sending such notifications to the Board of Statutory Auditors, either in paper or electronic form, are available in the Governance section of the Company's website.
In 2011, the Board of Statutory Auditors received only one "complaint" against the Company by a person claiming to be a former employee of the Group. The Board of Statutory Auditors looked into the matter with appropriate input from the relevant corporate functions, and discovered that in actual fact, the complainant had never been an employee of the Group.

7. In 2011, the Company did not assign any tasks to PricewaterhouseCoopers SpA, other than statutory auditing tasks.

8. In 2011, the Company did not assign any tasks to any parties involved in ongoing working relationships with the auditing firm PricewaterhouseCoopers SpA.

9. In 2011, the Board of Statutory Auditors issued an opinion to the Board of Directors, pursuant to Article 2389, paragraph 3 of the Italian Civil Code, regarding the remuneration of the Vice Chairman and Managing Director Giovanni Stella.

10. In 2011, the Board of Directors held nine meetings, the Internal Control and Corporate Governance Committee five, and the Remuneration Committee five. In 2011, the Board of Statutory Auditors met ten times; in addition it attended: (i) the Shareholders' Meeting to approve the financial statements as of December 31, 2010; (ii) all the meetings of the Board of Directors; (iii) all the meetings held in 2011 by the Internal Control and Corporate Governance Committee.

11. The Board of Statutory Auditors has acquired knowledge and supervised the observance of the precepts of good management, with regard to the matters which fall within its competence, through direct appraisal, information gathered from the heads of departments and the Executive in charge of Financial Reports, and through meetings with the Head of Internal Control with the Internal Control and Corporate Governance Committee and the Independent Auditors of PricewaterhouseCoopers S.p.A., aimed at the mutual exchange of data and relevant information. More in detail, the Board of Statutory Auditors, also through direct participation in Board Meetings, has verified that the decision-making process of the Board of Directors is in accordance with relevant laws and the Company Bylaws and has checked that the decisions were assisted by analyses and opinions, produced internally or, when necessary, by external professionals, mainly regarding the operating and financial appropriateness of transactions and whether they were in the best interests of the Company.

12. The Board of Statutory Auditors has also acquired knowledge of and supervised the adequacy of the organizational structure of the Company and its functioning.
Following the structural renewal, approved by the Shareholders' Meeting on April 8, 2011, the Board of Directors appointed Severino Salvemini Chairman and Giovanni Stella Vice Chairman and Managing Director.
In compliance with law and the Bylaws, the Chairman was granted the power of legal representation of the Company, whereas the Vice Chairman and Managing Director, in addition to the power of legal representation, was vested with the responsibility for the overall management of the Company and the Group, as well as powers regarding market disclosures. The following functions and positions report to him:

- the Central Functions: Administration & Control, Investor Relations, Human Resources, Legal, Purchasing, Regulatory Affairs, Digital Content and Network Operations Functions;
- the companies MTV Italia S.r.l. and Telecom Italia Media Broadcasting S.r.l.;
- the General Manager, Marco Ghigliani, is responsible for the operational management of the Company's television business, organized into the following units: Network and Multimedia Department, News and Sports Department, Marketing & Sales, Production, TV Operations, Information Technology, Security, Facility Management, Prevention, Protection and Environmental Services and Production Accounting.

13. The Board of Statutory Auditors has monitored the Company's internal control system, evaluating its adequacy through: (i) periodic meetings with the party responsible for internal control and the Executive in charge of the Company's Financial Reports, (ii) meetings with the Internal Control and Corporate Governance Committee and (iii) obtaining documentation. No significant issues were found.

14. The Board of Statutory Auditors also evaluated and monitored the adequacy of the administrative and accounting system and its reliability in fairly representing operating events, obtaining information from the appropriate Company function supervisors, examining Company documents and analyzing the results of the work carried out by the independent auditors PricewaterhouseCoopers SpA.
The Board of Statutory Auditors acknowledged the statements issued by the Vice Chairman and Managing Director, as well as the Executive in charge of the Company's Financial Reports, on the appropriateness — in light of the features of the company — and the effective implementation in 2011 of the administrative and accounting procedures to be followed in preparing the annual and consolidated financial statements.
The goodwill impairment recognized as a result of impairment test as of December 31, 2011 refers to MTV and the Network Operator TIMB business units, which showed the greatest gap between expected and actual results in 2011. The impairment loss recognized as a result of the aforesaid impairment test are described in note 3 to the Consolidated Financial Statements and note 3 to the Company's Financial Statements.

15. The Board of Statutory Auditors monitored the adequacy of the instructions issued by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of Legislative Decree No. 58/98 and deemed them appropriate for the purpose of fulfilling the disclosure obligations imposed by that law.

16. The Board of Statutory Auditors has certified, through direct checks and information obtained from the independent auditors PricewaterhouseCoopers SpA, the observance of regulations and laws concerning the formation and lay-out of the Company's Annual Financial Statements, the Consolidated Financial Statements and the Report on Operations.

17. Adopting its own Corporate Governance Code, the Company adopts the principles and recommendations included in the Corporate Governance Code drafted on the initiative of Borsa Italiana by the Committee for the Corporate Governance of Listed Companies. The Company's Board of Directors consists of 11 non-executive directors, 7 of whom qualify as independent as defined by the Board; the Board of Directors has established from among its members a Remuneration Committee consisting entirely of Independent Directors and an Internal Control and Corporate Governance Committee, also consisting entirely of Independent Directors.

In 2006, the Company appointed a Lead Independent Director (a post filled by the Chairman of the Internal Control and Corporate Governance Committee) to act as a point of reference and coordination for the requests and suggestions of the Independent Directors.
The Lead Independent Director has also the right to call meetings of merely Independent Directors to discuss matters relating to the functioning of the Board of Directors or Company's management.
Further information on the Company's Corporate Governance is provided in the specific section entitled "Report on the Corporate Governance and Ownership Structure of Telecom Italia Media S.p.A.".
In conclusion, the Board of Statutory Auditors assesses the adequacy of the Company's Corporate Governance system.

18. From the supervisory and control activities carried out by the Board of Statutory Auditors as described above, no facts emerged that need be reported to the Supervisory and Control Bodies or mentioned in this Report.

19. Acknowledging the results of the financial statements for the year ended December, 31 2011, the Board of Statutory Auditors has no objection to raise against the resolution proposal submitted by the Board of Directors on the replenishment of the year's net loss.

****

The General Shareholders' Meeting will have to appoint an Alternate Auditor to replace Antonio Mastrapasqua who has resigned; the Board of Statutory Auditors accordingly invites the Shareholders to pass appropriate resolutions in such regard.

THE BOARD OF STATUTORY AUDITORS
Salvatore Spiniello
Alberto De Nigro
Michela Zeme

Rome – April 2, 2012

MOTIONS FOR RESOLUTIONS

GENERAL SHAREHOLDERS' MEETING

APRIL 24, 2012 – 3.00P.M. (SINGLE CALL)

ROZZANO (MILAN) – VIALE TOSCANA 3

AGENDA

Ordinary Session

1. Financial Statements at December 31, 2011 — related and ensuing resolutions.
2. Remuneration Report — related and ensuing resolutions.
3. Appointment of an Alternate Auditor.

Extraordinary Session

1. Amendment to Articles 13 and 22 of the Bylaws — related and ensuing resolutions.

MOTIONS FOR RESOLUTIONS

Financial Statements at December 31, 2011 — related and ensuing resolutions.

Shareholders:

The draft Financial Statements being submitted to the General Shareholders' Meeting for approval closed with a loss of Euro 60,759,334.01 and therefore we ask you to pass the following

Proposed Resolution

"The Shareholders of Telecom Italia Media S.p.A.,

- having examined the Company Financial Statements for the year ended December 31, 2011;

- having regard to the Report on Operations;

- having regard to the attestation pursuant to Article 154-bis, paragraph 5, of Legislative Decree No. 58 of February 24, 1998, submitted by the Executive in charge of Financial Reports, and the relevant delegated Board members and committees;

- having acknowledged the Report of the Board of Statutory Auditors and of the independent auditors PricewaterhouseCoopers SpA;

hereby resolve

1. to approve the Directors' Report on Operations, the Balance Sheet, the Income Statement and the Notes on the financial statements of Telecom Italia Media S.p.A., which closed with a loss of Euro 60,759,334.01;

2. to replenish the loss for the year amounting to Euro 60,759,334.01 using the "Share-premium Account".

Remuneration Report — resolution on Section 1

Shareholders:

For the first time, a Remuneration Report has been drawn up pursuant to Article 123-*ter* of Legislative Decree No. 58 of February 24, 1998, in view of the coming General Shareholders' Meeting of April 24, 2012. The said Report, published pursuant to procedures similar to those followed for the documents comprising the financial statements, is made up of two sections:

– Section 1 illustrates the Company's remuneration policy applying to its Directors, General Managers and Key Management Personnel, as well as the procedures followed for adopting and implementing the said policy for financial year 2012;
– Section 2 provides a breakdown of the various items comprising the remuneration of the Directors, General Manager and Key Management Personnel, together with an analytical illustration of the emoluments paid to the same in financial year 2011.

You are called upon to pass a resolution on Section 1 of the Remumeration Report, such resolution being non-binding, as provided for by the Law.

In light of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders of Telecom Italia Media S.p.A.,

- having regard to applicable regulations governing the Remuneration Report;
- acknowledging the non-binding nature of the resolution in question,

hereby resolve

to approve Section 1 of Telecom Italia Media's Remuneration Report.

Appointment of an Alternate Auditor

Shareholders:

Following the resignation of the Alternate Auditor, Antonio Mastrapasqua, the Shareholders' Meeting is invited to appoint his replacement. The said appointment is not to be made pursuant to the list voting mechanism, which is applicable, under the company's Bylaws, only to the appointment of the entire Board of Statutory Auditors.

In such regard, the majority shareholder, Telecom Italia S.p.A., has expressed its intention to raise a motion to appoint Luigi Vannini (whose curriculum vitae is enclosed herewith) to serve as Alternate Auditor for the remaining term of the Board of Statutory Auditors currently in office, and therefore through to the approval of the Financial Statements for the year ending December 31, 2012.

In light of all of the above, you are invited to approve the following

Proposed Resolution

The Shareholders of Telecom Italia Media S.p.A.,

- given the need to appoint an Alternate Auditor following the resignation of Antonio Mastrapasqua;
- having regard to the resolution appointing the Board of Statutory Auditors and the Alternate Auditors, which was passed on April 8, 2010;
- having regard to the provisions of law and the Company's Bylaws regarding the composition, term, and procedures for the appointment of the Board of Statutory Auditors;

hereby resolve

- to appoint Luigi Vannini Alternate Auditor of the Company for a term expiring with that of the Board of Statutory Auditors currently in office, and therefore, through to the approval of the financial statements for the year ending December 31, 2012.

Amendment to Articles 13 and 22 of the Bylaws — related and ensuing resolutions

Shareholders:

In light of the statutory provisions introducing into Italian national law the principle of gender diversity on the Boards of Directors and the Boards of Statutory Auditors of listed companies (Law No. 120 of July 12, 2011 which amended Articles 147-*ter* and 148 of Legislative Decree No. 58 of February 24, 1998), you are invited to appropriately amend and/or extend the articles of the Company's Bylaws that regulate the appointment of the aforesaid Boards.

The new legislation is compulsory for three terms of appointment as of the first appointment or renewal to take place after the expiry of one year from the entry into effect of the law (in August 2011) and requires one fifth of the seats to be reserved to members of the gender less represented during the first term; such minimum threshold being increased to one third during the subsequent two terms of appointment.

The Board of Directors however feels that ensuring a diversity of professional backgrounds and managerial experience, as well as an appropriate mix of genders on the Boards in question, represents an opportunity and a value. You are accordingly invited to amend the compositional requirements of the Board of Directors and the Board of Statutory Auditors, not just for three terms of appointment of the same, but on a more permanent basis.

The proposed amendments would require all the lists of candidates that could potentially impact the gender distribution on each of the said Boards, as per the CONSOB resolution in question (i.e.: all lists with three or more candidates) to feature a gender ratio of at least 1:3 amongst the candidates (and 1:5 in respect of first time application with respect to the Board of Directors), with the so-called "Majority List" making up for any shortfalls as may be necessary to ensure compliance with the overall gender diversity requirement in terms of the composition of the Board. This will be achieved by disqualifying the last candidates of the most represented gender elected from the Majority List and replacing the same with the first unelected candidates of the opposite gender, included in the same list, so as to maintain the required balance. This is without prejudice to the fact that, should the list voting mechanism fail to ensure the desired level of gender diversity, the latter shall be achieved through appropriate appointments made to the Board by the General Shareholders' Meeting through subsequent ballots subject to the applicable statutory majorities.

The proposed amendments — which will be implemented for the first time at TI Media upon the appointment of the new Board of Statutory Auditors, whose term of office is due to expire with the Shareholders' Meeting to be called to approve the 2012 Financial Statements — are not of such nature as to entitle dissenting shareholders to withdraw from the Company.

The proposed resolution to be submitted to the Shareholders' Meeting is given below, including a comparison of the Bylaw articles in the existing text with the one with proposed changes.

In light of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders of Telecom Italia Media S.p.A.,

- having examined the Directors' Report on Operations,

hereby resolve

- to amend the current Articles 13 and 22 of Telecom Italia Media S.p.A.'s Bylaws, as shown in the text below (amendments have been highlighted).

CURRENT TEXT	PROPOSED CHANGES
ARTICLE 13 – COMPOSITION OF THE BOARD OF DIRECTORS	ARTICLE 13 – COMPOSITION OF THE BOARD OF DIRECTORS
13.1 The Company shall be governed by a Board of Directors comprising between seven (7) and a maximum of twenty-one (21) Directors.	13.1 The Company shall be governed by a Board of Directors comprising between seven (7) and a maximum of twenty-one (21) Directors **with members belonging to the less represented gender constituting at least one third of the total number of members, following rounding up of fractions to the nearest whole digit.**
13.2 The Ordinary Shareholders' Meeting shall determine the number of members of the Board of Directors, which shall remain constant a new resolution is made by Shareholders, and shall also determine the length of the term of office of the Board, within the statutory limits.	Unchanged
13.3 Any time the majority of the members of the Board of Directors ceases to hold office, for any reason whatsoever, the remaining Board members shall be deemed to have resigned with effect as of the date on which the Board of Directors is reappointed by the Shareholders' Meeting.	Unchanged
13.4 The appointment of the Board of Directors shall be, within the meaning of applicable laws and regulations, through nomination lists submitted by the shareholders of by the outgoing Board of Directors.	Unchanged

13.5 Each shareholder may submit a single list or else participate in the joint submission of single list, and each candidate may be included in only one list, under penalty of ineligibility.	13.5 Each shareholder may submit a single list or else participate in the joint submission of single list, and each candidate may be included in only one list, under penalty of ineligibility. **The lists with three or more candidates shall ensure the presence of candidates of both genders, so that the candidates belonging to the less represented gender constitute at least one third of the total number of members, following rounding up of fractions to the nearest whole digit.**
13.6 Lists may be submitted only by shareholders who alone or together with other shareholders hold a total number of shares representing at least 0.5% (or such other amount established by Consob regulations) of the share capital entitled to vote at the Ordinary Shareholders' Meeting.	Unchanged
13.7 Each candidate's acceptance of his/her appointment and a declaration certifying under his/her own responsibility that there are no grounds of ineligibility or incompatibility and that he/she meets the requirements relating to his/her position must be deposited together with each list within the respective time limits indicated above. The declaration shall be accompanied by a personal and professional profile of each candidate and an of the executive or control positions he/she holds with other companies and his/her eligibility for consideration as an independent director as defined by law and the Company. Candidates must notify the Company of any changes that may occur up to the time of the Shareholders' Meeting.	Unchanged

13.8 Each shareholder with voting rights may cast vote for one list only.	Unchanged
13.9 The Board of Directors shall be elected in the following manner: 1) four fifths of the Directors shall be drawn, in accordance with the sequential order in which they appear on the list, from the list that has obtained the largest number of votes (so called Majority List). If this results in a fraction, the number shall be rounded down to the nearest unit; 2) without prejudice to applicable laws and regulations on the constraints on the connection with the Majority List, the remaining Directors shall be drawn from the other lists. To this end, the number of ballots obtained by the lists shall be successively divided by, ascending integer numbers up to the number of Directors to be elected. The quotients thus obtained shall be progressively assigned to the candidates on each of the lists, in accordance with the sequential order in which the nominees appear on their list. The quotients allocated in this manner shall be arranged in descending order in a single shortlist. The nominees elected shall be those with the highest quotients. In the event that more than one candidate obtains the same number of ballots, the appointee shall be drawn from the list from which no or the smallest number of Directors has been drawn.	13.9 The Board of Directors shall be elected in the following manner: 1) four fifths of the Directors shall be drawn, in accordance with the sequential order in which they appear on the list, from the list that has obtained the largest number of votes (so called Majority List). If this results in a fraction, the number shall be rounded down to the nearest unit; 2) without prejudice to applicable laws and regulations on the constraints on the connection with the Majority List, the remaining Directors shall be drawn from the other lists. To this end, the number of ballots obtained by the lists shall be successively divided by, ascending integer numbers up to the number of Directors to be elected. The quotients thus obtained shall be progressively assigned to the candidates on each of the lists, in accordance with the sequential order in which the nominees appear on their list. The quotients allocated in this manner shall be arranged in descending order in a single shortlist. The nominees elected shall be those with the highest quotients.

In the event that more than one candidate obtains the same number of ballots, the appointee shall be drawn from the list from which no or the smallest number of Directors has been drawn.If no Director has been drawn from any of these lists, or all he lists have produced the same number of Directors, then the nominee who has received the highest number of ballots shall be appointed. If more than one nominee has received the same number of ballots and the quotients are also equal, a new vote shall be held by the entire Shareholders' Meeting, and the candidate who obtains a simple majority of ballots shall be elected.	In the event that more than one candidate obtains the same number of ballots, the appointee shall be drawn from the list from which no or the smallest number of Directors has been drawn. If no Director has been drawn from any of these lists, or all he lists have produced the same number of Directors, then the nominee who has received the highest number of ballots shall be appointed. If more than one nominee has received the same number of ballots and the quotients are also equal, a new vote shall be held by the entire Shareholders' Meeting, and the candidate who obtains a simple majority of ballots shall be elected. **Should the composition of the Board of Directors not allow for a balance to be struck between the genders, taking due account of the order in which the candidates are listed, in order to ensure compliance with the requirement, a due number of the last candidates of the most represented gender elected from the Majority List shall be deemed unelected, in favour of the first unelected candidates of the less represented gender included in the same list. Should the Majority List not include a sufficient number of candidates of the less represented gender to enable the replacement, the General Shareholders' Meeting shall appoint a Director with the applicable statutory majorities to ensure compliance with the requirement.**

13.10 For the appointment of Directors who, for any reason, have not been nominated in the manner described above, the Shareholders' Meeting shall decide by legal majority.	13.10 For the appointment of Directors who, for any reason, have not been nominated in the manner described above, the Shareholders' Meeting shall decide by legal majority **ensuring the application of the provisions of law and Bylaws regarding the composition of the Board of Directors.**
13.11 If one or more Director ceases to hold office during the financial year, the terms of Article 2386 of the Civil Code shall apply.	13.11 If one or more Director ceases to hold office during the financial year, the terms of Article 2386 of the Civil Code shall apply **ensuring the application of the provisions of law and Bylaws regarding the composition of the Board of Directors.**
	13.12 The number of seats to be reserved to Directors of the less represented gender on the first Board of Directors to be appointed after the General Shareholders' Meeting of April 24, 2012, shall be limited to one fifth of the total number of Board members, following rounding up of fractions to the nearest whole digit.

CURRENT TEXT	PROPOSED CHANGES
Article 22	**Article 22**
22.1 The Board of Auditors shall consist of three auditors. The Shareholders' Meeting shall also appoint two Alternates.	22.1 The Board of Auditors shall consist of three auditors, **at least one of whom must belong to the gender currently under-represented on the said Board**. The Shareholders' Meeting shall also appoint two Alternates, **one of each gender**.
22.2 As required by Article 1, paragraph 3 of the Ministry of Justice Decree No. 162 of March 30, 2000, the Company specifies that publishing, advertising and communications services in general, irrespective of the means or format used, are closely related to its business.	Unchanged

22.3 - The appointment of the Board of Auditors shall be in compliance with the applicable laws and regulations on the basis of lists submitted to shareholders.	Unchanged
22.4 - Each shareholder may submit or participate in submitting one list only, and each candidate may appear on one list only, or shall be disqualified.	Unchanged
22.5 - Lists may be submitted only by shareholders who alone or together with other shareholders hold a total number of shares representing at least 0.5% (or such other amount established by Consob regulations) of the share capital entitled to vote at the Ordinary Shareholders' Meeting .	Unchanged
22.6 The declaration whereby each single candidate accepts his/her candidacy, certifies under his/her own responsibility that there are no grounds of ineligibility or incompatibility and states that he/she meets the requirements prescribed by current applicable regulations and the Company bylaws must be deposited together with each list, by the date mentioned above.	Unchanged
22.7 The declaration shall be accompanied by a personal and professional profile of each candidate and an indication of any executive or control positions held with other companies. Any list that does not fulfill the aforesaid conditions shall be treated as if it had not been presented.	Unchanged
22.8 Candidates must notify the Company of any changes that may occur up to the time of the Shareholders' Meeting.	Unchanged
22.9 The lists shall be divided into two sections: one for candidates to the position of standing auditor and the other for candidates to the position of alternate auditor.	22.9 The lists shall be divided into two sections: one for candidates to the position of standing auditor and the other for candidates to the position of alternate auditor.

The first candidate in each section shall be selected from among the statutory auditors entered in the appropriate register who have worked on statutory audits for a period of not less than three years. Each shareholder with the right to vote may vote one list only.	**Lists of three or more candidates, in any one or both of the sections, shall ensure that both genders are represented in each section, so that candidates of the less represented gender amount to at least one third of the total, following rounding up of fractions to the nearest whole digit.** The first candidate in each section shall be selected from among the statutory auditors entered in the appropriate register who have worked on statutory audits for a period of not less than three years. Each shareholder with the right to vote may vote one list only.
22.10 The Board of Statutory Auditors shall be elected as follows: 1) Two regular members and one alternate member shall be drawn, in the sequential order in which they have been entered on the list, from the list which has obtained the majority of votes (so called Majority List) at the Shareholders' Meeting; 2) The third regular member and the second alternate member shall be taken from the second list receiving the majority of votes and that must not be connected to the Majority List, as set forth by applicable laws and regulations (so called Minority List) in the sequential order in which they were listed in the list.	22.10 The Board of Statutory Auditors shall be elected as follows: 1) Two regular members and one alternate member shall be drawn, in the sequential order in which they have been entered on the list, from the list which has obtained the majority of votes (so called Majority List) at the Shareholders' Meeting; 2) The third regular member and the second alternate member shall be taken from the second list receiving the majority of votes and that must not be connected to the Majority List, as set forth by applicable laws and regulations (so called Minority List) in the sequential order in which they were listed in the list. **Should the standing auditors and alternate auditors appointed to the Board of Auditors not allow for observance of the principle of gender diversity, taking due account of the order in which the candidates are listed for each section, in order to ensure compliance with the requirement, the last candidate of the more represented gender elected from the Majority List shall be deemed unelected, in favour of the first unelected**

	candidate of the less represented gender, presented on the same list for the same section. Should the Majority List include no candidates of the less represented gender for the relevant section, the General Shareholders' Meeting shall ensure compliance with the requirement by appointing the necessary standing or alternate auditor with the applicable statutory majorities.
22.11 The acting auditor taken from the Minority List is appointed as Chairperson of the Board of Auditors.	Unchanged
22.12 - Auditors who for whatever reason are not appointed according to the procedure outlined above shall be appointed by the Shareholders' Meeting on the basis of the majorities required by law.	22.12 - Auditors who for whatever reason are not appointed according to the procedure outlined above shall be appointed by the Shareholders' Meeting on the basis of the majorities required by law **ensuring the application of the provisions of law and Bylaws regarding the composition of the Board of Auditors and the category of alternate auditors.**
22.13 If an auditor chosen from either the Majority List or the Minority List ceases to hold office, he/she shall be replaced by the alternate auditor chosen respectively from the Majority List or Minority List. Auditors appointed to fill vacancies on the Board of Auditors pursuant to Article 2401 of the Italian Civil Code shall be approved by the Shareholders' Meeting with the affirmative vote of the absolute majority of those voting and in compliance with the principle of the necessary representation of the minority shareholders. The principle of the necessary representation of the minority shareholders shall be deemed to be complied with in the event of the appointment of the alternate chosen from the Minority List to take the place of an auditor chosen from the same list.	22.13 If an auditor chosen from either the Majority List or the Minority List ceases to hold office, **without prejudice to the application of the statutory provisions regarding the composition of the Board of Auditors,** he/she shall be replaced by the alternate auditor chosen respectively from the Majority List or Minority List. Auditors appointed to fill vacancies on the Board of Auditors pursuant to Article 2401 of the Italian Civil Code shall be approved by the Shareholders' Meeting with the affirmative vote of the absolute majority of those voting and in compliance with the principle of the necessary representation of the minority shareholders, **and the statutory gender diversity**

	requirements. The principle of the necessary representation of the minority shareholders shall be deemed to be complied with in the event of the appointment of the alternate chosen from the Minority List to take the place of an auditor chosen from the same list.
22.14 After notifying the Chairperson of the Board of Directors, the Board of Auditors may call, as provided by law, a Shareholders' Meeting or a Meeting of the Board of Directors or Executive Committee. Such power to call meetings may be exercised individually by each auditor, except in the case of Shareholders' Meetings, which must be called by at least two auditors.	Unchanged
22.15 - If the Chairperson deems it necessary, meetings of the Board may be called using telecommunication channels that shall enable all Members to participate in the discussions and ensure that all participants are equally provided with necessary information.	Unchanged
22.16 - If the Chairperson is absent or otherwise impeded from presiding, he/she shall be replaced by the most senior regular auditor in terms of age.	Unchanged

2. to grant, severally and not jointly, to the pro tempore legal representatives of the Company the required powers to:
   - amend Article 13 of the Bylaws introducing all the necessary amendments in relation to cessation, in due time, of the effects produced by paragraph 13.12, and to this end guarantee fulfill whatsoever obligations and disclosure responsibilities set forth by the applicable laws;

complete all the formalities necessary in order for the Resolutions adopted to be filed with the Register of Companies, accepting and introducing to the same the non-substantive amendments of addition or deletion which may be required by the competent authorities.

USEFUL INFORMATION

Free copies of this report may be requested

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