TELECOM ITALIA MEDIA GROUP
ANNUAL FINANCIAL REPORT
AT DECEMBER 31, 2012

CONTENTS

Disclaimer

Telecom Italia Media Group's operating and financial results for 2012 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. The non-IFRS 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" in "Operating and Financial Performance of the Telecom Italia Media Group."

Moreover, the "Outlook for 2013" 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 due to many factors, most of which are beyond the Group's control.

COMPANY BOARDS

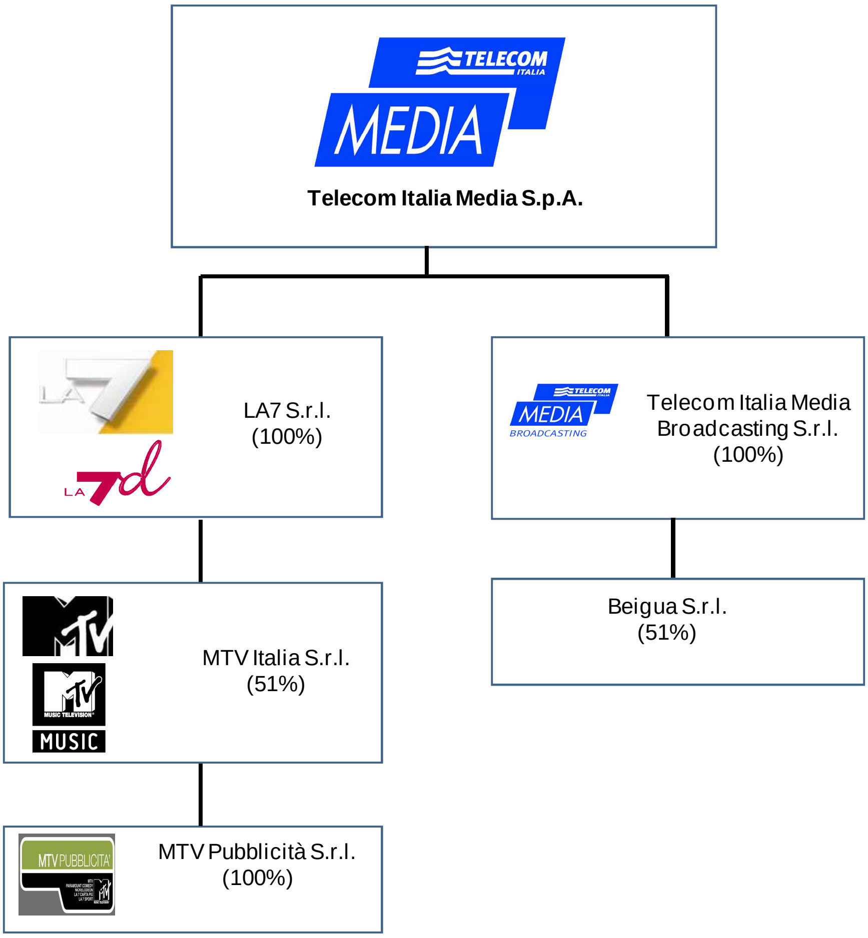
Board of Directors (*)	**Chairman**	Severino Salvemini *(E)* (1)
	Directors	Giovanni Stella *(E)* (2) Irene Bignardi *(I)* Adriano De Maio *(I) (L)* Candido Fois Mauro Giusto Lorenzo Gorgoni *(I)* Piergiorgio Peluso (3) Alessandro Ovi (4) Davide Rampello *(I)* Sergio Ristuccia *(I)* Fabio Alberto Roversi Monaco *(I)* Mario Zanone Poma (5)
	Secretary to the Board of Directors	Vincenzo Covelli
Nomination and Remuneration Committee	**Chairman**	Sergio Ristuccia Fabio Roversi Monaco Lorenzo Gorgoni
Internal Control and Corporate Governance Committee	**Chairman**	Adriano De Maio Lorenzo Gorgoni Sergio Ristuccia
General Manager		Marco Ghigliani
Board of Statutory Auditors (**)	**Chairman**	Salvatore Spiniello
	Acting Auditors	Alberto De Nigro Michela Zeme
	Alternate Auditors	Alberto Lazzaretti Luigi Vannini (6)
Common Representative of Savings Shareholders		Carlo Aime
Executive in Charge of the Company's Financial Reports		Luigino Giannini *(M)*
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) During the Meeting of March 20, 2012, the Board of Directors confirmed Luigino Giannini (Company CFO) Executive in charge of the Company's financial reports.
(1) Appointed Chairman on April 8, 2011; in the meeting held on June 28, 2012, the Board of Directors vested him with the responsibility for the strategic management and overall governance of the TI Media Group.
(2) Resigned on December 13, 2012.
(3) Co-opted during the meeting of the Board of Directors held on October 5, 2012, to replace Andrea Mangoni, who had resigned.
(4) Resigned on June 28, 2012.
(5) Resigned on June 28, 2012.
(6) Appointed by the Meeting on April 24 to replace Antonio Mastrapasqua, who resigned.
(*) Appointed by the Shareholders' Meeting held on April 8, 2011.
(**) Appointed by the Shareholders' Meeting held on April 8, 2010.

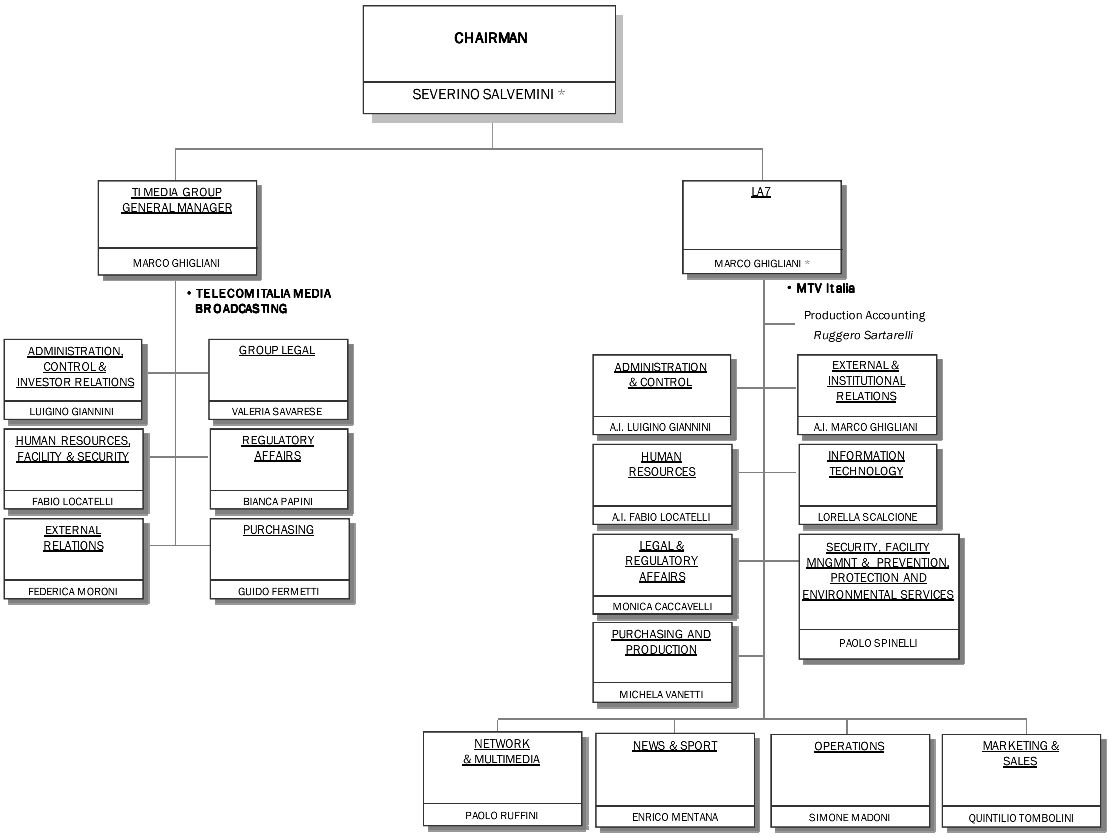
CORPORATE MACROSTRUCTURE OF THE GROUP

(Updated December 31, 2012)

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, 2012)



* With a resolution passed on December 13, 2012, the Board of Directors of La7 s.r.l. appointed Severino Salvemini Chairman of the Company and Marco Ghigliani Managing Director invested with operating management powers.

INFORMATION FOR SHAREHOLDERS

SHAREHOLDERS

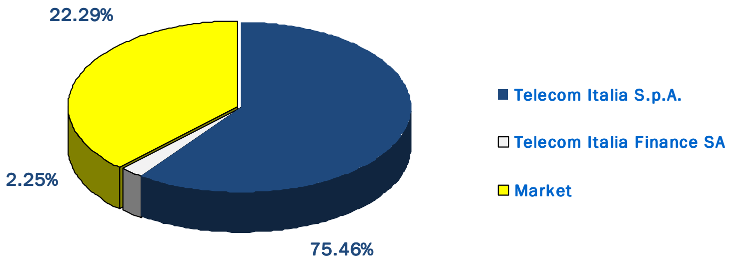
Telecom Italia Media S.p.A.'s majority shareholder is Telecom Italia S.p.A., which held 75.46% of the Company's share capital at December 31, 2012. Telecom Italia Finance, a company belonging to the Telecom Italia Group, owns 2.25% of Telecom Italia Media S.p.A.'s shares, while the remaining 22.29% is held by the market (float).

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, 2012.

	No. of ordinary shares at December 31, 2012	% 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, 2012



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.

	12/31/2012
Share capital (in Euro)	212,188,324.10
Ordinary shares	1,446,317,896
Savings shares	5,496,951
Market capitalization	227.5
(on average market price for December 2012; in million of euro)	

Ordinary shares lost 5% of their value and savings shares appreciated by 40% in 2012. In the year under review, the maximum price of the ordinary shares was Euro 0.2288, reported on September 18, and the minimum price was Euro 0.1335 on April 23.

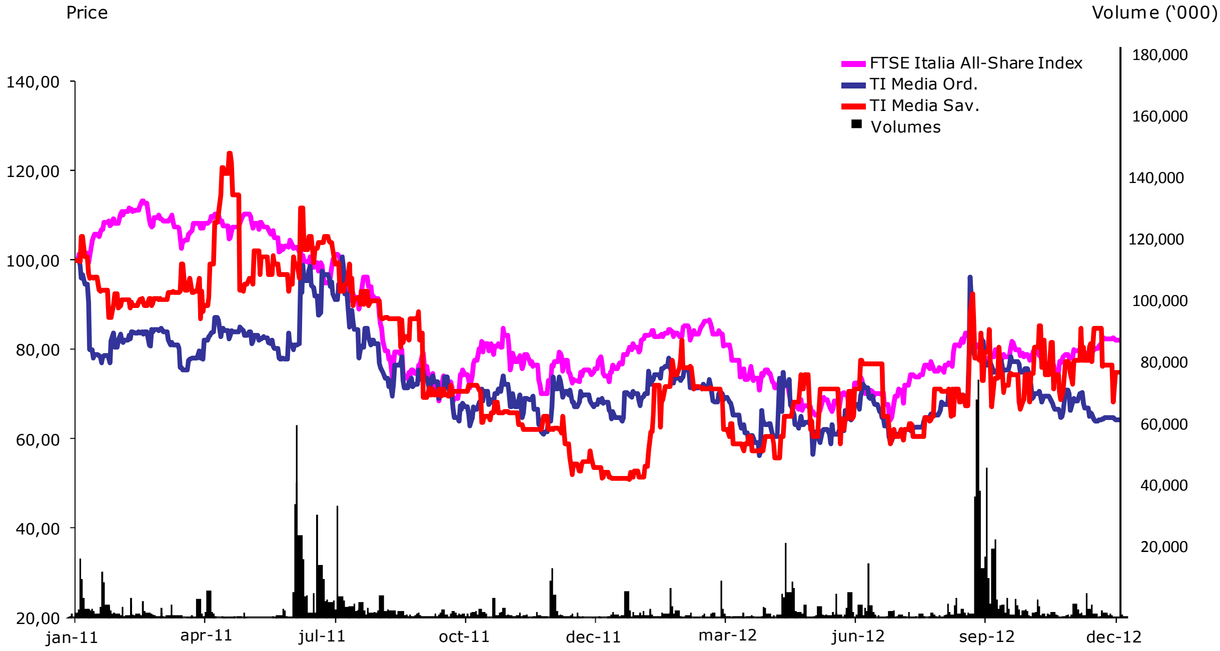
		2011	2012
High for the January-December period (euro)	Ordinary Shares	0.2397	0.2288
	Savings Shares	0.4000	0.2985
Low for the January-December period (euro)	Ordinary Shares	0.1452	0.1335
	Savings Shares	0.1680	0.1645
Average price (December, euro)	Ordinary Shares	0.1660	0.1564
	Savings Shares	0.1841	0.2535
Price /Book Value (Equity of the Group at December 31)		1.11	(7.0117)
Net earnings/ (loss) per share (euro) at December 31		(0.0574)	(0.1711)
Group equity per share (euro) at December 31		0.1490	(0.0223)

Source: internal elaborations on Bloomberg data

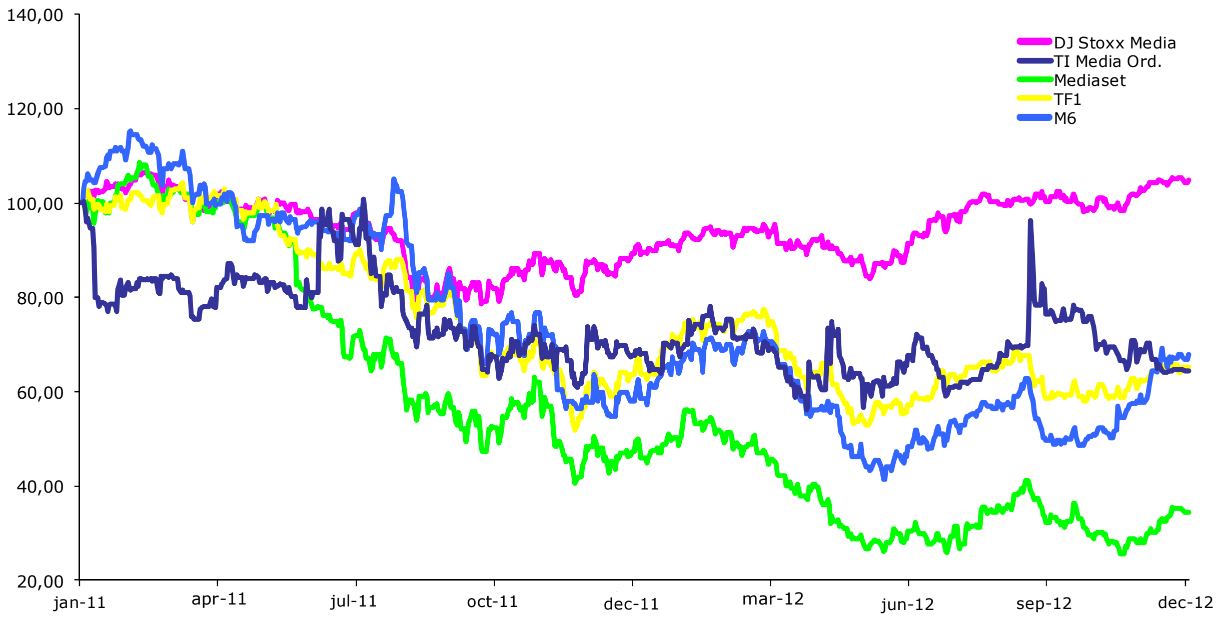
TI Media's average daily trading volume during the reporting year was approximately 3.1 million shares, with a maximum of 73.2 million shares traded on September 19 and a minimum of 0.2 million shares traded on March 13.

Exemption from the obligation to publish disclosure documents for extraordinary transactions.
On January 15, 2013, the Board of Directors of Telecom Italia Media S.p.A. decided to exercise the option — provided for by Articles 70, paragraph 8, and 71, paragraph 1-*bis*, of CONSOB Regulation No. 11971/99 — to derogate from the obligation to publish disclosure documents in respect of significant transactions of merger, demerger, capital increase by contribution in kind, acquisitions and disposals.

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



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



CORPORATE RESTRUCTURING PROCESS

September 1, 2012 was the effective date of the contribution of the television assets to La7 S.r.l., as established in the corporate restructuring plan commenced on May 9, 2012, when Telecom Italia Media's Board of Directors acknowledged that on that same date Telecom Italia's Board of Directors had decided to commence a process aimed at the sale of Telecom Italia Media.
This had led on May 23, 2012 to the incorporation of the new companyLa7 S.r.l., to which the television operations of the channelsLa7 and La7d were transferred, in addition to 51% interest in MTV Italia S.r.l.

On May 29, 2012, Reconta Ernst & Young S.p.A. had been appointed to prepare the sworn report for purposes of the contribution of assets in kind by TI Media S.p.A. (transferor) to the new companyLa7 S.r.l. (transferee).
The sworn report, prepared in accordance with the provisions of Article 2465 of the Italian Civil Code, related to the Television Department, consisting of the assets and liabilities and legal relations, including the relevant share of the employed workforce, involved in carrying out the activities of the television channels currently run by the transferor company, as well as the equity investment in MTV Italia S.r.l. (all together hereinafter referred to as "Business Unit"), which were transferred from Telecom Italia Media S.p.A. to La7 S.r.l.
In the analysis of the accounting figures, reference was made to March 31, 2012, the date of the statement of financial position prepared specifically for this purpose, drawn as appropriate from the transferring entity's 2012 quarterly report, published and made available to the equity market and stakeholders.

On July 20, 2012, the report was sworn and, based on the above, applying the simple equity method and considering that the accounting values are at least equal to the respective recoverable values, the Current Notional Value of the Business Unit at March 31, 2012 was Euro 81,260,029.

On June 28, 2012, Telecom Italia Media's Board of Directors reviewed the status of the process of organizational and corporate transformation of the Group and made several decisions bearing on the reorganization of the management structure and corporate governance.

In the interest of the best possible management and rationalization of the Group's activities, Giovanni Stella decided to resign from the positions of Executive Deputy Chairman and Managing Director of the Group, while retaining the position of Director, subsequently becoming Chairman of La7 S.r.l. and making himself available to focus in particular on managing television operations, in part with the aim of incrementally developing this asset.

In light of Giovanni Stella's decision, the structure of delegated powers was revised. The Board of Directors thus vested:

- Chairman Severino Salvemini with the responsibility for the strategic management and overall governance of the TI Media Group, as well as the management of extraordinary transactions and the definition of the internal control system, in execution of the guidelines established by the Board of Directors;
- Director Giovanni Stella with the responsibility for operating management of the Group's television operations;
- General Manager Marco Ghigliani with the task of ensuring the execution of the Group's strategic guidelines, overall guidance and control of the business areas and subsidiaries, management and coordination of the Network Operator and transversal support activities.

With resolution dated December 13, 2012, the Board of Directors of La7 S.r.l. appointed Severino Salvemini Chairman of the Company and Marco Ghigliani Managing Director, vesting the latter with the powers for operating management; on the same occasion, Director Giovanni Stella resigned.

For further details, the reader is referred to the section Events Subsequent to December 31, 2012 on page 89.

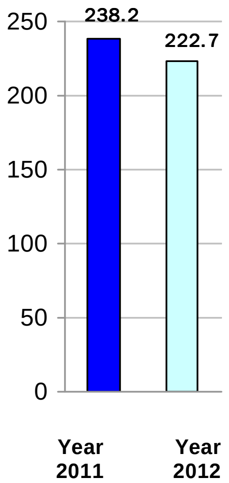
HIGHLIGHTS

GROUP OPERATING AND FINANCIAL HIGHLIGHTS

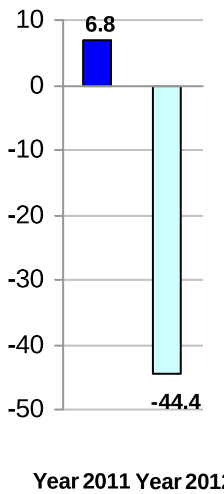
FOREWORD

Following the early adoption of the revised version of IAS 19 – *Employee Benefits* ("IAS 19R 2011"), which requires a retrospective application, data from financial year 2011 used for comparison were restated ("Restated").

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 2012	Year 2011 (Restated)
Revenues		**222.7**	**238.2**
EBITDA [1]		**(44.4)**	**27.3**
	% on revenues	*(19.9)*	*11.5*
Comparable EBITDA[2]		**(44.4)**	**6.8**
	% on revenues	*(19.9)*	*2.9*
Operating profit (loss)		**(262.7)**	**(88.1)**
	% on revenues	*(118.0)*	*(37.0)*
Comparable operating profit [3]		**(106.0)**	**(51.9)**
	% on revenues	*(47.6)*	*(21.8)*
Profit (loss) before tax from continuing operations		**(270.2)**	**(92.9)**
Net effect of discontinued operations/assets held for sale		-	-
Profit/(Loss) for the year attributable to equity holders of the Parent Company		**(240.9)**	**(83.8)**
Investments:			
- Industrial		**56.9**	**61.4**
- Financial		**0.6**	-

BALANCE SHEET HIGHLIGHTS

	12/31/2012	12/31/2011
Invested capital	**227.7**	**355.0**
Total equity	**(32.4)**	**216.3**
- Parent Company	(37.0)	204.2
- Minority Interests	4.6	12.1
Net financial position	**260.1**	**138.7**

EMPLOYEES

	12/31/2012	12/31/2011
Personnel (at year-end) [4]	**699**	**728**

	12/31/2012	12/31/2011
Average employees [5]	716.4	709.1
Revenues/Personnel (average for the Group) in thousands of euro	310.9	335.9

<u>La7 audience share</u>		
December	3.6%	3.9%
Average for the year	3.5%	3.8%
<u>Gross Advertising Sales</u>	**224.9**	**242.0**
- LA7	179.1	185.7
- MTV	45.8	56.3

[1] Operating income before depreciation and amortization, gains/(losses), and writeups/(writedowns) 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 contract with Telecom Italia.

[3] The amount does not include, for 2011, the income of Euro 20.5 million related to the indemnity for early termination of the Competence Center contract with Telecom Italia, the write-downs of fixed assets and goodwill of Euro 156.7 million at December 31, 2012, as well as goodwill impairment of Euro 56.7 million at December 31, 2011.

[4] The amount does not include 36 temporary staff at December 31, 2012 and 37 temporary staff at December 31, 2011.

[5] The amount does not include 54.9 temporary staff as at December 31, 2012 and 70,8 temporary staff at December 31, 2011.

INFORMATION BY BUSINESS UNIT

May 2012 witnessed the launch of the corporate restructuring process for the Telecom Italia Media Group, involving, in that same month, the incorporation of La7 S.r.l., and on September 1, the contribution to the latter by Telecom Italia Media S.p.A. of the television operations of the channels La7 e La7d, in addition to the 51% interest in MTV Italia S.r.l. and other minor companies. Following the above restructuring, the methods of representation of the various business areas' economic results were also revised, and the proforma values for the periods of comparison were restated accordingly.
In further detail:

- **La7**, the business unit which up to the previous Half-year Report was denominated TI Media –La7, includes the Company's operations relating to the television broadcastersLa7 and La7d and the Multimedia/Web area (La7.it andLa7.tv). In the interest of a better representation of the business unit's activities, and for the purposes of a consistent comparison, the values represented have been drawn up on a proforma basis (as if the corporate contribution transaction had been undertaken effective January 1, 2011), and thus include twelve months of results of the business unit's television operations; the same procedure was applied in the comparison with 2011 figures;
- **MTV Group** comprises activities carried out by MTV Italia and its subsidiary MTV Pubblicità concerning TV broadcasters MTV and MTV Music, production unit 360° Playmaker, the production of multimedia music platforms and satellite channels, as well as MTV Mobile and Digital (Web);
- **Network Operator (TIMB)** includes the operations of Telecom Italia Media Broadcasting relating to managing the digital broadcasting networks ofLa7 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)		LA7	MTV Group	Network Operator	Other operations [1]	Changes	Group Total
Revenues	**Year 2012**	**123.6**	**55.2**	**75.1**	**0.8**	**(32.0)**	**222.7**
	Year 2011	139.3	73.8	54.9	0.6	(30.4)	238.2
	Change	(15.7)	(18.6)	20.2	0.2	(1.6)	(15.5)
EBITDA	**Year 2012**	**(65.9)**	**(10.7)**	**43.2**	**(11.1)**	**0.1**	**(44.4)**
	Year 2011	4.7	6.5	22.9	(6.8)		27.3
	Year 2011, comparable [2]	(15.8)	6.5	22.9	(6.8)		6.8
	Change	(70.6)	(17.2)	20.3	(4.3)	0.1	(71.7)
	Comparable changes [2]	(50.1)	(17.2)	20.3	(4.3)	0.1	(51.2)
EBIT	**Year 2012**	**(159.7)**	**(38.2)**	**(53.8)**	**(11.1)**	**0.1**	**(262.7)**
	Year 2012, comparable [3]	**(96.0)**	**(15.2)**	**16.2**	**(11.1)**	**0.1**	**(106.0)**
	Year 2011	(22.8)	(13.6)	(44.8)	(6.8)	(0.1)	(88.1)
	Year 2011, comparable [2]	(43.3)	(0.1)	(1.7)	(6.8)		(51.9)
	Change	(136.9)	(24.6)	(9.0)	(4.3)	0.2	(174.6)
	Comparable changes [2] [3]	(52.7)	(15.1)	17.9	(4.3)	0.1	(54.1)
Industrial investments	**Year 2012**	**30.3**	**9.1**	**17.7**		**(0.2)**	**56.9**
	Year 2011	31.1	4.5	25.8			61.4
	Change	(0.8)	4.6	(8.1)		(0.2)	(4.5)
(Headcount)							
Personnel	**December 31, 2012**	**464**	**148**	**47**	**40**		**699**
	December 31, 2011	456	181	50	41		728
	Change	8	(33)	(3)	(1)		(29)

[1] It includes Telecom Italia Media S.p.A.'s activities after the transfer of TV operations to LA7 S.r.l.

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

[3] This figure does not include writedowns of fixed assets and goodwill of Euro 156.7 million.

GROUP OPERATING AND FINANCIAL PERFORMANCE FOR 2012

Financial year 2012 saw a good performance in terms of La7 channels' gross advertising sales, notwithstanding a Euro 6.6 million decline (-3.5% compared to the previous year), strongly bucking the market trend [(1)], and a Euro 10.5 million decrease on MTV channels (-18.6% compared to the previous year), only partially offset by the Euro 20.2 million increase in revenues reported by the Network Operator (+36.8%). In particular, the reduction in advertising sales was due to the ongoing economic crisis which impacted the market and also negatively influenced the La7 channel, particularly in the last part of the year. La7d's gross advertising sales continued to grow significantly, with a Euro 2.8 million increase (+29.9% compared to the previous year).

La7's audience share was slightly lower compared to 2011, achieving 3.5% (3.8% in 2011), whereas the number of viewers who watched La7 at least one minute during the year amounted to 54.0 million, up by 0.9% compared to 53.5 million in 2011.
This performance was reported also by other general-interest networks, albeit at more modest values.
La7d achieved a 0.41% annual average share in 2012, with a marked increase compared to 0.28% in 2011.
In 2012, overall Group consolidated revenues amounted to Euro 222.7 million, decreasing by Euro 15.5 million compared to 2011. This change was mainly attributable to:

- the decrease in net revenues from La7 for Euro 15.7 million (-11.3% compared to 2011), partly due to the above mentioned lower advertising sales, in addition to the loss of profitability from the Competence Center business, which had generated Euro 13.3 million revenues in the previous year;
- the higher revenues of the Network Operator of Euro 20.2 million, compared to 2011, thanks to the full rental of the three MUXes to new customers achieved as early as at the end of 2011;
- the revenues decline of the MTV Group (Euro -18.6 million), primarily due both to the reduction in net advertising sales (Euro -9.9 million compared to 2011) and reduced Playmaker operations, which revenues, net of intra-group cancellations, decreased by Euro 6.9 million.

In the reporting year, EBITDA was Euro -44.4 million, sharply decreasing compared to Euro +6.8 million in 2011, in comparable terms. The change was mainly attributable both to the aforementioned decrease in revenues and the increase in La7's programming costs accrued in 2012 compared to 2011. This performance was affected also by a lower profitability due to the discontinuation of the Competence Center's operations in September 2011.

As a result, in the reporting year EBIT amounted to Euro -262.7 million (Euro -88.1 million in 2011) and net result attributable to the Parent Company totaled Euro -240.9 million (Euro -83.8 million in 2011). In comparable terms, net loss for 2012 was Euro -106.0 million (Euro -51.9 million in 2011), excluding the impairment of non-current assets and goodwill writedowns for 2012 and 2011, amounting to Euro 156.7 million and Euro 56.7 million, respectively, and the Euro 20.5 million income from Telecom Italia in 2011 related to the indemnity for the early termination of the Competence Center agreement.

In 2012, industrial investments were Euro 56.9 million, decreasing by Euro 4.3 million compared to 2011, and primarily included Euro 33.9 million for television rights ofLa7 and MTV and Euro 17.5 million for the Network Operator.

Net financial debt amounted to Euro 260.1 million at December 31, 2012, compared to Euro 138.7 million at the end of 2011. The increase was mainly attributable to the industrial investment requirements for the year (Euro 56.9 million) and the result of the operating activities (EBITDA and Δ Working Capital) for Euro 80.9 million, which were partially offset by the collection of receivables related to the fiscal consolidation regime (Euro 19.3 million). It should be noted that such debt, determined by changes in working capital, was influenced by both the factoring transaction and the anticipation of certain collections in December 2011, for a total amount of Euro 27.1 million.

[(1)] Source Nielsen: television market advertising sales, January-December 2012, a -15.3% decrease compared to 2011.

In further detail, the performance for 2012 was characterized by the following results:

Group consolidated revenues amounted to Euro **222.7** million in 2012, with a decrease of Euro **15.5** million (-**6.5%**) compared to Euro **238.2** million for 2011. The decline was mainly attributable to the ongoing economic crisis which impacted the television market (-15.3% January/December 2012 – Source Nielsen), as well as the La7 and MTV channels, particularly in the last part of the year.
In further detail:

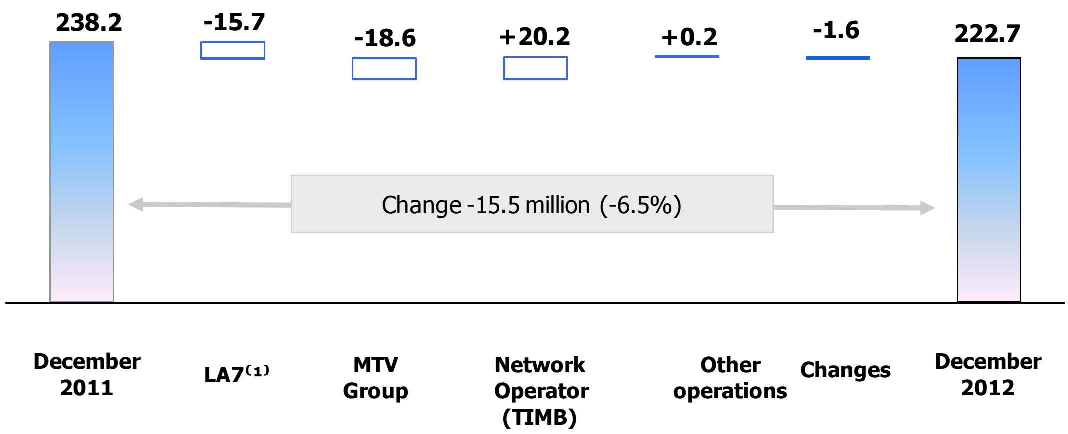
- La7 revenues for 2012 amounted to Euro **123.6** million, decreasing by Euro **15.7** million (-**11.3%**) compared to 2011. These figures were due to the reduction in overall net advertising sales, which however showed a Euro **2.9** million decrease (**-2.4%)** in 2012 compared to 2011, significantly bucking the market trend (Nielsen estimates that for the period January/December 2012 television market declined by 15.3%) and, in addition to this, the loss of profitability from the Competence Center operations, which were discontinued in September 2011 and had generated revenues for Euro **13.3** million in the previous year. In 2012, La7 daily average audience share was **3.5%** and La7d's net advertising sales amounted to Euro **8.7** million, increasing by Euro **2.2** million (**+33.1%**);

- MTV Group revenues amounted to Euro **55.2** million, decreasing by Euro **18.6** million compared to 2011 (Euro **73.8** million). This decline was mainly due to lower net advertising sales (Euro **39.8** million compared to Euro **49.7** million in 2011) and reduced Playmaker operations, which, net of intra-group cancellations, showed a decrease in revenues by Euro **6.9** million;

- revenues from Network Operator activities amounted to Euro **75.1** million, compared to Euro **54.9** million in 2011, up by Euro **20.2** million. This change was attributable both to the evolution of the contracts currently in force and the contracts for new channels entered into at the end of 2011 in connection to the Multiplex DTT hosting services, which led to the full rental of the digital bandwidth already in February 2012.

Breakdown of Revenue Performance

(In millions of euro)



(1) In 2011 and through to June 2012, this business area was denominated TI Media – La7 and included corporate operations, in addition to television operations.

EBITDA amounted to Euro **-44.4** million in 2012, down by Euro **71.7** million compared to 2011, which included the Euro **20.5** million indemnity for the early termination of the Competence Center agreement; on a like-for-like basis, the decrease was Euro **51.2** million. In detail:

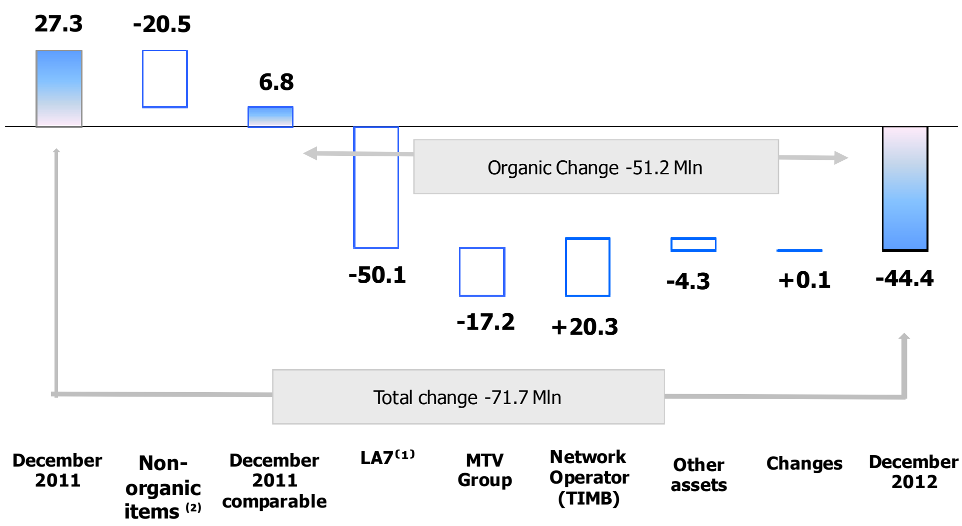
EBITDA of La7 was Euro **-65.9** million, dropping by Euro **70.6** million compared to 2011 (Euro **4.7** million including the aforementioned indemnity); on a like-for-like basis, the reduction amounted to Euro **50.1** million. This trend was significantly driven by both the aforementioned revenues decrease and the higher operating costs mainly arising from the programming costs of the channels La7 (Euro **+30.1** million) and La7d (Euro **+3.6** million). As mentioned above, the result was negatively influenced by the loss of profitability from the Competence Center operations (Euro **13.3** million revenues in 2011), discontinued in September 2011.

EBITDA of the MTV Group was Euro -**10.7** million, decreasing by Euro **17.2** million compared to 2011 (Euro **6.5** million), primarily due to the above mentioned reduction in revenues and the significant change in the channel's editorial line, which shifted its offering during the year from music only to a more entertainment-oriented programming targeted to young people/adults.

EBITDA of Network Operator was Euro **+43.2** million, with an improvement of Euro **20.3** million on 2011; this performance was attributable to the aforementioned rise in revenues, whereas operating expenses were substantially in line with 2011.

Breakdown of Operating Result Before Depreciation and Amortization

(In millions of euro)

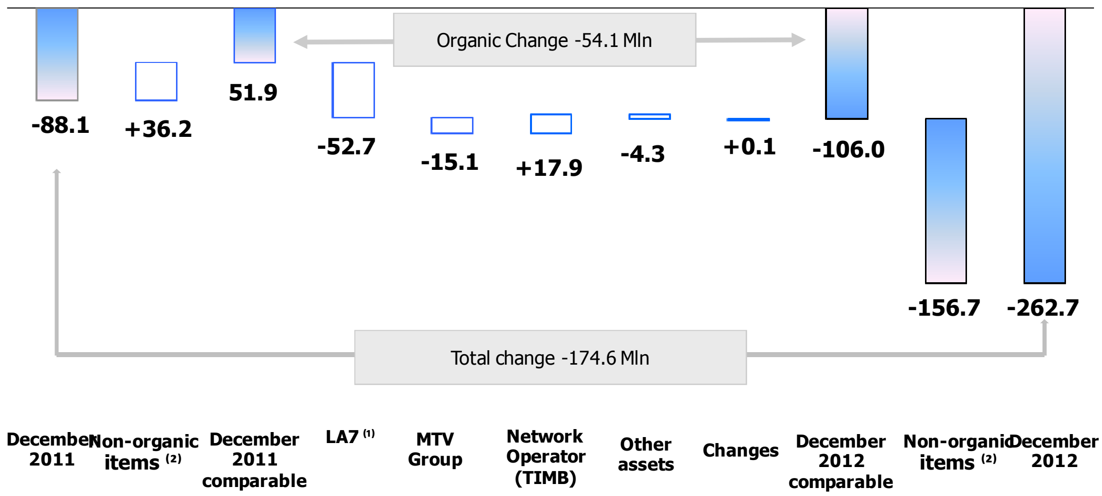


(1) In 2011 and through to June 2012, this business area was denominated TI Media – La7 and included corporate operations, in addition to television operations.
(2) Amount resulting from the early termination of the Competence Center agreement with Telecom Italia in 2011 for Euro 20.5 million

Operating result for 2012, after depreciation and amortization, was Euro **-262.7** million compared to Euro -**88.1** million in 2011, decreasing by Euro **174.6** million and including for 2012 the realized gains of MTV for the sale of the satellite channels Nickelodeon and Comedy Central to the minority shareholder Viacom for Euro **1.7** million. Excluding from the 2011 figures the above-mentioned income of Euro **20.5** million, as well as charges related to the writedown of non-current assets and goodwill for Euro **156.7** million in 2012 and goodwill writedowns of Euro **56.7** million in 2011, the decline amounted to Euro **54.1** million. This trend substantially mirrors the change in EBITDA, as previously described.

Breakdown of Operating Profit (Loss)

(In millions of euro)



[(1)] In 2011 and through to June 2012, this business area was denominated TI Media – La7 and included corporate operations, in addition to television operations.
[(2)] Amount resulting from the early termination of the Competence Center agreement with Telecom Italia in 2011 for Euro 20.5 million and the goodwill writedown of Euro 56.7 million in 2011
[(3)] Write-downs of fixed assets and goodwill of Euro 156.7 million for 2012

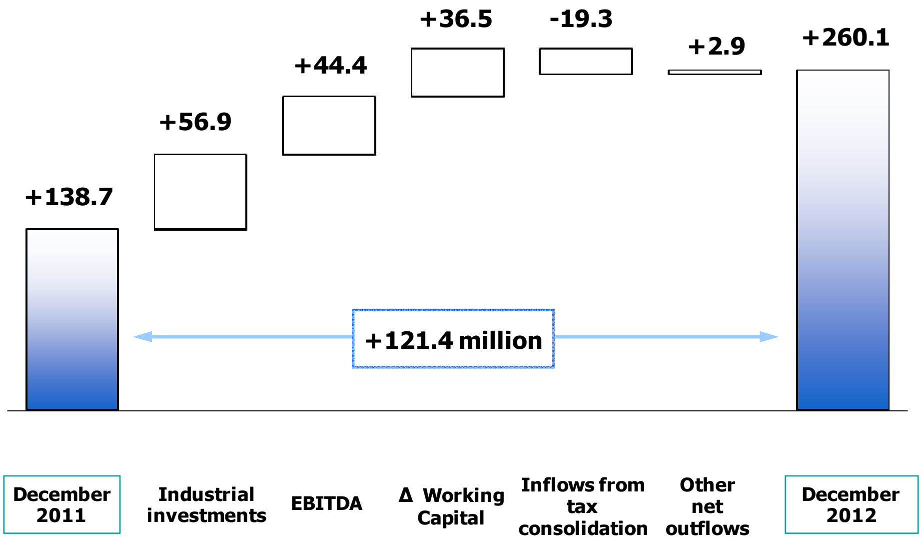
The ***loss from continuing operations*** amounted to Euro **-248.4** million compared to Euro **-84.2** million in the 2011. Total net financial expenses were Euro **7.4** million (Euro **4.8** million in 2011), increasing by Euro **2.6** million.

Taxes rose by Euro **13.1** million compared to the previous year due to the effect of the higher realized taxable losses for 2012.

Net result attributable to equity holders of the Parent Company was Euro **-240.9** million in 2012 compared to Euro **-83.8** million for 2011.

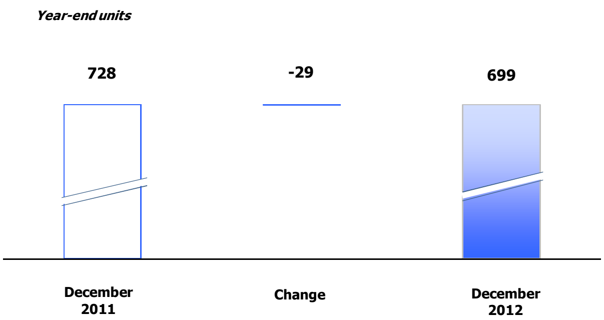
Net financial debt at December 31, 2012 was Euro **260.1** million compared to Euro **138.7** million at the end of 2011. The change was primarily attributable to the expenditure on ***industrial investments*** for the year, amounting to Euro **56.9** million (of which Euro **33.9** million for the purchase of television rights, Euro **17.5** million for the Digital Terrestrial development activity, and Euro **5.5** million for other investments), and to the result of operating activity for the period (**EBITDA** of Euro **+44.4** million and **Δ Working Capital** of Euro **+36.5** million), only partially offset by the collection of receivables related to the National Tax Consolidation scheme (Euro **19.3** million). Furthermore, other net outlays amounted to Euro **2.9** million, including total net finance expenses for the year (Euro **7.4** million) partially offset by the net collection of excess tax prepayments by TIMB in 2011 in the amount of Euro **2.3** million and the amount of Euro **1.7** million received by MTV for the sale of the satellite channels Nickelodeon and Comedy Central to Viacom. It should be noted that such debt, determined by changes in working capital, was influenced by both the factoring transaction and certain collections brought forward in December 2011, for a total amount of Euro 27.1 million.

Breakdown of net financial position



The ***workforce*** at December 31, 2012 numbered **699**, with a decrease of **29** employees compared to December 31, 2011. The decline, calculated using Telecom Italia Media S.p.A.'s and La7's figures which have been drawn up on a proforma basis as if the contribution of TV operations had occurred on January 1, 2011, includes an increase in La7 (**+8**, of which +21 indefinite-term employees and -13 fixed-term employees) and a reduction in MTV Group (**-33**, of which -23 indefinite-term employees and -10 fixed-term employees), as well as a decrease in Network Operator by **3** indefinite-term employees and in Telecom Italia Media by **1** fixed-term employee. The increase in La7's indefinite-term workforce was primarily due to the conversion of several fixed-term and temporary contracts to permanent arrangements, whereas the decrease in the MTV Group's workforce was influenced by the repositioning of the MTV brand and the subsequent corporate restructuring process.

Personnel



- La7[(1)]

Operating Performance

In the interest of a better representation of the business unit's activities and for the purposes of a consistent comparison, the following table shows the values for 2012 compared to those of 2011, which have been drawn up on a proforma basis as if the contribution of TV operations had occurred on January 1, 2011 and thus include twelve-month results of the television operations. It should be noted that the business unit's contribution became effective September 1, 2012.

(in thousands of euro)	Year 2012 (on equivalent consolidation area) (a)	Year 2011 (on equivalent consolidation area) (b)	Changes (a-b)	%
Total revenues	**123,581**	**139,267**	**(15,686)**	**(11.3)**
Other income	3,183	25,393	(22,210)	(87.5)
Of which: Income related to the early termination of the Competence Center agreement	-	*20,500*		
Total operating revenues and other income	**126,764**	**164,660**	**(37,896)**	**(23.0)**
Acquisition of goods and services	(146,216)	(114,889)	(31,327)	(27.3)
Employee benefits expenses	(42,891)	(40,738)	(2,153)	(5.3)
Other operating expenses	(3,488)	(4,575)	1,087	23.8
Changes in inventories	(37)	204	(241)	118.1
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(65,868)**	**4,662**	**(70,530)**	**n.a.**
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA) comparable [2]	**(65,868)**	**(15,838)**	**(50,030)**	**(315.9)**
Depreciation and amortization	(30,189)	(27,487)	(2,702)	(9.8)
Gains (losses) realized on disposals of non-current assets	33	1	32	n.a.
Reversals /(Impairment losses) on non-current assets	(63,655)	-	(63,655)	(100.0)
OPERATING PROFIT (LOSS) (EBIT)	**(159,679)**	**(22,824)**	**(136,855)**	**(599.6)**
OPERATING PROFIT (LOSS) (EBIT) comparable [2]	**(96,024)**	**(43,324)**	**(52,700)**	**(121.6)**

[2] The amount does not include, for 2011, the income of Euro 20,500 thousand related to the indemnity for early termination of the Competence Center agreement with Telecom Italia, and, for 2012, write-downs of fixed assets and goodwill of Euro 63,655 thousand.

In 2012,La7's sales amounted to Euro 123,581 thousand (Euro -15,686 thousand compared to 2011). This reduction included both lower revenues from the La7 television channel (Euro 6,884 thousand) and the loss of profitability from the Competence Center operations, which were discontinued in September 2011 and had generated revenues for Euro 13,268 thousand in the previous year, only partially offset by the increase of La7d's revenues (Euro 2,153 thousand).

EBITDA for 2012 was Euro -65,868 thousand, dropping by Euro 70,530 thousand compared to 2011 (Euro 4,662 thousand including the Euro 20,500 thousand indemnity); on a like-for-like basis, the reduction amounted to Euro 50,030 thousand.

[1] In 2011 and through to June 2012, this business area was denominated TI Media –La7 and included corporate operations, in addition to television operations.

(in thousands of euro)	Year 2012 (a)	Year 2011 (b)	Changes (a-b)	%
REVENUES				
La7 TV channel advertising sales	108,183	115,067	(6,884)	(6.0)
La7D TV channel advertising sales	9,106	6,953	2,153	31.0
Digital Content	-	13,268	(13,268)	(100.0)
Media Services	1,138	829	309	37.3
Multimedia/Web (La7.it and La7.tv)	1,158	1,701	(543)	(31.9)
Other revenues	3,996	1,449	2,547	175.8
LA7 total revenues	**123,581**	**139,267**	**(15,686)**	**(11.3)**

In detail, La7's revenues amounted to Euro 123,581 thousand, down by Euro 15,686 thousand, or -11.3%) compared to 2011. This result was attributable to lower overall net advertising sales, which decreased by Euro 2,924 thousand (-2.4%) in 2012 compared to the previous year, but nonetheless strongly bucked the market trend (Nielsen estimates that for the period January-December 2012 television market declined by 15.3%). In addition to this decline, there were no revenues from the Competence Center operations, which were discontinued in September 2011 and had generated revenues for Euro 13,268 thousand in 2011. In detail, the decrease in advertising sales included both higher revenues of La7d (Euro 9,106 thousand in 2012 compared to Euro 6,953 thousand in 2011, with and increase of 31.0%) and the decline reported by La7 (Euro 108,183 thousand in 2012 compared to Euro 115,067 thousand for the previous year, down by 6.0%).

Operating expenses increased by Euro 32,634 thousand, of which Euro 31,327 thousand related to the acquisition of goods and services; this increase was mainly driven by higher programming costs incurred by the channels La7 (Euro +30,172 thousand) and La7d (Euro +3,591 thousand).

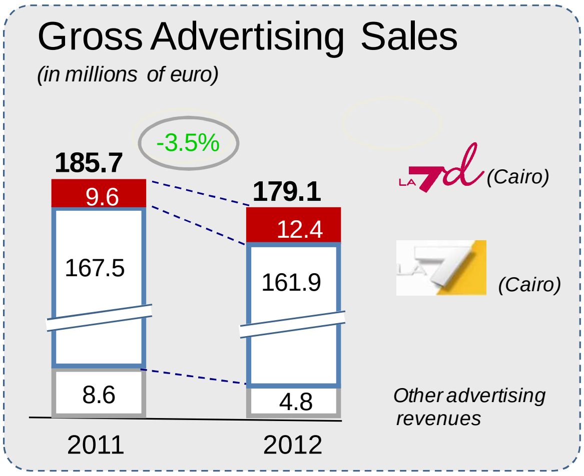
La7's operating result for 2012 was Euro -159,679 thousand compared to Euro -22,824 thousand in 2011, with a decrease of Euro 136,855 thousand; on a like-for-like basis, excluding Euro 20,500 thousand from Telecom Italia for the indemnity related to the early termination of Competence Center agreement in 2011 and the impairment of non-current assets and goodwill writedowns for Euro 63,655 thousand in 2012, the reduction was Euro 52,700 thousand, as illustrated below:

(in thousands of euro)	Year 2012 (a)	Year 2011 (b)	Changes (a-b)	%
EBIT	**(159,679)**	**(22,824)**	**(136,855)**	**(599.6)**
Indemnity for the early termination of Competence Center agreement		20,500	(20,500)	(100.0)
Goodwill impairment	(12,200)		(12,200)	(100.0)
Writedown of tangible and intangible assets	(51,455)		(51,455)	(100.0)
COMPARABLE EBIT	**(96,024)**	**(43,324)**	**(52,700)**	**(121.6)**

This change, which included higher depreciation and amortization of Euro 2,702 thousand, mirrors the change in EBITDA.

Advertising Sales

Total gross advertising sales for 2012 were Euro 179.1 million, showing a Euro 6.6 million decrease (-3.5%) compared to 2011 (Euro 185.7 million).



This result was achieved in a negative market scenario: Nielsen estimated that the television market declined by -15.3% over the period January-December 2012.

A total of 514 companies advertised on La7, 31 less than in 2011; average investment per advertiser was Euro 312 thousand, slightly decreasing (-1.5%) compared to 2011.

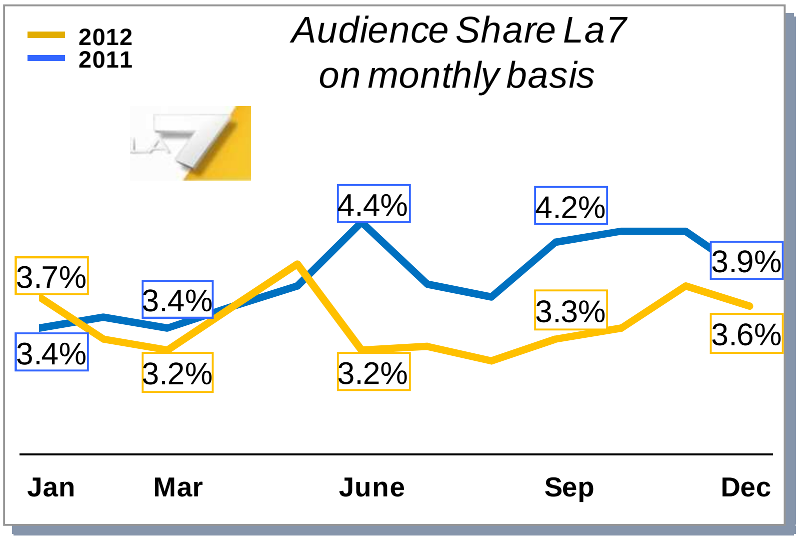
153 new clients (firms not advertising on the channel in 2011) were signed up, for a total investment of Euro 15.5 million.

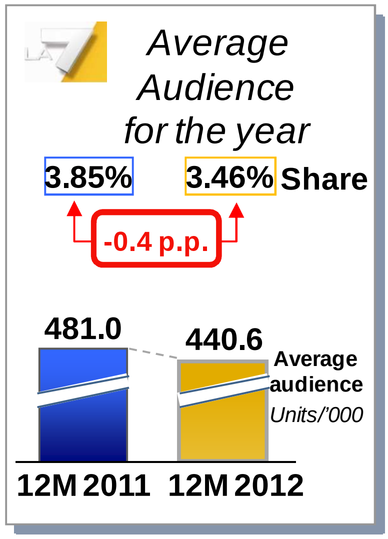
The number of exclusive clients (not present on other national television channels) amounted to 102. However, also due to the general decrease in advertising sales, they accounted for a lesser percentage of the total going from 21.6% in the previous year to 20.1%.

According to year-to-November analysis on Nielsen's data (in which La7 showed the following increases: Euro +2.6 million, or +1.6%), only four commodity categories still allow La7 to have a positive performance in terms of overall advertising sales. Cars (Euro 25.2 million; +22.6%), Toiletries (Euro 11.0 million; +17.7%), Pharmaceuticals (Euro 10.8 million; +20.6%) and Home Appliances (Euro 4.2 million; +130%) offset the sharp decline in sectors which had been driving La7's advertising sales up to last month; in fact, Food, Telecommunications and Finance/Insurance decreased overall by almost Euro 5.2 million (-12.3%). Food was still the main category with Euro 31.2 million, notwithstanding a 6.3% decrease compared to 2011, followed by Cars with Euro 25.2 million, sharply increasing by +22.6%, as mentioned above. It should be noted that Food's share is currently smaller than that of the total TV networks surveyed (18.9% as against 19.6%), whereas Cars' share clearly exceeded that of total TV networks (15.2% as against 13.1%).

Audience Share

La7 closed 2012 with a 3.46% share for the full day: the second best annual result posted by the broadcaster after the 3.85% share achieved in 2011.





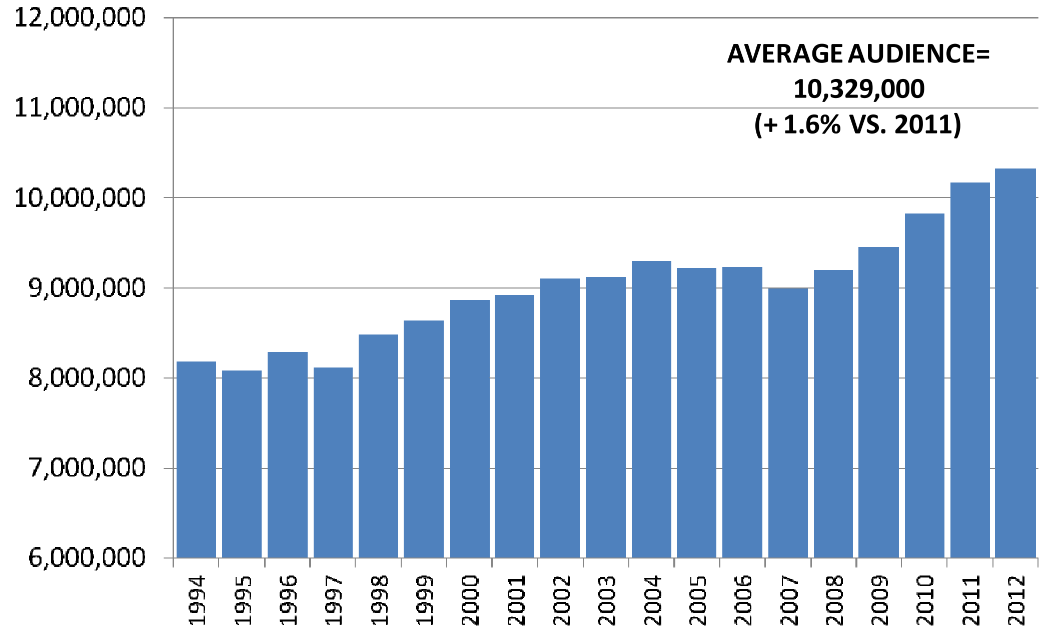
In 2012, average audience was 440,577 viewers, down by -8.4% compared to the previous year, whereas the number of individuals who watched La7 at least one minute during the year amounted to 53,973,000, marking an increase of +0.9% compared to 53.5 million in 2011.

The current television scenario is characterized by a constant increase in consumption:

	2003	2012
CHANNELS	119	213
AVERAGE CONTACTS PER DAY	46.7 MIO	47.4 MIO
TIME	4 h 34 min	5 h 5 min
AVERAGE AUDIENCE	11.3 MIO	12.7 MIO

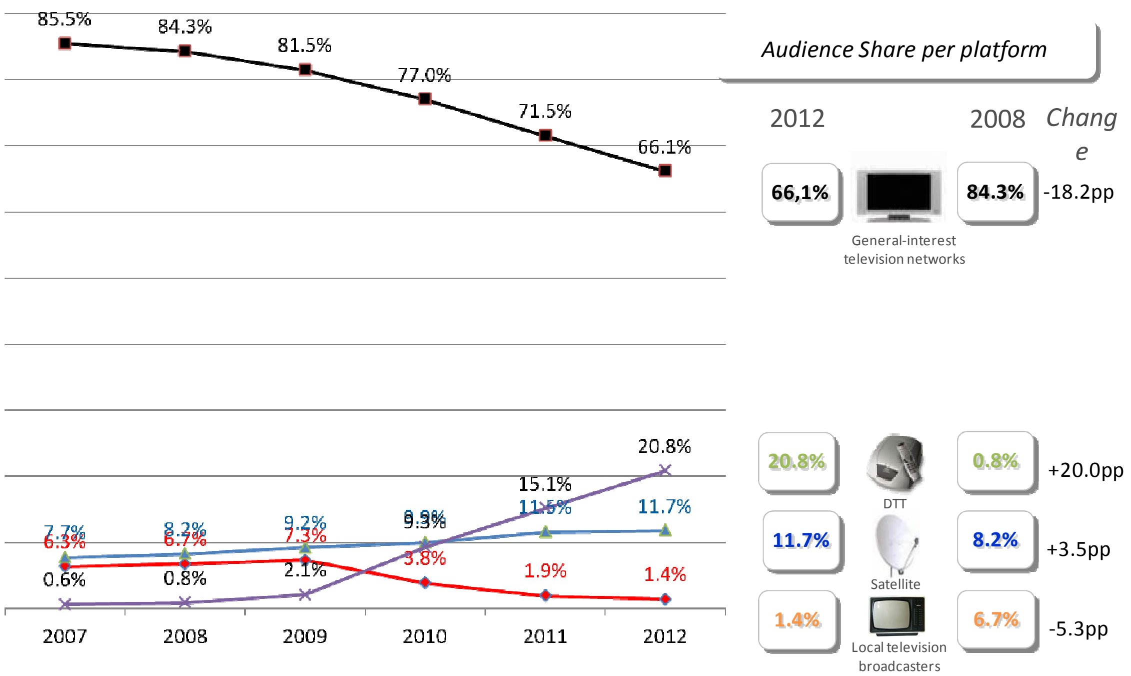
Source: AUDITEL 7a.m-2a.m.

which Auditel records as the highest level ever:



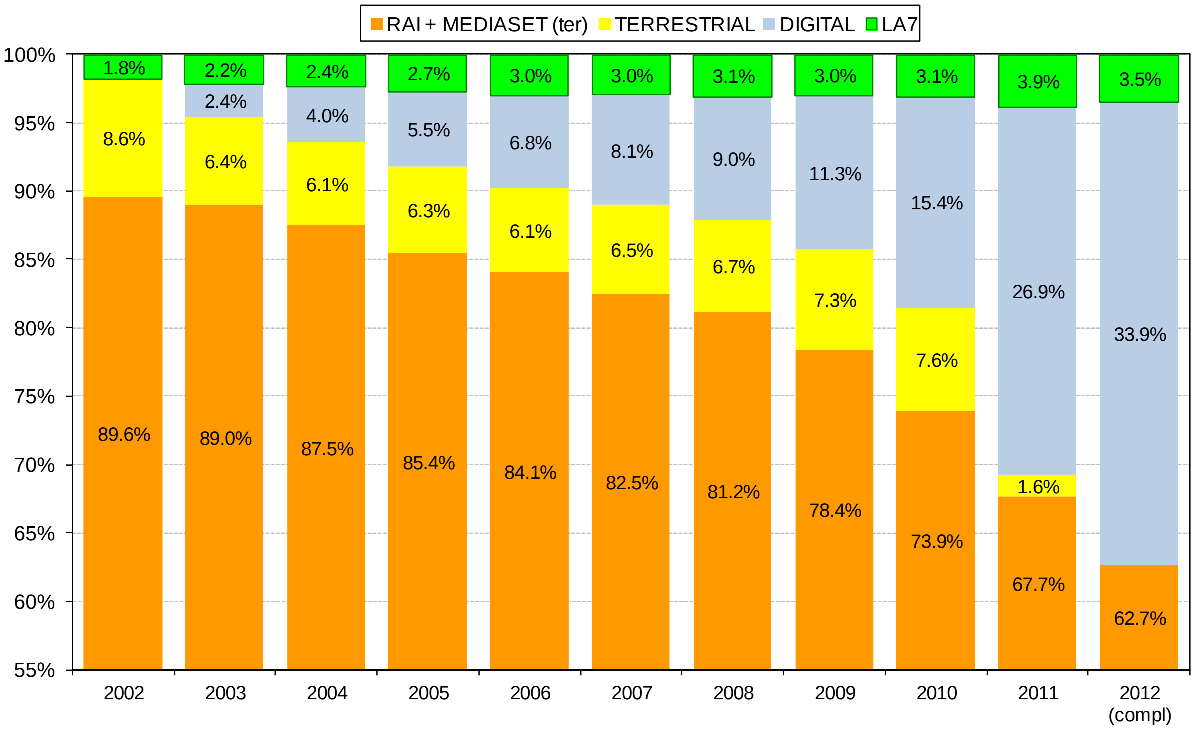
Source: AUDITEL - TOTAL SHARE 24 HOURS

This is primarily based on the greater amount of time dedicated to the medium, as a result both of the decrease in cultural consumption away from home and the increased availability of new channels and information and/or entertainment offerings, confirming the anti-cyclical nature of TV consumption (growth at times of greatest crisis), as well as on a series of changes in distribution platforms and the ensuing access to TV content:



Source: AUDITEL - SHARE 7a.m.-2a.m.

While retaining a privileged position in Italians' consumption choices, general-interest TV saw a further fall in share in 2012, shedding an additional five points of share (from 67.7% in 2011 to the current 62.7%):



ANALYSIS OF RESULTS

The results of the main programs broken down by content offered are set out below.

NEWS area

Enrico Mentana's **La7 TG news program** is one of the leading programs on the network, and is characterized by a strong focus on "hard news".

The 7:30a.m. edition, which introduces the hottest topics of the day, obtained a share of 4.1% in the last quarter, closing the year at 4.5%.

The 1:30p.m. edition, which has more content than the earlier screening, achieved a share of 4.6% over the last 3 months of 2012, and thanks to an average audience of 842,000 viewers, it achieved an annual share of 4.7%.

The 8:00p.m. edition, usually presented by Director Enrico Mentana, offers a very clear news analysis, emphasizing the importance and centrality of certain stories over others, offering the audience a chance to analyze and interpret the news of the day and paving the way for the large number of investigative programs that follow the news during the network's prime-time hours. Over the last three months of 2012, the average recorded audience was just under 2 million (1,890,000), with more than 3 million contacts each evening (3,061,000) and an average share of 7.6%, an indicator which rose to 7.8% at year-end.

The news program offers also **TG Special Editions**, which the News Department air during the programmed schedule in case of significant events, to focus on top stories, with links to on-the-spot correspondents and in-studio guests providing analysis. One of these special editions, aired on December 2 on the result of the Bersani-Renzi vote for the Democratic Party primaries, attracted a varied audience of almost 7 million viewers (6,847,000) and was watched by just under 1.5 million viewers (1,413,000) corresponding to a share of 6.1%.

Omnibus is the early-morning news program aired every weekday. It is presented either by Andrea Pancani or Alessandra Sardoni, and attracts an average audience of 1.6 million viewers (1,599,000), obtaining a share of 4.1%; at the year-end, this figure was higher: 4.3%.

From 9:55a.m. until 11:00a.m., Tiziana Panella, accompanied by Enrico Vaime and weatherman Paolo Sottocorona, presents the talk show **Coffee Break,** dealing with political and social current affairs, based every day on a different significant daily topic. The average share of the last three months was 4.8% (compared to 4.0% in 2012), an extremely positive trend that rose as high as 6% on several occasions.

In the late evening, usually after midnight, La7 broadcasts **Omnibus Notte**, a night-time version of the morning talk show, presented by Edgardo Gulotta and Flavia Fratello. The program covers the top political stories of the day, which are discussed with studio guests, and has an average share of 2.0%.

SPORT area

The sports events aired over the last three months of 2012 included the three test matches played by the Italian national rugby team. The test matches reported the following results:

Italy vs. Tonga	November 10	audience: 400,000 –	1.4 million contacts – 2.9% share
Italy vs. New Zealand	**November 17**	**audience: 1.1 million –**	**3.3 million contacts – 8.4% share**
Italy vs. Australia	November 24	audience 660,000 –	2.0 million contacts – 4.9% share

thus confirming that the decision to broadcast rugby matches was a good one.

IN-DEPTH ANALYSIS Area

La7 broadcasts a large number of in-depth analysis programs, which account for a large percentage of the channel's schedule. The programs provide the data and information the audience is looking for, while always attempting to present a variety of viewpoints and give airtime to different opinions.

Ottoemezzo, the talk show hosted by Lilli Gruber with guests including important names from the world of politics and journalism (also thanks to the feature presented by journalist Paolo Pagliaro "Il punto di Paolo Pagliaro"), presents influential, accurate opinions on issues of national interest. In the last quarter, it recorded a share of 5.9% with just under 1.7 million viewers (1,685,000), and almost 4 million contacts per show (3,785,000), ending the year with an average audience of more than 1.5 viewers (1,566,000) and a share of 5.6%.

On Saturdays and Sundays, La7 offers another talk show, **In Onda**, hosted by Luca Telese and Nicola Porro. On Saturday the program ends at 10:30p.m., while the Sunday show is only an hour long. During the last quarter, the average share was 3.3%, with almost 4 million contacts per show (3,961,000); this program also concentrates on current affairs. For example, a special episode was aired on November 25 following the first round of the primary election, obtained a share of 3.8% and was seen by almost 7 million viewers (6,899,000).

In the fall, before moving onto his new project (Zeta, opening with 7.7% of share), Gad Lerner launched his historic talk show **L'Infedele** in his typically direct, enthralling style. In the last quarter, it attracted an average share of 3.5%, with more than 5.5 million contacts per episode (5,509,000), whereas 2012 ended with an average of 4.0%, and an average audience of just under 1 million (928,000).

Corrado Formigli has introduced several new features and a different style of political analysis with **Piazza Pulita,** which used to be aired on Thursdays and has now moved to Mondays. The program has a strong social-media presence, with continuous references to Facebook and Twitter accounts. For the three episodes broadcast in October, it achieved an average audience of over 1.5 million (1,560,000), with a share of 7.3% and just under 7 million contacts per episode (6,843,000). Apart from this format, the program's editorial team also produced two special late-evening Friday editions broadcast on November 16 and 30, investigating issues such as the potential economic default (average share 5.9% with more than 1 million viewers — 1,070,000), and more than 4.5 million contacts per show (4,639,000).

Another La7 live Thursday broadcast, launched on October 25, is **Servizio Pubblico** presented by the outstanding independent journalist Michele Santoro. The program, which involves an intense studio debate enhanced by various RVM features ranging from Marco Travaglio's editorial to the probing and provocative questions of Giulia Innocenzi and Luisella Costamagna, ended with a series of satirical cartoons drawn by Vauro, took La7 to third place (and sometimes second) in the prime-time rankings, winning an average share of 11.8% with 2,675,000 viewers and almost 8 million contacts per show (7,877,000). Santoro also presented a special edition, **Servizio Pubblico Più**, dedicated to the Spinelli kidnapping case. In the prime-time viewing on December 27 it achieved a share of 7.3% with an average audience of more than 2 million viewers (2,018,000) and almost 5 million contacts (4,885,000).

Gianluigi Nuzzi introduced the first of his investigative programs **Il re della Cocaina** in the late evening of November 26, winning 4.0% of the share with more than 1 million contacts (1,030,000).

At 11:00a.m. from Monday to Friday, La7 offers **L'Aria che Tira**, presented by Myrta Merlino and providing a straightforward, jargon-free analysis of various economic issues intended to give ordinary people an understanding of these complex topics. In the last three months the program obtained an average share of 2.9%, rising, on several occasions, above the 4% threshold.

ENTERTAINEMENT AREA

ENTERTAINMENT on La7 is still known for being intelligent and never vulgar, as it seeks to set itself apart from the competition by investing in new talent and ideas.

I Menù di Benedetta, now in its second edition and on air at 6:20p.m., is known for having brought a new look to TV cookery programs: "real cooking", the kind of dishes women make every day, that are easy for working women to prepare. In the last quarter of 2012, Benedetta Parodi achieved a share of 2.6% with more than 1.3 million contacts per episode (1,335,000).

Over the last quarter, Teresa Mannino's new program **Se Stasera Sono Qui** has been aired in two episodes obtaining an average share of 3.1% with just under 6 million contacts per evening (5,936,000): this show is an effective and successful example of giving a space to female comic talent on La7.

Another highlight of the fall was the return of Maurizio Crozza, the irresistible Genoese comedian whose Friday evening slot now has a format better suited to promoting the content of a one-man satirical show. **Crozza nel Paese delle Meraviglie** lasts one hour, and features a number of outstanding sketches. The theme for this fall was pure satire, and the results have been truly excellent: an average share of 8.6% peaking at 10%, an average audience of 2,437,000 viewers and 5,553,000 contacts per episode.

EDUCATIONAL AREA

On this front, La7 can boast a solid tradition, in which original productions are favored above bought-in programs.

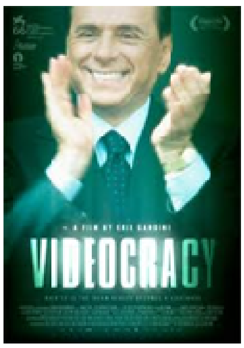
Atlantide has come back with a new look at prime time on Wednesdays, featuring the updated format of an incisive, investigative reportage, and two hosts: Mario Tozzi and Greta Mauro. The audience results are positive: the program has an average share of 3% with just under 5 million contacts per episode (4,987,000).

DRAMA AREA

More attention has been paid to this area, with a more effective, carefully-selected schedule, especially at prime time.

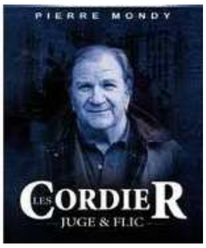
The programs with the highest audience figures, for prime time, include: the first-ever TV broadcast of **Albert Nobbs**, which obtained 4.6% on December 28 with an average audience of 1,117,000 and 4,372,000 contacts; **Pocketful of Miracles** which recorded 3.8% average share on December 24, with 3,635,000 contacts, and the first TV release of **Le Petit Nicolas**, with a 3.6% share and more than 4 million contacts (4,088,000) on December 23;

in the late evening, highlights include **Viva Zapatero!** with 4.7% of share and more than 3 million contacts (3,069,000), on December 14; **Draquila** with share of 4.4% and 3 million contacts (2,942,000), on December 21 and also, on December 7, **Videocracy** with 3.4% and 3,177,000 contacts;



highlights in the daytime schedule include films such as **The Never Ending Story** (December 25: 4.0% with 2,259,000 contacts), **È arrivato mio fratello** (October 14: 3.5% with 3,047,000 contacts), **Yours, Mine and Ours** (December 27: 3.5% with 2,258,000 contacts) and many more besides.

Top attractions in the series offer from La7 includes classics like **Midsomer Murders** and **Commissaire Cordier**, which received 2.9% and 3.6% average share, respectively, on their afternoon showings during the last three months of 2012.



The series offer has been enhanced by the inclusion of the eighth series of **Grey's Anatomy**, on its first unencoded screening. Aired on Tuesday evenings, it obtained an average of 3.5% share, 900,000 average viewers and just under 2 million contacts, with certain episodes achieving a share of more than 5%.

Advertising Sales

La7d's gross advertising sales for 2012 amounted to Euro 12.4 million, an increase of Euro 2.8 million over 2011 (+29.9%).

In 2012, 298 companies advertised on the channel (decreasing by 11); average investment per advertiser was Euro 39,371 (+28.6% compared to 2011).

In 2012, 19 exclusive clients advertised on La7d (i.e., clients that do not advertise onLa7), spending a total amount of Euro 670,393.

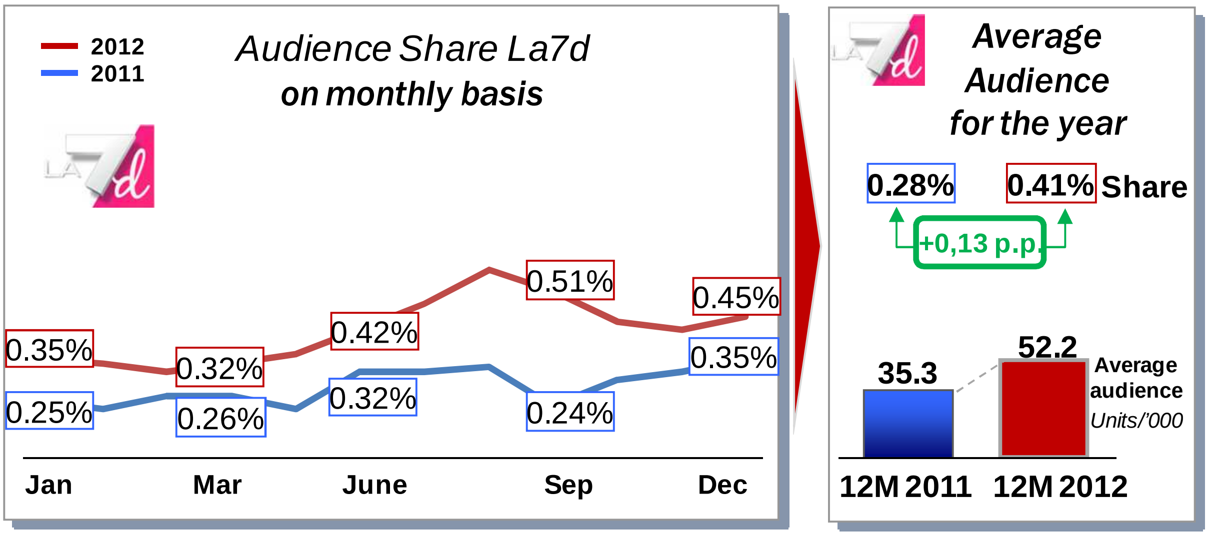
Audience Share

In 2012, La7d obtained an annual average share of **0.41%** over the whole day (7:00a.m./2:00a.m.), increasing sharply compared to 0.28% in 2011.

The number of unique viewers who during the year watched our digital channel exceeded 41 million, compared to less than 34 million in 2011.

The increase in audience shares involved all time slots, but proved particularly significant in prime time (0.45% compared to 0.27% in the previous year) and in the late evening (0.58% compared to 0.44%).

The monthly trend underlined the channel's ongoing growth:



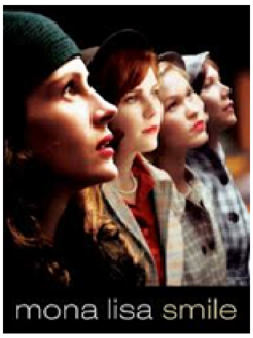
The programs that have made the biggest contribution to the success of La7d include the following (divided by time slot):

in the afternoons, **The Dr. Oz Show** with an average fall share of 0.53%, followed by **S.O.S. Tata** with an even higher average of 0.7%.

in the early-evening slot is **Cuochi e Fiamme,** the culinary game show presented by Simone Rugiati, which in the fall obtained an average share of 0.8% with an average audience of 165,000 viewers. Meanwhile, prime-time access (8:15p.m. - 9:15p.m.) features the repeat of **I Menù di Benedetta** with an average audience of 170,000 people, equating to 0.6% of share: on October 9, the morning screening of this program achieved a record on La7d with 2.0% of share.

the prime-time programs include the classic **Sex and the City** with a share above 0.8%, and there were also good performances by **Crossing Jordan** with 0.6%

the film offer is always well-received, thanks to titles such as **Mona Lisa Smile** (December 29: 1.2% share, and 1,420,000 contacts, **Bend it like Beckham** (October 11: 0.8% with 1,249,000 contacts), and **Eternal Sunshine of the Spotless Mind** (December 27: 0.7% with 1,331,000 contacts).



in its prime time fall schedule, La7d also included the new **Don't tell the Bride** factual in which the nuptial preparations were left in the sole hands of the future groom. The program obtained an average share of 0.5%, with the average audience for the October 15 episode in excess of 200,000.

in the late evening, apart from the successful re-launch of **Crozza nel Paese delle Meraviglie** (0.8% on Saturdays), there were excellent results for the series of arthouse films **Notturno Femminile** (0.8% on Friday), and for **La Malaeducaxxion,** the program presented by Elena Di Cioccio with no-holds barred discussions on issues related to sex, eros and emotions; the average share for the Monday screening during the fall was 0.7%, on occasion peaking at more than 1%.

also in the late evening, there were excellent figures for the series of films such as **Women on the Verge of a Nervous Breakdown** (October 2: 1.2%), and **Russian Dolls** (December 11: 0.9%).

- **MTV Group**

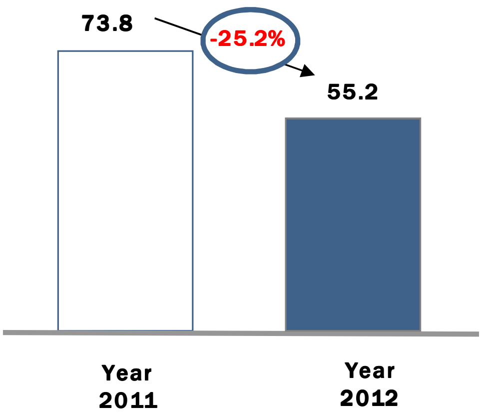
2012 was a year of strong discontinuity for MTV, with the restructuring and focusing of the MTV-brand area on free television activity and digital, involving the redefinition of relationships with the shareholder Viacom, which resulted in the transfer on December 31, 2012 to Viacom of the Nickelodeon and Comedy Central brand channels, as well as the reinforcement of MTV Pubblicità, which in response to a very difficult market scenario strengthened its presence in the kids area thanks to an agreement with Super!, the De Agostini Group channel.

The MTV Italia's activities include:

- MTV One
- MTV Music
- Music Platform
- Multimedia
- MTV Pubblicità, the agency charged with the sale of MTV, Nickelodeon, Comedy Central and Super! brand channels; and
- Satellite, the area dedicated to the channels Nickelodeon and Comedy Central, transferred to Viacom on December 31, 2012.

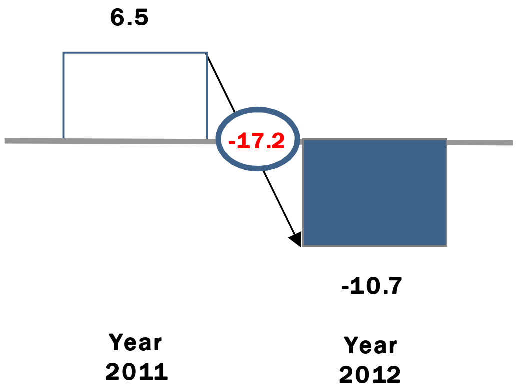
2012 was generally characterized by the restructuring and revitalization of MTV-brand free activities. This revitalization process, which entailed an increase in product and marketing costs in an extremely difficult market situation (Euro +4.4 million euro), entailed a deterioration of revenue performance (Euro -15.5 million).

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 2012 (a)	Year 2011 (b)	Changes (a-b)	%
Total revenues	**55,225**	**73,819**	**(18,594)**	**(25.2)**
Other income	991	928	63	6.8
Total operating revenues and other income	**56,216**	**74,747**	**(18,531)**	**(24.8)**
Acquisition of goods and services	(52,535)	(54,170)	1,635	3.0
Employee benefits expenses	(12,925)	(12,194)	(731)	(6.0)
Other operating expenses	(1,668)	(1,644)	(24)	(1.5)
Changes in inventories	187	(195)	382	n.a.
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(10,725)**	**6,544**	**(17,269)**	**n.a.**
Depreciation and amortization	(6,161)	(6,216)	55	0.9
Gains/ (Losses) realized on disposals of non-current assets	1,700	(392)	2,092	n.a.
Reversals /(Impairment losses) on non-current assets	(23,052)	(13,550)	(9,502)	(70.1)
OPERATING PROFIT (LOSS) (EBIT)	**(38,238)**	**(13,614)**	**(24,624)**	**(180.9)**
OPERATING PROFIT (LOSS) - (EBIT) comparable	**(15,186)**	**(64)**	**(15,122)**	**n.a.**

The Auditel survey, launched in mid-September, was positive in the fourth quarter of 2012, confirming figures in excess of the expectations shared with the market.
The above result bears out the strategy of enhancing the channel pursued during the year through significant investments in content and communications, while reflecting a profoundly negative performance of the advertising market: in fact, during the January-December period, the television market declined by 15.3%, showing a reduction of 26.4% in November alone (source: Nielsen).
For the first time since 2003, the combination of the two conditions yielded a negative operating result.

(in thousands of euro)	Year 2012 (a)	Year 2011 (b)	Changes (a-b)	%
REVENUES				
One	24,924	37,313	(12,389)	(33.2)
MTV Music	2,788	3,068	(280)	(9.1)
Playmaker	3,125	12,982	(9,857)	(75.9)
of which MTV intra-group cancellations	(1,823)	(4,797)	2,974	(62.0)
Multimedia (Web)	4,398	5,270	(872)	(16.5)
Satellite - Music Platform	3,598	3,371	227	6.7
Satellite - Nickelodeon/Comedy Central	15,405	16,262	(857)	(5.3)
Mobile	277	1,066	(789)	(74.0)
DeA channel	2,890	-	2,890	100.0
Other revenues and cancellations	(357)	(716)	359	(50.1)
MTV Group total revenues	**55,225**	**73,819**	**(18,594)**	**(25.2)**

Revenues amounted to Euro 55,225 thousand, down 25.2% compared to 2011 (Euro 73,819 thousand). The decrease was a result of the combined effect of:

- a Euro 12,389 thousand decrease in revenues generated by One, primarily due to lower net advertising sales both at a local (-30.6%) and international (-55.1%) level;
- a Euro 280 thousand decrease in revenues from the Digital Terrestrial channel MTV Music, which contributed Euro 2,788 thousand to Company's advertising sales, compared to euro 3,068 thousand in 2011;

- a reduction in Playmaker revenues, which, net of intra-group cancellations, went from Euro 8,185 thousand in 2011 to Euro 1,302 thousand in 2012;
- a decrease in net revenues on Multimedia platform channels, which passed from Euro 5,270 thousand in 2011 to Euro 4,398 thousand in 2012;
- an increase in revenues of Satellite Channels – Music Platform, which went from Euro 3,371 thousand in 2011 to Euro 3,598 thousand in 2012;
- a drop in revenues generated by Nickelodeon and Comedy Central satellite channels, which went from Euro 16,262 thousand in 2011 to Euro 15,405 thousand in 2012;
- a Euro 789 thousand decrease in MTV Mobile's sales compared to 2011;
- a Euro 2,890 thousand in advertising sales generated by the Super! channel of De Agostini in 2012.

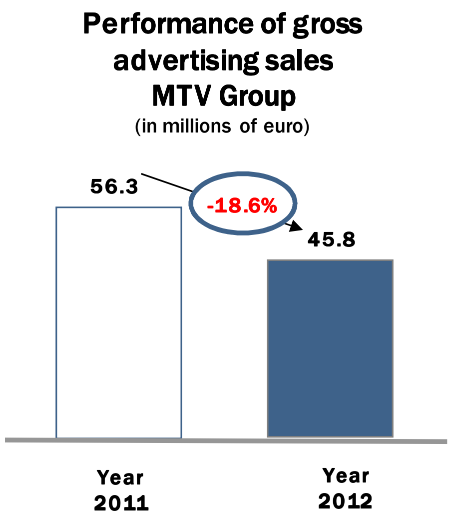
In 2012, EBITDA was Euro -10,725 thousand, marking a Euro 17,269 thousand decrease compared to 2011 (Euro +6,544 thousand). This performance was attributable to the above-mentioned decline in revenues, which was offset by a reduction in the costs of Playmaker. By contrast, operating costs functional to the channels' new positioning increased by Euro 4,382 thousand and labor costs rose by Euro 731 thousand due to the restructuring process.

In 2012, on a like-for-like basis, EBIT was Euro -15,186 thousand compared to Euro -64 thousand in 2011; this figure included gains arising from the sale of the business units Nickelodeon and Comedy to the minority shareholder Viacom (Euro 1,700 thousand), following the conclusion of the agreement regulating the channels' creation. Including the goodwill writedown for the MTV business unit (Euro 23,052 thousand in 2012 and Euro 13,550 thousand in 2011), EBIT amounted to Euro -38,238 thousand in 2012 compared to Euro -13,614 thousand in 2011, as shown below:

(in thousands of euro)	Year 2012 (a)	Year 2011 (b)	Changes (a-b)	%
EBIT	**(38,238)**	**(13,614)**	**(24,624)**	**(180.9)**
Goodwill impairment	(23,052)	(13,550)	(9,502)	(70.1)
COMPARABLE EBIT	**(15,186)**	**(64)**	**(15,122)**	**n.a.**

Advertising Sales

Total gross advertising sales decreased by 18.6%, going from Euro 56.3 million in 2011 to Euro 45.8 million in 2012.



MTV ITALIA

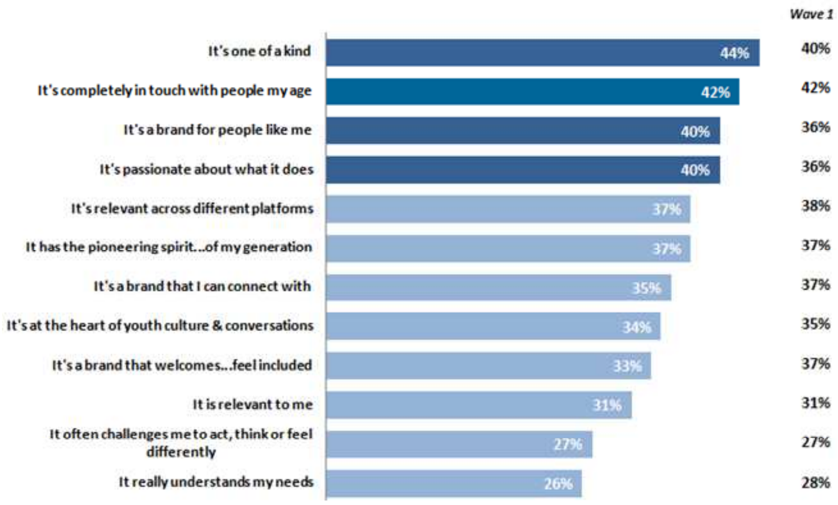
For MTV, 2012 was a fundamental, historical year: on **September 16**, MTV's free-to-air offerings made their entry into the Auditel survey system, thereby rendering their audience figures public.
This step represented, on the one hand, the conclusion of a process of collaboration with the market's main stakeholders, and, on the other, the beginning of a new phase for the brand from both an editorial and commercial standpoint.

MTV was thus able to confirm and enhance the strength of its brand: audience data attested to the uniqueness of its offerings in terms of content and profile and represent a fully consistent continuation of research findings.

From the standpoint of both its viewers and its perception and experience, MTV remains a point of reference for a young, sophisticated, dynamic and commercially desirable audience.

1. **Image and perception**

As shown by the latest wave of the international brand tracker, MTV continues to be regarded as possessing **highly distinctive image traits** such as originality (“*It is original, one of a kind*,” up from 40% to 44% in the latest wave), its ability to relate to and keep fully in tune with young people (“*It is fully in tune with young people my age*” and “*It is a brand for people like me*,” up from 36% to 40%) and the passion that characterizes the brand's world of values (“*It is passionate, it believes in everything it does,*” also up from 36% to 40% compared to the previous phase of the survey).



Source: Basis, *Mtv International Brand Tracker*, Quantitative study, wave 2, 2012, 503 cases, 15-34 years old

Thanks to the constant investment throughout 2012 in new content and formats — innovative in terms of their language and in close harmony with the needs expressed by the channel's target audience — MTV has strengthened and deepened its relationships with its viewers. The network's proposition was thus enriched, completing **MTV's evolution from a mere music channel to an all-around entertainment channel** that seeks to act as the favored interlocutor of a more curious and dynamic target.

2. Audience performance

Viewer results were positive. The network enjoyed high visibility, with MTV's FTA offerings generating nearly **34 million** average contacts on a monthly basis (over 13.3 within the 15-44 year old target) and **18 million** on a weekly basis (over 7 within the 15-44 year old target).

WEEKLY	IND	15-44	15-34
mtv	16.500.000	6.600.000	3.700.000
mtv music	3.600.000	1.700.000	1.000.000
MTV FTA	17.800.000	7.200.000	4.000.000

MONTHLY	IND	15-44	15-34
mtv	32.100.000	12.600.000	7.000.000
mtv music	920.000	4.000.000	23.000.000
MTV FTA	33.600.000	13.300.000	74.000.000

At the FTA level, the MTV brand consistently remains above 80,000 average viewers, with share fluctuating between 0.6% and 0.7% of individuals and 1.6% and 1.8% of the 15-34 year old commercial target.

		MTV FTA			
		Sept-12	Oct-12	nov-12	dic-12
Tot Indiv	*AMR*	*82.745*	*83.127*	*84.900*	*89.495*
	SHR %	*0,7%*	*0,6%*	*0,6%*	*0,7%*
	RCH	*5.603.621*	*5.409.834*	*5.208.019*	*5.424.526*
	EFF RCH	*3.353.672*	*3.196.703*	*3.106.480*	*3.214.758*
	ATS	*0.16.50*	*0.17.31*	*0.18.30*	*0.18.55*
15-34	*AMR*	*34.520*	*32.152*	*31.742*	*33.593*
	SHR %	*1,8%*	*1,7%*	*1,6%*	*1,6%*
	RCH	*1.498.519*	*1.430.621*	*1.302.061*	*1.304.548*
	EFF RCH	*1.089.813*	*1.029.517*	*942.034*	*939.471*
	ATS	*0.26.14*	*0.25.38*	*0.27.40*	*0.29.24*
	ADH %	*42,03%*	*39,02%*	*37,58%*	*37,65%*

Despite increasing competition, audience performance remained in line with the share objectives disclosed to the market:

MTV ONE	*Estimate Audience*	*Actual Audience*	*Delta%*
September	0,53%	0,55%	3,8%
October	0,52%	0,50%	-3,8%
November	0,52%	0,47%	-9,6%
December	0,51%	0,49%	-3,9%

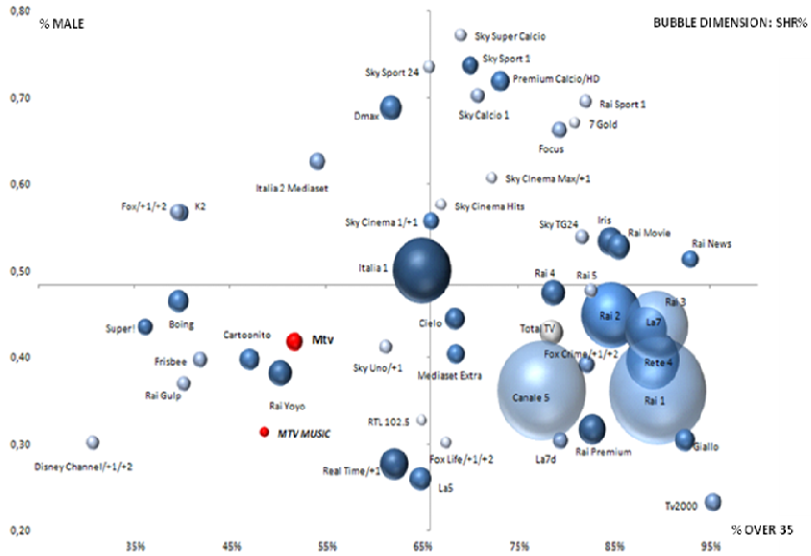
Performance was especially positive during the **Christmas holiday period**, during which the FTA network achieved share of **0.73%**, with daily coverage of over **5.5 million**.

In the Auditel survey, MTV8 also confirmed the **unique nature of its audience**, not just in terms of demographic profile, but especially in terms of socio-economic level: a profiled, desirable audience.

	Tot. Ind Profile	Tot. Audience Profile	DTT * Profile	MTV Profile	
4-14	10,7%	6,2%	4,7%	9,1%	147
15-19	5,0%	2,9%	3,7%	15,3%	528
20-24	5,4%	3,0%	3,9%	9,6%	320
25-34	12,9%	8,6%	11,2%	13,4%	156
35-44	16,7%	13,8%	16,6%	17,1%	124
45-54	15,3%	15,8%	19,0%	15,6%	99
+55anni	34,0%	49,8%	40,9%	19,9%	40
Laurea	9,0%	6,0%	7,0%	7,8%	130
Medie Sup.	33,0%	29,0%	31,9%	34,4%	120
Cse AA	18,8%	14,4%	15,5%	18,1%	126
Cse MA	35,0%	33,7%	33,9%	35,0%	104

(*) Channels surveyed: Rai4; Rai5; RaiPremium; RaiMovie; RaiNews; La 5; Iris; Italia2; Mediaset Extra; Real Time; Dmax; Cielo; La7d; Giallo; Focus.

ITALIAN TV SCENARIO POSITIONING MAP

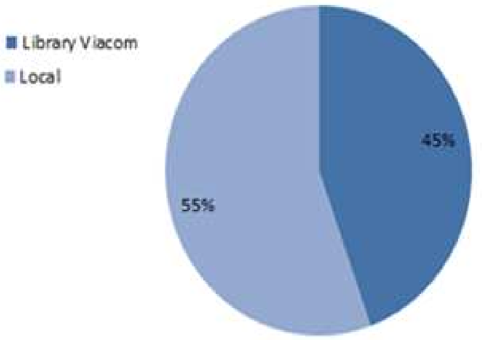


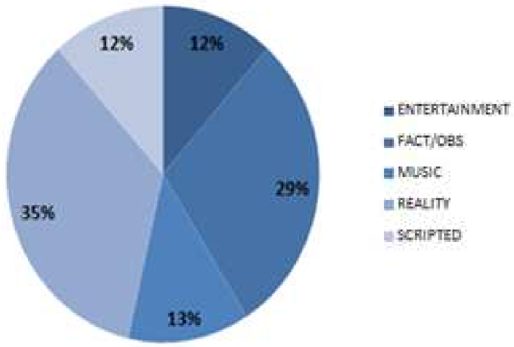
Despite lower than average bracket results, **prime time** yielded positive results in the film airing slot, which appears to have succeeded in establishing relationships with a broader, more transversal audience, and which reached share of 0.82%, ranking as the most viewed evening of the week.

Source: Auditel, September 16-30, 2012, share among the individual targets.

CONTENT OFFERINGS:
In the fall period the network was characterized by a **solid**, **well-structured** line-up, balanced in terms of product origin (between the Viacom library and local productions and acquisitions) and genre.
MTV maintained and strengthened its nature as a general-interest channel, with offerings that was 87% extra-musical and divided, in a balanced manner, into the genres entertainment, factual, scripted and reality.

COMPOSITION OF THE MTV8 PROGRAMMING (% of airtime)





2012 saw the **observational documentary** maintain and consolidate its position, also in terms of local productions (which supported the international programs already featured on the schedule). In this regard, there were excellent performances for the second season of **Ginnaste – Vite parallele**, now one of the channel's flagship programs with the most positive viewing figures. Another good performer was **Calciatori – Giovani speranze,** the new obs-doc for 2012 from MTV Italia. The program dovetailed well with the rest of the schedule, helping to form a compact afternoon viewing schedule that reflected the expectations of the audience.

MAIN KPIs:

GINNASTE...	CALCIATORI....
332mila daily reach	268mila daily reach
116mila AMR	86mila AMR
0,9% share	0,6% share

Source: Auditel tot. individuals +guests; September 16 - December 31, 2012.

The TV series offer was also consolidated with the arrival of the **first-ever screening in Italy of new series** including **Girls** and **Modern Family**. These new entries accompanied TV series that have now become hallmarks of the channel such as **Awkward**, now in its second season.

On air with the second exclusive season on MTV from November, **MODERN FAMILY** is an award-winning US TV series with record audiences. It received 4 Emmy Awards in 2012. It takes a lighthearted look at the lives of three different "modern" families, all trying to cope with everyday problems, and embraces contemporary issues such as separations, adoption, extended families and gay couples.

MAIN KPIs:

MODERN FAMILY
354mio daily reach
106mila AMR
0,4% share

Source: Auditel tot. individuals +guests; September 16 - December 31, 2012.

The new US series that is now becoming a generational cult was premiered for the first time on MTV in October. Heralded by critics as the 20-somethings 'Sex & The City' version and set in an unconventional New York, **GIRLS** narrates the crisis of an entire generation through the trials and tribulations of four girls in their 20s as they deal with the uncertainty and precariousness of the modern world. As confirmation of its continued success, Girls triumphed at the 2013 Golden Globes, winning awards for the best comedy series and best comedy actress.
GIRLS has slotted in perfectly to the **late-evening schedule** on the channel, and fully reflects the anti-conformist, provocative and irreverent spirit of late nights on MTV.

MAIN KPIs:

GIRLS
369mila daily reach
89mila AMR
0,7% share

After the good results of the first season, **AKWARD** has continued in its second season with the heroine Jenna, the high school's nerdiest blogger as she takes an ironic, lighthearted look at her teenage experiences. The program reflects the entertainment style offered by MTV.
The **second season** was launched in November, with a **2%** share of the target audience and an average viewership of more than **260,000**. It also made an excellent debut on the social networks, Twitter in particular, where the series immediately became a trend topic with no fewer than 4 simultaneous # during the première.

MAIN KPIs:

DIARIO DI UNA NERD..

589mila daily reach

254mila AMR

0,9% share

Source: Auditel tot. individuals +guests; September 16 - December 31, 2012.

During the 2012 Christmas season, MTV aired a **special broadcast** for its audience, taking the opportunity to anticipate some of the new programs to be introduced on the network in 2013.
Highlights included a preview of **NEW GIRL** on Christmas Day, the comedy TV series to be aired by MTV on free-to-air for the first time in Italy from January, with two episodes exploring the lives of the heroine Jess and her new flatmates. New Girl quickly became a firm favorite with the audience, with more than 10 million viewers. It has won important recognitions (two nominations at the Golden Globe Awards and five nominations at the 2012 Primetime Emmy Awards).
On New Year's Day, MTV gave its viewers a glimpse of the fifth season of the historic MTV program **IL TESTIMONE**, very popular with the public, in an episode dedicated to New Year 2011 in Cortina d'Ampezzo, ironically titled “Quando eravamo felici” ("When we were happy"). With its typically inquisitive, original approach, Pif takes a refreshing, humorous look at Italy of just two years ago, so near yet so far, and reflects on the changes in its society.
Overall, as already pointed out, the Christmas season was a period of great prominence and a significant ”showcase”, particularly in terms of contacts achieved.

These increasingly varied and complete offerings continue to be accompanied by MTV's **MUSIC** content such as:

- **MTV Music** (DTT channel 67 and SKY channel 708), the theme channel devoted to music content that continues to represent the original spirit of the MTV brand;
- the development of new means aimed at bringing the music content on television, exploring **new formats and languages** (eg., through the local production “Club Privè – Ti racconto i Dogo”)
- the **events on the ground** with a strong impact, which confirm the brand's strong links with great artists and new up-and-coming local and international music performers (highlights in fall 2012 included the EMAs and the MTV HIP HOP AWARDS).

Still in search of new ways of approaching **music** and television content with renewed formats and styles, in fall 2012 MTV Italia presented **Club Privè – Ti Presento i Dogo.** It is an original docu-fiction with an entertaining approach and a direct, provocative style in line with the edgy feel of MTV's schedule.

CLUB PRIVE' TI PRESENTO I DOGO

CLUB PRIVÈ – TI PRESENTO I DOGO is an excellent example of MTV's ability to offer a **privileged insight into the life of performers**, with an unfiltered look at the world of Club Dogo, one of the most interesting bands on the Italian hip-hop scene. The new MTV program highlights the less-well-known aspects (private life, friends and hobbies), while focusing on the choral dimension of the group in its everyday life and offering the public and up-close, intimate, never-seen-before insight.

The content can be experienced on a variety of platforms — not just on TV but also online. The episodes can also be seen on MTV On-Demand, together with a dedicated website section containing photos, up-to-date news, extra content and a special iPhone app available on the App Store.
Club Privè - Ti presento i Dogo was also the basis for MTV's Web, TV and poster communications campaign in November.

MAIN KPIs:

CLUB PRIVE'

514mio daily reach

70mila AMR

0,4% share

Source: Auditel tot. individuals +guests; September 16 - December 31, 2012.

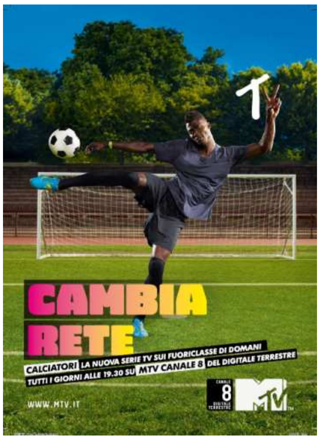
In November, Frankfurt was the venue for the 2012 **MTV EMAs**, the international MTV event that combines music and show business. The show, presented by supermodel Heidi Klum, was attended by some of the most famous artists of the moment (including Alicia Keys, Pitbull, the Killers and Psy) who performed live on stage, flanked by celebrities and stars from some of MTV's most popular programs (including the heroine of Awkward and the cast of Geordie Shore).
The 2012 edition of the MTV EMAs obtained excellent audience figures. It was followed by more than **2 million** viewers on the MTV network, and the live channel screenings attracted an average audience of **300,000** people with a share of **1%** on the individual target, rising to **2.5% among 15-34 year olds**.
The 2012 EMAs also exploded on the social media, generating more than 15 million tweets during the event (with another 5 million after midnight), and populating the list of the top 10 trend topics on Twitter, which were dominated by the MTV event for the entire evening. There was also a high level of interaction on Facebook, with more than 150,000 Italian users on the MTVEMA page and around 1 million viewings of posts dedicated to the event on the MTV Italia page facebook.com/mtvitalia.

The **MTV HIP HOP AWARDS** was the first major Italian TV event dedicated to a celebration of hip-hop music and culture. The evening, sponsored by MTV and Vodafone, was broadcast live on MTV from the Alcatraz disco in Milan. Modeled on the famous MTV EMAs and VMAs, the program was an award show in its own right, featuring spectacular performances by iconic hip-hop artists throughout the year (including Club Dogo, Jax, Marracash, Morgan, Max Pezzali and Emis Killa) with special host Nina Zilli. The show was livened up by the celebrities who came to the Alcatraz disco in person to deliver the awards: Marco Materazzi, Carlo Lucarelli, Miriam Leone, and Simone Rugiati, as well as Caterina Guzzanti, Virginia Raffaele and Ubaldo Pantani, three big names on MTV's 2013 schedule who offered exclusive glimpses of their upcoming shows.
The viewing figures were excellent: the event contacted more than **1.5 million individuals** reaching an average audience of more than **127,000** viewers and a share in excess of **2.4%** of the show target audience. The 15-24 age group represented more than one third of the show's public.
Feedback from the **social media** was also positive: the MTV Hip Hop Awards were constantly a trending topic throughout the evening, resulting in 23,000 tweets, while the voting section on the website mtv.it attracted 1.4 million votes.

MTV is still strongly committed to the **discovery/information area**, with **MTV NEWS**, the broadcaster's program chronicling Italian current events and describing the lives of young people today.

During the last quarter of 2012, the campaign **IO VOTO** *"If you don't worry about politics, politics won't worry about you"* was relaunched. The multi-platform social project from MTV ITALIA was intended to **provide young people with information and raise awareness about political issues**, encouraging them to participate at all levels. Two mini-tutorials were produced in December on the subject of voting, featuring Pif: the well-known face of MTV with his original, humorous style explained how to vote, and why one should. In 2013, there will be more informative content, ahead of the next elections.
With these campaigns and the content aired on the channel, once again MTV is not merely a source of information, but is also taking responsibility for the needs of young people by trying to offer them tools they can use to interpret their world and raise their awareness.

Throughout 2012, MTV kept its **COMMUNICATIONS** alive on the brand and its editorial campaign, focusing on a message of change (a new-look and viewer-oriented channel whose content offer is increasingly in line with audience needs). The campaign involved various media: Web, TV and billboards. It began in April with Ginnaste and I Soliti Idioti, and continued in September, focusing on the launch of Calciatori, and then in November, in support of the launch of the series Club Privè – Ti presento i Dogo.

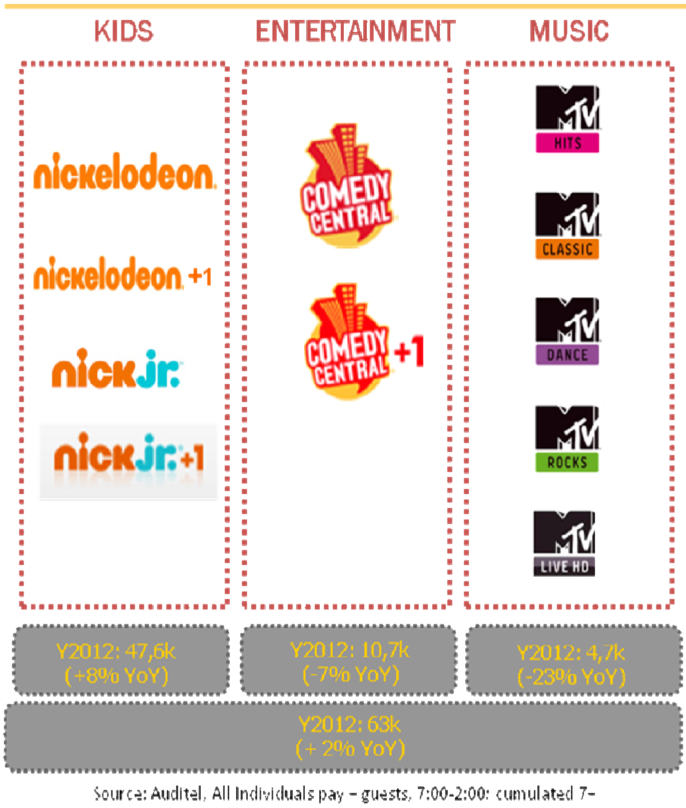


MULTIMEDIALITY

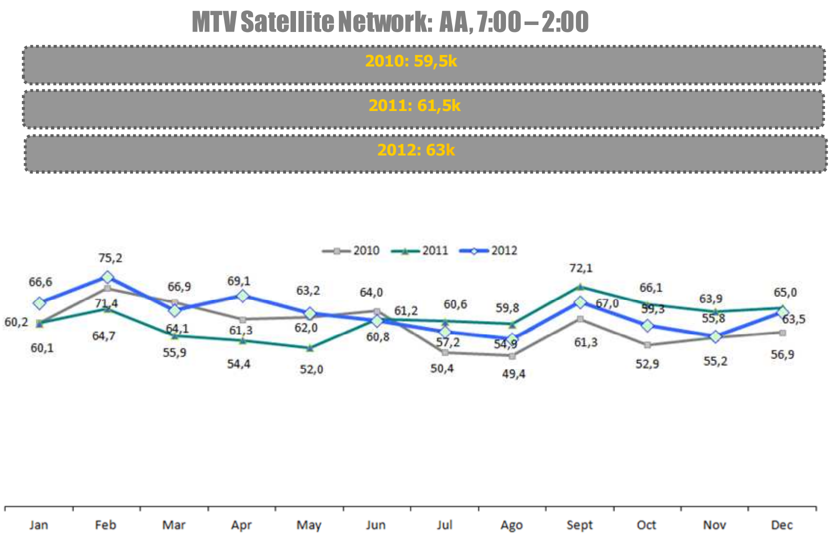
In the fourth quarter of 2012, the MTV Viacom Network, with **over 75 thousand** viewers per average minute and an increase by **24% YoY** (*), remained the number-two independent broadcaster on the Sky platform, capable of achieving coverage of **1.97 million** contacts per average day.

DAILY REACH	
SKY	6.371.045
FOX	3.663.121
DISCOVERY	2.527.996
MTV-VIACOM	**1.974.143**
DISNEY	1.160.295
AXN	929.190
SWITCHOVER MEDIA	823.247
TURNER	708.070
GRUPPO LT MULTIMEDIA	667.741
DE AGOSTINI	649.745
DIGICAST	603.190
INTERACTIVE	511.195
EUROSPORT	483.502
ESPN	221.149
ELEMEDIA	171.475
GIGLIO GROUP	111.468
JIM JAM	73.233
ROCK TV	66.273
ODEON	32.852

Source: Auditel, All pay individuals + guests, 7:00a.m.- 2:00a.m.; consolidated 7+



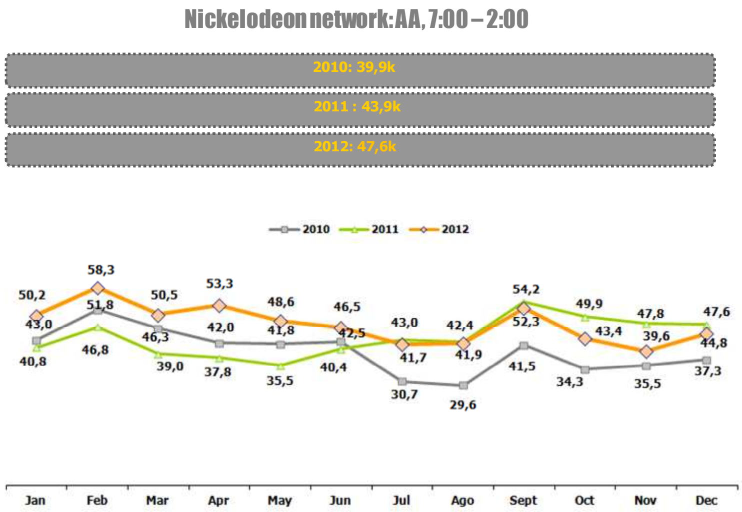
(*) The 2012 figures included the viewers of MTV8 and MTV Music. Source: Auditel, All pay individuals + guests, 7:00a.m.- 2:00a.m.; Live+Vosdal



Source: Auditel, All Individuals pay + guests, 7:00-2:00; cumulated 7+

NICKELODEON BRAND

The Nickelodeon Network' offerings maintained its central role in the kids segment of Sky: with an average audience exceeding **47 thousand** for the year (**42.5 thousand** in the fourth quarter, **-12% YoY**) and an audience share nearing **9%** on the target viewer, the Nickelodeon Network confirmed as the Sky platform's second independent editor and the first among exclusive networks, despite the decline reported in the second half of the year.



Source: Auditel, All Individuals pay + guests, 7:00-2:00; cumulated 7+

Nickelodeon

Notwithstanding the decline in the last few months (the fourth quarter closed at 21 thousand, down 18% YoY), Nickelodeon reported an annual average audience of **25 thousand** and **720 thousand** contacts a day, confirming as the second brand channel in the area of both kids segment and individual target, after Disney Channel.

From an editorial viewpoint, in 2012 Nickelodeon strengthened its offer in the field of **animation** and live **action** programs, the two "pillars" of the channel.

Highlights in the field of **animation** during the last quarter of 2012 included the arrival of the **Teenage Mutant Ninja Turtles**. The famous children's program is back on Nickelodeon in a comedy series that reinterprets the original episodes with the new computer graphics-designed animation and a perfect combination of team spirit, comedy and action. The Ninja experience continues for Nickelodeon viewers online, on the mini-site turtles.nicktv.it**,** where young viewers can play and interact with the characters of the series, as well as discover a whole range of information, photos and videos.
Another highlight on the animation front was the October launch of **The Legend of Korra,** the new American series that sequels the animated cartoon "Avatar: The Legend of Aang".

The **live-action** programs, which create an increasingly close dialogue with the younger and slightly-older girls segment, have always proved to be an important part of the channel's schedule.
There were two important new entries in fall 2012: the second new season of the mystery TV series **House of Anubis**, packed with complicated enigmas that have delighted the channel's audience, and the new episodes of **i-Carly,** a Web show that is extremely popular with children, in which the guests on the show get to meet One Direction, the hottest music stars of the moment, who will be guests of the special edition "I One Direction ad iCarly". The schedule has also been enhanced with new episodes of **Victorious,** now in its third season, and **Big Time Rush**, the entertaining live-action all about music and friendship.

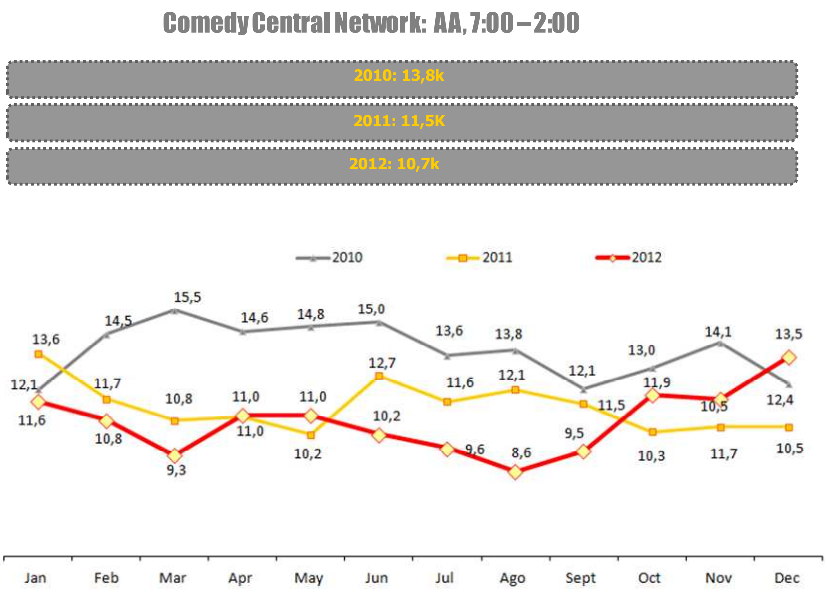
Nick Jr

Nick Jr. reported a more stable performance, closing at **22.3 thousand,** and with an audience of **21 thousand** in the fourth quarter, it ranked third among the channels of the Sky kids area and remained the top pre-school channel.

In 2012, Nick Jr. continued to consolidate its children and family entertainment offer.
Historic properties such as **Dora the Explorer,** still a flagship of the channel, have been accompanied by new **edutainment** content specially designed for a preschool audience.
1,2,3...perche'? impara l'inglese con me, the new program intended to introduce children to English learning, has been accompanied by the new episodes of **Tickety toc**, a series that teaches children the concept of time in a fun and entertaining way.
On the entertainment front, a new animation series has been launched: **Roary The Racing Car**, narrated by the ex-Formula One driver Alex Zanardi (also Italy's most famous Paralympic athlete after winning his second gold at the London Games), and the animation series **Miss Spider's Sunny Patch Friends**, based on the life of a family of insects and their friends.

COMEDY CENTRAL BRAND

Comedy Central closed with a good performance at **10.7 thousand.** After a difficult period, in the last quarter (**AMR. 12.2 thousand**, **+17% YoY**) a positive countertrend led to a new growth: Comedy Central exceeded the 2011 figures, recording its best result since January 2011 (**AMR. 13.5 thousand**) and ranking 7th among the channels in the Sky entertainment area.



Source: Auditel, All Individuals pay + guests, 7:00-2:00; cumulated 7+

In 2012, Comedy Central continued to invest in **local content** and **Italian comedy** which has always been a distinctive feature of the channel in terms of image and also audience.

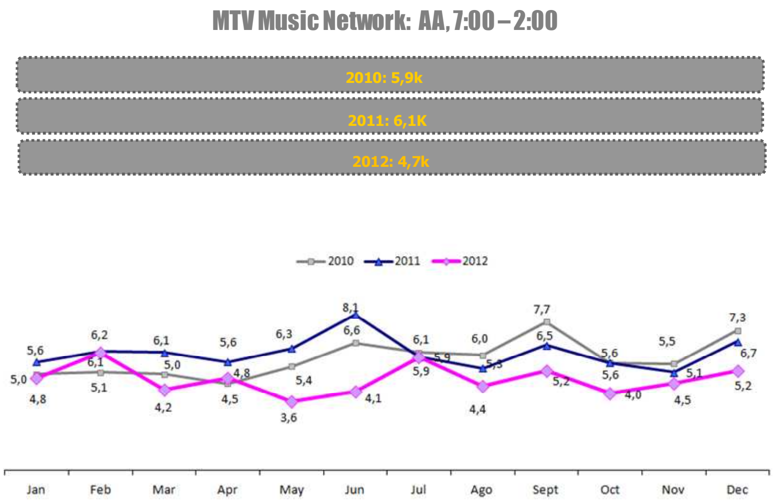
Comedy Central has continued with its commitment to showcase the very best of Italian comics, with a skilful mix that combines emerging artists, for whom the channel is a real 'workshop of laughter', alongside well-established performers.

Highlights for the last quarter of 2012 include the return of Maurizio Crozza with 30 episodes of the new one-man show '**Crozza nel Paese delle Meraviglie'**, a show that takes an irreverent, lighthearted look at a whole host of issues: politics, current affairs, sport and the small screen.
Early-evening viewing on Comedy Central also features **Teresa Mannino** with '*Se stasera sono qui'*, a real "happening": ironic, entertaining and unpredictable, based on the studio guests, who have included Renzo Arbore, Cinzia Leone, Morgan, Raul Cremona, Pif and the duo Nuzzo Di Biase, and characterized by the iconoclastic, abrasive style of the presenter.
One of the more experimental products, which has validated Comedy Central's non-stop search for emerging comic talent is the new program **S.C.Q.R.,** featuring the comedian and monologist Antonio Giuliani, and **Metropolis**, the imaginary city of laughter inhabited by 25 crazy comedians, presented by Omar Fantini with Melita Toniolo.

There have also been new developments on the scripted entertainment front with the sixth season of **Rules of Engagement**, the irreverent, humorous sit-com on the theme of couple and their relationships, and **Happily Divorced.** Another great exclusives in the stars and stripes serial and screened for the first time in Italy, this series marks the return to the small screen of Fran Drescher, very popular with audiences worldwide for her sitcom *The Nanny*.

MTV MUSIC NETWORK

In a generally negative scenario (Sky's musical area reported an average audience of 16 thousand, decreasing by 18% YoY in the last quarter), MTV Music Network confirmed as the top editor in this area with **4.7 thousand** viewers on the total for 2012 (it was the second in the last quarter).
Mtv Hits, with 2.3 thousand viewers in the last quarter (-27% YoY), resulted the second editor in the area, and the first among the Sky's exclusive channels (RTL 102.5 presents a double distribution).



Source: Auditel, All Individuals pay + guests, 7:00-2:00; cumulated 7+

DIGITAL

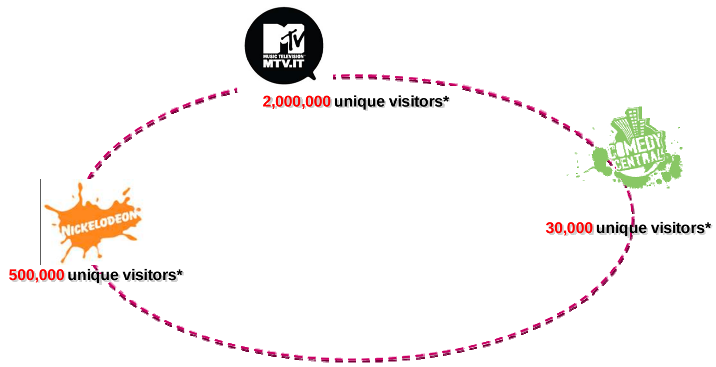
The digital area closed 2012 with very positive results: the website **mtv.it** obtained an average of almost **2 million** individual users, a rise of **21%** compared to 2011.

In detail, **video streams** exceeded **8 million**, increasing by 18% compared to 2011.

The **ON-DEMAND** section had the best performance of the area, with an increase in video consumption mainly thanks to the new programming, the second season of "Awkward" — with over 3 million of video streams — and the new local production "Club privé – Ti presento i Dogo".
CHARTS was the second section in terms of website access and consumption; it maintained a stable traffic, thus offsetting the seasonal nature of TV programs, and revamped its offering at the end of the year with the 2012 best hits.

MOBILE

2012 also brought good results for the **mobile apps**. The consolidation of the vertical flow was rewarded by good results in terms of app downloads for new programs like Calciatori and Club Privè, but also I Soliti Idioti, which are now top performers in mobile consumption.



Source: Omniture, unique visitors report, Jan-Dec 2012
**data represents an arithmetic average of unique visitors data of each single month: January 2012 (MTV 1.7mio; Nick: 320k; CC 39k); February 2012 (MTV 1.5mio ; Nick 400k; CC 34k); March 2012 (MTV 1.9mio; Nick: 600k; CC 31k); April (MTV 2,4mio; Nick 690k; CC 28k); May (MTV 2,5mio; Nick 600k; CC 25k); June (MTV 2mio; Nick 700k; CC 25k); July (MTV 1,9mio; Nick 645k; CC 26k); August (MTV 1,7mio; Nick 660k; CC 27k); September (MTV 2,1mio; Nick 670k; CC 29k); October (MTV 2mio; Nick 555K; CC 25k); November (MTV 2mio; Nick 402K; CC 35k); December (MTV 2mio; Nick 362K; CC 39k).*

MTV Mobile

In 2012, **MTV Mobile's** revenues amounted to Euro 277 thousand, a fall of Euro 789 thousand compared to 2011.

Following TIM's decision to discontinue the MTV Mobile brand, the migration of contracts to TIM Young was started: revenues registered in the reporting year refer to previous years' subscriptions.

- Network Operator

(in thousands of euro)	Year 2012 (a)	Year 2011 (b)	Changes (a-b)	%
Total revenues	**75,084**	**54,941**	**20,143**	**36.7**
Other income	931	908	23	2.5
Total operating revenues and other income	**76,015**	**55,849**	**20,166**	**36.1**
Acquisition of goods and services	(27,664)	(26,705)	(959)	(3.6)
Employee benefits expenses	(3,302)	(3,892)	590	15.2
Other operating expenses	(1,822)	(2,307)	485	21.0
Changes in inventories	-	-	-	-
Internally generated assets	-	-	-	-
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**43,227**	**22,945**	**20,282**	**88.4**
Depreciation and amortization	(27,037)	(24,622)	(2,415)	(9.8)
Gains (losses) realized on disposals of non-current assets	48	14	34	242.9
Reversals /(Impairment losses) on non-current assets	(70,000)	(43,100)	(26,900)	(62.4)
OPERATING PROFIT (LOSS) (EBIT)	**(53,762)**	**(44,763)**	**(8,999)**	**(20.1)**
OPERATING PROFIT (LOSS) (EBIT) comparable	**16,238**	**(1,663)**	**17,901**	**n.a.**

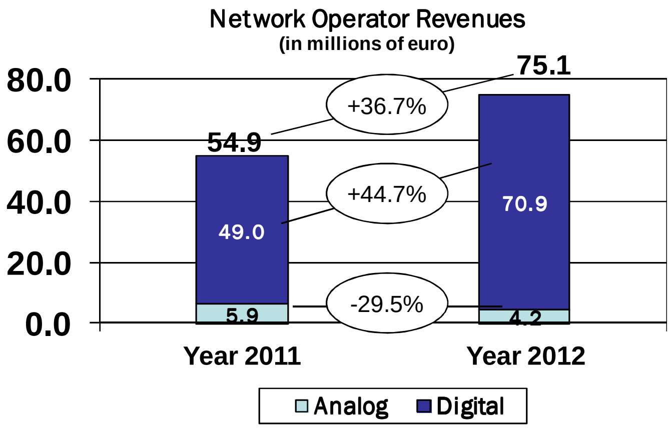
The network operator recorded revenues and income of Euro 76,015 thousand, up by Euro 20,166 thousand compared to 2011. This increase was attributable both to the evolution of the contracts currently in force and the contracts for new channels entered into at the end of 2011 in connection to the Multiplex DTT hospitality services, which led to the full rental at the beginning of 2012 of the available digital bandwidth.

Revenues from companies of the Telecom Italia Media Group amounted to Euro 31,063 thousand, increasing by Euro 1,985 thousand compared to the previous year, mainly thanks to the hosting service of the channelLa7HD, which was discontinued in the first half of 2012.

(in thousands of euro)	Year 2012 (a)	Year 2011 (b)	Changes (a-b)	%
REVENUES				
Analog	4,177	5,924	(1,747)	(29.5)
Digital	70,907	49,017	21,890	44.7
Total revenues of Network Operator	**75,084**	**54,941**	**20,143**	**36.7**

In 2012, EBITDA was positive at Euro 43,227 thousand, showing a Euro 20,282 thousand increase compared to the previous year; this improvement was driven by the above mentioned rise in revenues, whereas operating expenses remained essentially in line with 2011.

In 2012, EBIT amounted to Euro 16,238 thousand compared to Euro -1,663 thousand in 2011. The change is almost fully attributable to the improvement of EBITDA, net of an amortization increase of Euro 2,415 thousand.



Including the goodwill writedown for the Network Operator business unit (Euro 70,000 thousand in 2012 and 43,100 thousand in 2011), the change was Euro -8,999 thousand, as follows:

(in thousands of euro)	Year 2012 (a)	Year 2011 (b)	Changes (a-b)	%
EBIT	(53,762)	(44,763)	(8,999)	(20.1)
Goodwill impairment	(70,000)	(43,100)	(26,900)	(62.4)
COMPARABLE EBIT	16,238	(1,663)	17,901	n.a.

Investments for 2012 amounted to Euro 17,713 thousand and related mainly to works to digitalize switch-off areas in 2012, which were completed last July.

OPERATIONS

- **Hosting services on the digital Multiplexes**

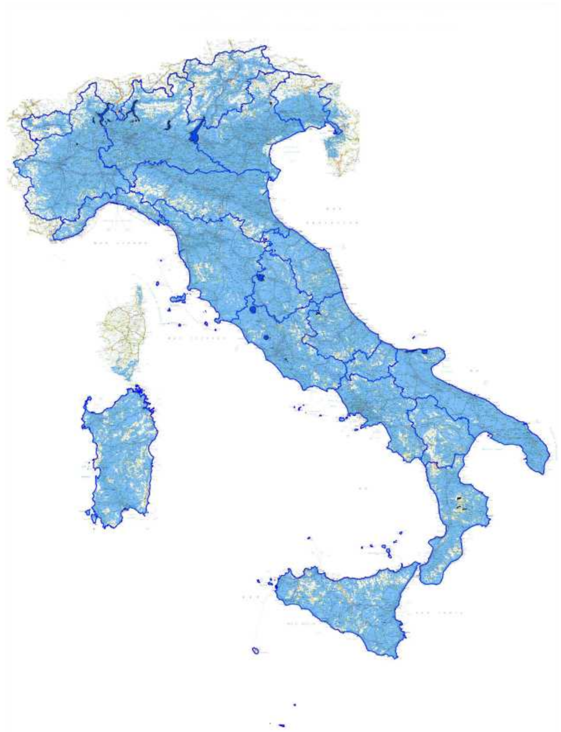
At December 31, 2012, the channels hosted on Telecom Italia Media Broadcasting's Multiplexes were:

– Telecom Italia Media Group channels
  - La7 and La7d of La7 S.r.l.;
  - MTV and MTV Music of MTV Italia.

– Third party channels
  - Mediaset Extra and Italia2 of RTI Group;
  - K2, Frisbee, Giallo and Focus of Switchover Media;
  - QVC of QVC Italia;
  - Real Time and D-MAX of the Discovery Networks Group;
  - HSE 24;
  - RTL 102.5;
  - Super! of De Agostini Editore;
  - Padre Pio TV;
  - SportItalia1, SportItalia2 and SportItalia24 of Interactive Group;
  - VeroCapri of Guido Veneziani Editore;
  - the new channel Arturo, which started broadcasting in November 2012.

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

At December 31, 2012, the three digital multiplexes of Telecom Italia Media Broadcasting cover 94.9% of Italy's population.
The following table reports the graphic representation of the coverage of territory of the three digital multiplexes of Telecom Italia Media Broadcasting.



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

On the date of the Italian switch-off (July 4, 2012), the management service ofLa7 and MTV analogic networks was discontinued.

<u>Digital frequencies</u>

AGCOM Resolution No. 181/09/CONS, transposed into primary legislation pursuant to Article 45 of Law No. 88/2009, sets the rules for the full digitalization of terrestrial television networks, on the basis of which the Ministry of Economic Development has established the temporary assignment of user rights on digital frequencies. This regulatory measure had become necessary following the infringement procedure 2005/5086 against the Italian State, in which the EU Commission identified the need for an adjustment of the Italian television system and of the issue of frequencies assignment to RAI and Mediaset.
Also as part of the actions undertaken to overcome the remarks of the EU Commission in 2010, AGCOM, by means of Resolution No. 497/10/CONS, provided for the completion of a beauty contest for the allocation of rights to use the digital dividend frequencies. Following the publication of Law No. 44/12 in the Official Journal of the Republic of Italy on April 28, 2012, the beauty contest was canceled and was replaced with an open-bid tender process according to new criteria to be established by AGCOM.

Even though TIMB, a digital terrestrial network operator belonging to the Telecom Italia Media group, held all the permits, authorizations and rights to operate a total of four national networks using two analog (for the La7 and MTV channels) and two digital (for MBONE and TIMB1) frequencies, its rights were violated given that, since 2009, it was assigned only 3 DVB-T digital frequencies (CH 47 UHF, CH 48 UHF and CH 60 UHF).
The Group submitted an appeal (Docket No. 9621/09) to the Regional Administrative Court of Lazio in 2009 challenging the Ministry's determinations regarding the assignment of digital frequencies, seeking primarily:

- to set aside the ministerial determinations which assign no more than three frequencies, moreover, all qualitatively inferior to the frequencies allocated to RAI and Mediaset, as well as to assert TIMB's right to the allocation of four frequencies;

and subordinately:

- to obtain an award of damages for the non-assignment of the fourth frequency (on the basis of a market value of a MUX of at least Euro 240,000,000), as well as for the delay in proceeding with the required frequency allocation (Euro 1,740,000 per Mbit/s per year).

The same application for judicial review also challenges the assignment of CH 60 UHF which is affected by interference from LTE-800 mobile telecommunications transmissions (carried on the former television broadcasting channels 61-69 UHF) and the lack of international cooperation with Malta (compromising the channels viewing in Sicily) and accordingly, fails to meet the quality standards of the frequencies assigned to competing Italian broadcasters.
The hearing for the appeal 9621/09 in front of the Regional Administrative Court of Lazio is scheduled for May 8, 2013.

TIMB filed a motion (Docket No. 4746/12) impugning the order authorizing the redemption of the three performance bonds that the company had signed in order to take part in the beauty contest. The said order was, in fact, based on the legislative cancellation of the beauty contest and its replacement with an auction.
TIMB sought, by way of interlocutory motion:

- the suspension of the order, after forwarding of the entire record to the Constitutional Court or otherwise, referral of the matter to the European Court of Justice, where necessary, with the ensuing obligation to conclude the beauty contest, as well as
- cover damages:
    - costs for drawing up the three applications (Euro 357,890.23); personnel costs for staff members unable to devote themselves to their usual tasks and duties (Euro 135,100.00); unused investments for the introduction of DVB-T2 technology (Euro 3,937,600.00); unquantifiable investments for HD broadcasts onLa7 and La7d;
    - expectations as per the proposed Strategic Plan which forecast profits (EBIT) totaling Euro 105,201,000.00 over ten years with binding contracts for Lot C (for which TIMB was the only qualified contender), as well as profits of Euro 171,186,000.00 over the same period, including Euro 67,258,000.00 generated through binding contracts for one of the two Lots B (for which RAI could not have qualified as a contender, given its failure to meet the requirements imposed under the call for participation to the contest, and the related rules).

The Regional Administrative Court of Lazio, at the hearing in chambers on July 11, 2012, referred discussion on the merits, which will be fixed once the AGCOM has approved the new auction criteria.

At the end of 2012, AGCOM launched a consultation on the draft resolution for the new auction for the allocation of the internal digital dividend.
The plan provides for the auction of 3 lots with frequencies below 700 MHz (LOTS L) and 20 year duration and 3 lots with frequencies above 700 MHz (LOTS U), with a limited duration until December 31, 2017. The starting price is not defined.
TIMB is excluded from participation in the first-price sealed bid auction for the LOTS L, as, once again, it has been put on equal footing with RAI and Mediaset. Due to this limitation, TIMB is the only operator that will not be able to hold 4 DVB-T for twenty years.
During consultation, TIMB asked for (i) a market analysis in order to identify the actual strength of market operators, (ii) the introduction of corrective measures for the protection of competition, (iii) a clarification on the structural nature of the 5 MUX cap, (iv) the settlement of the revocation of illegally allocated frequencies and unused DVB-H frequencies, (v) a ban on the incumbents' participation in the auction, as well as the immediate replacement of channel 60 UHF with the 55 UHF frequency included in the Lots U put on auction.
The new regulation could be finalized by February 2013, after receiving the formal opinion of the EU Commission.

Law No. 44/12 also provides that AGCOM is to establish the administrative contributions for the use of television frequencies by network operators. The new system of contributions applicable to digital terrestrial television broadcasters is scheduled to enter into force as of January 1, 2013, and may not entail any additional government spending. Through to the end of 2012, accordingly, the license fee system shall continue to apply to activities conducted by former analog television broadcasting licensees.

The law also provides for measures aimed at promoting the incorporation of DVB-T2 technology into television sets and decoders. In accordance with said law, as of January 1, 2015, all television sets purchased wholesale from manufacturers by retailers must incorporate a digital tuner for receiving DVB-T2 broadcasts with MPEG-4 encoding, it being further understood that the same, or more advanced standards, must be met by all television sets sold to consumers in Italy as of July 1, 2015.

OPERATING AND FINANCIAL PERFORMANCE OF THE TELECOM ITALIA MEDIA GROUP

OPERATING PERFORMANCE FOR 2012

FOREWORD

Following the early adoption of the revised version of IAS 19 – *Employee Benefits* ("IAS 19R 2011"), which requires a retrospective application, data from financial year 2011 used for comparison were restated ("Restated").

Separate Consolidated Income Statement

(in thousands of euro)	Year 2012 (a)	Year 2011 (restated) (b)	Change (a-b)	%
Revenues	222,714	238,189	(15,475)	(6.5)
Other Income	5,105	26,287	(21,182)	(80.6)
Of which: income related to the early termination of the Competence Center agreement	-	*20,500*		
Total operating revenues and other income	**227,819**	**264,476**	**(36,657)**	**(13.9)**
Acquisition of goods and services	(196,685)	(167,150)	(29,535)	(17.7)
Employee benefits expenses	(67,432)	(61,457)	(5,975)	(9.7)
Other operating expenses	(8,266)	(8,575)	309	3.6
Changes in inventories	150	9	141	n.s.
Internally generated assets	-	-	-	-
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(44,414)**	**27,303**	**(71,717)**	**n.s.**
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA) COMPARABLE	**(44,414)**	**6,803**	**(51,217)**	**n.s.**
Depreciation and amortization	(63,406)	(58,348)	(5,058)	(8.7)
Gains (losses) realized on disposals of non-current assets	1,781	(377)	2,158	n.s.
Reversals /(Impairment losses) on non-current assets	(156,707)	(56,650)	(100,057)	(176.6)
OPERATING PROFIT (LOSS) (EBIT)	**(262,746)**	**(88,072)**	**(174,674)**	**(198.3)**
OPERATING PROFIT (LOSS) (EBIT) COMPARABLE	**(106,039)**	**(51,922)**	**(54,117)**	**(104.2)**
Other income (expense) from equity investments	(188)	(56)	(132)	n.s.
Finance income	494	600	(106)	(17.7)
Finance expenses	(7,755)	(5,326)	(2,429)	(45.6)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(270,195)**	**(92,854)**	**(177,341)**	**(191.0)**
Income tax expense	21,756	8,650	13,106	151.5
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(248,439)**	**(84,204)**	**(164,235)**	**(195.0)**
Profit (loss) from discontinued operations/Non-current assets held for sale	-	26	(26)	(100.0)
PROFIT (LOSS) FOR THE YEAR	**(248,439)**	**(84,178)**	**(164,261)**	**(195.1)**
Attributable to:				
- Equity holders of the Parent	**(240,944)**	**(83,827)**	**(157,117)**	**(187.4)**
- Minority interests	(7,495)	(351)	(7,144)	n.s.

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

	Year 2012	Year 2011 (restated)
- Basic Earnings (loss) per Share:		
- ordinary shares	(0.1711)	(0.0580)
- savings shares	(0.1711)	(0.0580)
of which:		
-. from continuing operations		
- ordinary shares	(0.1711)	(0.0580)
- savings shares	(0.1711)	(0.0580)
- from discontinued operations/non-current assets held for sale		
- ordinary shares	0.0000	0.0000
- savings shares	0.0000	0.0000

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year 2012	Year 2011 (restated)	Change
Profit (loss) for the year	**(248,439)**	**(84,178)**	**(164,261)**
Other components of the statement of comprehensive income	-	-	
° Redetermination of defined benefits retirement plans			
° Actuarial gains (losses)	(340)	1,206	(1,546)
° Tax effects	94	(332)	426
sub-total	(246)	874	(1,120)
Comprehensive profit (loss) for the year	**(248,685)**	**(83,304)**	**(165,381)**
Attributable to:			
- Equity holders of the Parent			
> Profit (loss) from continuing operations	(241,182)	(83,025)	(158,157)
> Profit (loss) from discontinued operations/Non-current assets held for sale	-	26	(26)
- Profit/(Loss) for the year attributable to equity holders of the Parent	(241,182)	(82,999)	(158,183)
- Minority interests			
> Profit (loss) from continuing operations	(7,503)	(305)	(7,198)
> Profit (loss) from discontinued operations/Non-current assets held for sale			
- Profit (loss) for the year attributable to Minority Interests	(7,503)	(305)	(7,198)

Year 2012	*222,714*
Year 2011	*238,189*
Abs. change	*(15,475)*
Change %	*(6.5)*

Sales and service revenues for 2012 amounted to Euro 222,714 thousand, down by Euro 15,475 thousand compared to Euro 238,189 thousand for 2011 (-6.5%).

In further detail:

- **La7's revenues** decreased by Euro 15,686 thousand (or -11.3%), from Euro 139,267 thousand in 2011 to Euro 123,581 thousand in 2012. Advertising revenues declined by 2.4% compared to 2011, with net advertising sales amounting to Euro 119,860 thousand compared to Euro 122,784 thousand in 2011, nonetheless bucking the market trend (Nielsen estimated a 15.3% decrease in the television market for the period January-December 2012). In addition to this decline, there were no revenues from the Competence Center operations, which were discontinued in September 2011 and had generated revenues for Euro 13,268 thousand in the previous year. La7 reported an average daily audience share of 3.5% in 2012;

- **MTV Group's revenues** dropped by Euro 18,594 thousand (-25.2%), going from Euro 73,819 thousand in 2011 to Euro 55,225 thousand in 2012. The reduction was attributable to:
  - a Euro 12,389 thousand decrease in revenues generated by One, primarily due to lower advertising sales;
  - a Euro 280 thousand decrease in revenues from the Digital Terrestrial channel MTV Music, which contributed Euro 2,788 thousand to Company's advertising sales, compared to euro 3,068 thousand in 2011;
  - a reduction in Playmaker revenues, which, net of intra-group cancellations, went from Euro 8,185 thousand in 2011 to Euro 1,302 thousand in 2012;
  - a decrease in net revenues on Multimedia platform channels, which went from Euro 5,270 thousand in 2011 to Euro 4,398 thousand in 2012;
  - an increase in revenues of Satellite Channels – Music Platform, which went from Euro 3,371 thousand in 2011 to Euro 3,598 thousand in 2012;
  - a drop in revenues generated by Nickelodeon and Comedy Central satellite channels, which went from Euro 16,262 thousand in 2011 to Euro 15,405 thousand in 2012;
  - a Euro 789 thousand decrease in MTV Mobile's revenues compared to the previous year;

- **Network Operator's revenues** increased by Euro 20,143 thousand (+36.7%), going from Euro 54,941 thousand in 2011 to Euro 75,084 thousand in 2012. This change was attributable to both the evolution of the contracts currently in force and the contracts for new channels entered into at the end of 2011 for the Multiplex DTT hosting services, which led to the full rental of the digital bandwidth.

(in thousands of euro)	Year 2012	Year 2011	Change abs.	%
LA7	***123,581***	***139,267***	***(15,686)***	***(11.3)***
La7 TV channel advertising sales	108,183	115,067	(6,884)	
La7D TV channel advertising sales	9,106	6,953	2,153	
Digital Content	-	13,268	(13,268)	
Media Services	1,138	829	309	
Multimedia/Web (La7.it and La7.tv)	1,158	1,701	(543)	
Other revenues	3,996	1,449	2,547	
TI MEDIA	***818***	***600***	***218***	***36.3***
Other revenues	818	600	218	
MTV Group	***55,225***	***73,819***	***(18,594)***	***(25.2)***
One	24,924	37,313	(12,389)	
MTV Music	2,788	3,068	(280)	
Playmaker	3,125	12,982	(9,857)	
of which MTV intra-group cancellations	*(1,823)*	*(4,797)*	*2,974*	
Satellite - Music Platform	3,598	3,371	227	
Multimedia (Web)	4,398	5,270	(872)	
Satellite - Nickelodeon / Comedy	15,405	16,262	(857)	
Mobile	277	1,066	(789)	
DeA channel	2,890	-	2,890	
Other revenues and cancellations	(357)	(716)	359	
Network operator (TIMB)	***75,084***	***54,941***	***20,143***	***36.7***
Analog	4,177	5,924	(1,747)	
Digital	70,907	49,017	21,890	
Consolidation adjustments	*(31,994)*	*(30,438)*	*(1,556)*	
Total Telecom Italia Media Group	**222,714**	**238,189**	**(15,475)**	**(6.5)**

Year 2012	***5,105***
Year 2011	***26,287***
Abs. change	***(21,182)***
Change %	***(80.6)***

In 2012, **other revenues** amounted to Euro 5,105 thousand, compared to Euro 26,287 thousand in 2011, which included the Euro 20,500 thousand indemnity for the early termination of the Competence Center agreement. This item decreased by Euro 21,182 thousand, mainly referred to the release of the provisions for risks following the settlement of several legal and contractual disputes. This item breaks down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change
Use of writedown provisions, operative provisions and extraordinary provisions	3,375	4,033	(658)
Recovery of personnel costs	455	24	431
Recovery and reimbursements of services, use of property not owned	923	1,115	(192)
Other reimbursements	11	7	4
Income from liabilities	1	49	(48)
Other revenues and extraordinary income	340	559	(219)
Income related to the early termination of the Competence Center agreement	-	20,500	(20,500)
Total other income	**5,105**	**26,287**	**(21,182)**

Year 2012	*(44,414)*
Year 2011	*27,303*
Year 2011, comparable	*6,803*
Abs. change	*(71,717)*
Abs. Change, comparable	*(51,217)*
Change %	*n.a.*
Change %, comparable	*n.a.*

EBITDA for 2012 was Euro -44,414 thousand, marking a decrease of Euro 71,717 thousand compared to 2011 (Euro 27,303 thousand including the Euro 20,500 thousand indemnity); on a like-for-like basis, the reduction amounted to Euro 51,217 thousand.

The changes were mainly a result of the following events:

– EBITDA of La7 was Euro -65,868 thousand, dropping by Euro 70,530 thousand compared to 2011 (Euro 4,662 thousand including the Euro 20,500 thousand indemnity); on a like-for-like basis, the reduction amounted to Euro 50,030 thousand. This decline was attributable to higher operating expenses mainly related to the programming costs of the channels La7 (Euro +30,172 thousand) and La7d (Euro +3,591 thousand). As mentioned above, this performance was affected also by a lack of revenues from the Competence Center's operations, which were discontinued in September 2011;

– EBITDA of the MTV Group was Euro -10,725 thousand, decreasing by Euro 17,269 thousand compared to 2011 (Euro +6,544 thousand), primarily due to the above mentioned reduction in revenues and the significant change in the channel's editorial line, which shifted its offering during the year from music only to a more entertainment-oriented programming targeted to young people/adults;

– EBITDA of the Network Operator went from Euro 22,945 thousand in 2011 to Euro 43,227 thousand in 2012, with an improvement of Euro 20,282 thousand, as a result of the above-mentioned revenues increase; operating expenses were essentially unchanged compared to 2011.

The following table shows the breakdown by business unit:

(in thousands of euro)	Year 2012	Year 2011	Change
LA7	(65,868)	4,662	(70,530)
LA7, COMPARABLE	(65,868)	(15,838)	(50,030)
TI MEDIA	(11,058)	(6,832)	(4,226)
MTV Group	(10,725)	6,544	(17,269)
Network Operator	43,227	22,945	20,282
Adjustments	10	(16)	26
EBITDA	**(44,414)**	**27,303**	**(71,717)**
COMPARABLE EBITDA	***(44,414)***	***6,803***	**(51,217)**

In detail, the following factors impacted the EBITDA as of December 31, 2012:

Year 2012	*(196,685)*
Year 2011	*(167,150)*
Abs. change	*(29,535)*
Change %	*(17.7)*

Acquisitions of goods and services amounted to Euro 196,685 thousand, up by Euro 29,535 thousand (17.7%) compared to 2011 (Euro 167,150 thousand), as broken down below:

(in thousands of euro)	Year 2012	Year 2011	Change
Acquisition of goods and services	**2,790**	**2,862**	**(72)**
Services	**140,891**	**119,265**	**21,626**
Professional services and consultancy	30,540	30,022	518
Television programs under contract	45,659	26,065	19,594
Costs of MTV advertising agency	9,431	6,372	3,059
Electricity	5,322	4,710	612
Travel and accommodation	2,495	2,979	(484)
Production service, location filming and troupe	10,786	9,242	1,544
Commissions, fees and other commercial expenses	2,941	3,392	(451)
Agencies and news and sport services	3,491	3,583	(92)
Advertising and promotion expenses	6,842	5,870	972
Signal conveyance, connections, inter-connections, telephone	7,228	6,223	1,005
Dubbing and editing	1,163	820	343
Editing of external operations	1,830	1,416	414
Outsourcing	2,820	2,706	114
Distribution and stocking costs	1,161	1,432	(271)
Insurance	503	439	64
T&E services	324	385	(61)
Other costs for services	8,355	13,609	(5,254)
Use of property not owned	**53,004**	**45,023**	**7,981**
Program rights and other royalties	30,815	22,742	8,073
Fees for the use of satellite and high-frequency systems	10,059	10,300	(241)
Real estate rents	5,996	5,574	422
Rental fees and other costs for the use of property not owned	6,134	6,407	(273)
Total acquisition of goods and services	**196,685**	**167,150**	**29,535**

Year 2012	*(67,432)*
Year 2011	*(61,457)*
Abs. change	*(5,975)*
Change %	*(9.7)*

Personnel costs amounted to Euro 67,432 thousand in 2012, up by Euro 5,975 thousand compared to 2011 (Euro 61,457 thousand), and includes net expenses of Euro 2,751 thousand (Euro 2,461 thousand in 2011), primarily consisting of accruals to provisions for risks in relation to the definition of an incentive plan for personnel correlated to the successful completion of the process of selling La7, i.e., the equity investment of Telecom Italia Group in Telecom Italia Media. In addition, those expenses include accruals for the labor dispute (employees and social-security and insurance agencies), Euro 1,897 thousand in redundancy incentive costs (Euro 426 thousand in 2011) and minor miscellaneous personnel costs of Euro 298 thousand in 2012 (Euro 684 thousand in 2011). Net of these items, the cost of labor was Euro 63,082 thousand, compared to Euro 59,254 thousand in 2011, an increase of Euro 3,828 thousand, due to: the final tranche of the renewal of the collective labor contract (for radio and television), renewed on February 16 ,2011, the normal dynamics generated by the accrual of automatic contractual mechanisms, the consequences caused by the salary increases paid in 2011, the remuneration granted to the Chairman of La7 S.r.l., Giovanni Stella, owing in part to his resignation from the positions filled within Telecom Italia Media Group companies and, finally, the trend of individual incentive systems.

The workforce at December 31, 2012 numbered 699, with a decrease of 29 employees compared to December 31, 2011. The decline, calculated using Telecom Italia Media S.p.A.'s and La7's figures which have been drawn up on a proforma basis as if the contribution of TV operations had occurred on January 1, 2011, includes an increase in La7 of 8 units (of whom 21 indefinite-term employees and -13 fixed-term employees) and a reduction in MTV Group (-33, of whom 23 indefinite-term employees and 10 fixed-term employees), as well as a decrease in Network Operator by 3 indefinite-term employees and in Telecom Italia Media by 1 fixed-term employee. The increase in La7's indefinite-term workforce was primarily due to the conversion of several fixed-term and temporary contracts to permanent arrangements, whereas the decrease in the MTV Group's workforce was influenced by the repositioning of the MTV brand and the subsequent corporate restructuring process.

The breakdown by business unit, outlined using Telecom Italia Media S.p.A. and La7's figures which have been drawn up on a proforma basis as if the contribution transaction had been effective January 1, 2011, was as follows:

EXACT WORKFORCE

(units)	12/31/2012	12/31/2011	Change
TI Media SpA	40	41	(1)
LA7	464	456	8
MTV Group	148	181	(33)
Network operator	47	50	(3)
Group total	**699**	**728**	**(29)**

AVERAGE WORKFORCE

(units)	12/31/2012	12/31/2011	Change
TI Media SpA	39.5	37.2	2.3
LA7	471.6	444.2	27.4
MTV Group	156.7	177.0	(20.3)
Network operator	48.6	50.7	(2.1)
Group total	**716.4**	**709.1**	**7.3**

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

EXACT WORKFORCE	TI MEDIA	LA7	MTV ITALIA	MTV PUBBLICITA'	TIMB	TOTAL
Executives	9	13	5	3	2	*32*
Middle managers	13	69	26	3	6	*117*
Journalists		97				*97*
White collars	18	284	89	22	38	*451*
Blue collars		1			1	*2*
Total workforce	**40**	**464**	**120**	**28**	**47**	**699**
Temporary staff (not included in total workforce)	1	30	3	2		**36**

AVERAGE WORKFORCE	TI MEDIA	LA7	MTV ITALIA	MTV PUBBLICITA'	TIMB	TOTAL
Executives	8.9	12.2	4.7	3.9	2.5	*32.2*
Middle managers	13.0	65.4	28.1	3.0	5.5	*115.0*
Journalists		96.4	0.4			*96.8*
White collars	17.6	296.4	94.3	22.3	39.6	*470.2*
Blue collars		1.2			1.0	2.2
Total workforce	**39.5**	**471.6**	**127.5**	**29.2**	**48.6**	**716.4**
Temporary staff (not included in total workforce)	1.0	47.7	4.9	1.3		**54.9**

Year 2012	*(8,266)*
Year 2011	*(8,575)*
Abs. change	*309*
Change %	*3.6*

Other operating expenses for 2012 amounted to Euro 8,266 thousand, a decrease of Euro 309 thousand compared to the previous year (Euro 8,575 thousand). They included:

(in thousands of euro)	Year 2012	Year 2011	Change
Writedowns and charges connected with receivables management	2,147	3,689	(1,542)
Provisions for risks and other provisions	2,594	518	2,076
Concession fees for the exercise of TLC activities	2,053	1,815	238
Taxes, stamps and levies	205	202	3
Associations fees	260	321	(61)
Penalties for non-fulfillment of contracts	17	20	(3)
Other expenses and charges	990	2,010	(1,020)
Other operating expenses	**8,266**	**8,575**	**(309)**

Year 2012	*(262,746)*
Year 2012, comparable	*(106,039)*
Year 2011	*(88,072)*
Year 2011, comparable	*(51,922)*
Abs. change	*(174,674)*
Abs. Change, comparable	*(54,117)*
Change %	*(198.3)*
Change %, comparable	*(104.2)*

Operating result for 2012 was Euro -262,746 thousand compared to Euro -88,072 thousand in 2011, decreasing by Euro 174,674 thousand and including for 2012 the realized gains of MTV for the sale of the satellite channels Nickelodeon and Comedy Central to the minority shareholder Viacom for Euro 1,700 thousand. Excluding the above-mentioned income of Euro 20,500 thousand recognized in 2011, as well as the impairment of non-current assets and goodwill writedowns for Euro 156,707 thousand in 2012 and goodwill writedowns of Euro 56,650 thousand in 2011, following the impairment test, the decline amounted to Euro 54,117 thousand. This trend substantially mirrors the change in EBITDA, as previously described, and a rise in depreciation and amortization, as follows.

The following table shows the breakdown by business unit:

(in thousands of euro)	Year 2012	Year 2011	Change
LA7	(159,679)	(22,824)	(136,855)
TI MEDIA	(11,058)	(6,832)	(4,226)
MTV Group	(38,238)	(13,614)	(24,624)
Network operator	(53,762)	(44,763)	(8,999)
Adjustments	(9)	(39)	30
EBIT	**(262,746)**	**(88,072)**	**(174,674)**
LA7	(96,024)	(43,324)	(52,700)
TI MEDIA	(11,058)	(6,832)	(4,226)
MTV Group	(15,186)	(64)	(15,122)
Network operator	16,238	(1,663)	17,901
Adjustments	(9)	(39)	30
COMPARABLE EBIT	***(106,039)***	***(51,922)***	***(54,117)***

Year 2012	*(63,406)*
Year 2011	*(58,348)*
Abs. change	*(5,058)*
Change %	*(8.7)*

Other depreciation and amortization for 2012 amounted to Euro 63,406 thousand, compared to Euro 58,348 thousand for the previous year, marking an increase of Euro 5,058 thousand.

Depreciation and amortization were classified as follows:

(in thousands of euro)	Year 2012	Year 2011	Change
Depreciation and amortization			
- Depreciation of tangible assets	22,385	20,082	2,303
- Amortization of other intangible assets	41,021	38,266	2,755
Total	**63,406**	**58,348**	**5,058**

Year 2012	*1,781*
Year 2011	*(377)*
Abs. change	*2,158*
Change %	*n.s.*

Gains/(losses) on disposals of non-current assets for 2012 amounted to Euro 1,781 thousand compared to Euro -377 thousand in 2011, primarily including Euro 1,700 thousand related to MTV Italia's sale of the Nickelodeon and Comedy Central business unit to Viacom.

Year 2012	*(156,707)*
Year 2011	*(56,650)*
Abs. change	*(100,057)*
Change %	*(176.6)*

Reversals /(Impairment) of non-current assets for 2012 were Euro -156,707 thousand compared to Euro -56,650 thousand in the previous year, mostly resulting from the impairment test carried out at the time of the preparation of the annual financial report, also with a view to the sale of La7 S.r.l.

This item referred particularly to:

- the impairment of non-current assets for Euro 51,455 thousand and the goodwill writedown for Euro 12,200 thousand with regard to the La7 business unit, resulting from the impairment test and taking into account the possible sale of La7 S.r.l.;
- a goodwill writedown amounting to Euro 23,052 thousand, regarding the MTV business unit and resulting from the impairment test;
- a goodwill writedown amounting to Euro 70,000 thousand, regarding the Network Operator business unit and resulting from the impairment test.

For further details, the reader is referred to note 3 on page 206.

Year 2012	*(188)*
Year 2011	*(56)*
Abs. change	*(132)*
Change %	*n.s.*

<u>Other profits/(losses) from equity investments</u> amounted to Euro 188 thousand in 2012 and are related to the impairment loss on the equity investments in Consorzio Sardegna Digitale, applied following its removal from the Companies Register, and Tiglio 1, applied to bring its carrying amount into line with its fair value. These losses, of Euro 13 thousand and Euro 203 thousand, respectively, were only partially offset by the collection of dividends of Euro 28 thousand from the investee Tivù S.r.l.

Year 2012	*(7,261)*
Year 2011	*(4,726)*
Abs. change	*(2,535)*
Change %	*(53.6)*

<u>The balance of financial operations</u> for 2012 was negative at Euro 7,261 thousand, compared to Euro 4,726 thousand in 2011, thus increasing by Euro 2,535 thousand. This performance is chiefly attributable to the increase in debt reported during the year and the increase in rates related to the general widening of spreads in Italy. Charges related to the discounting of non-current items include interest expenses associated with the time value component in actuarial calculations, classified to this item following the early adoption of IAS 19R in the amount of Euro 489 thousand in 2012 and Euro 464 thousand in 2011.

In further detail:

(in thousands of euro)	Year 2012	Year 2011	Change
Finance income	143	20	123
Income from discounting of non-current items	-	54	(54)
Income from accounts receivable included in long-term investments	11	11	-
Foreign exchange gains	340	515	(175)
Positive adjustment to fair value (derivatives and underlying assets)	-	-	-
Finance expenses	(501)	(732)	231
Interest paid for other financial payables	(5,989)	(3,259)	(2,730)
Finance expenses on trade payables	(121)	(55)	(66)
Financial fees paid	(405)	(408)	3
Expenses related to discounting of non-current liabilities	(489)	(464)	(25)
Foreign exchange losses	(250)	(408)	158
Negative adjustment to fair value (derivatives and underlying assets)	-	-	-
Net finance income (expense)	**(7,261)**	**(4,726)**	**(2,535)**

The loss before taxes from continuing operations for 2012 was Euro -270,195 thousand, compared to a loss of Euro -92,854 thousand in 2011.
This reduction (Euro -177,341 thousand) was attributable to a decline in the operating result (Euro -174,674 thousand), net expense from equity investments (Euro 132 thousand), as well as higher charges related to financial operations (Euro 2,535 thousand).

Year 2012	*21,756*
Year 2011	*8,650*
Abs. change	*13,106*
Change %	*151.5*

Income tax expense for the year amounted to Euro 21,756 thousand (Euro 8,650 thousand for 2011), an increase of Euro 13,106 thousand. The rise in taxes was primarily due to the higher negative taxable income recognized in 2012 than in 2011. Specifically, as a result of the Company's participation in Telecom Italia's National Tax Consolidation, financial year 2012 benefited from deferred tax assets arising from tax losses amounting to Euro 25,147 thousand; such assets amounted to Euro 6,929 thousand in 2011.

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

	Year 2012	Year 2011
Attributable to:		
- Equity holders of the Parent		
> Profit (loss) from continuing operations	(240,944)	(83,853)
> Profit (loss) from discontinued operations/Non-current assets held for sale	-	26
- Profit/(Loss) for the year attributable to equity holders of the Parent	(240,944)	(83,827)
- Minority Interests		
> Profit (loss) from continuing operations	(7,495)	(351)
> Profit (loss) from discontinued operations/Non-current assets held for sale		
- Profit (loss) for the period attributable to Minority Interests	(7,495)	(351)

The net loss for 2012 attributable to the Parent Company's shareholders was Euro -240,944 thousand (Euro -248,439 thousand including minority interests); the loss was Euro -83,827 thousand in 2011 (Euro -84,178 thousand including minority interests).

Consolidated statements of financial position

(in thousands of euro)	12/31/2012	12/31/2011	CHANGE
ASSETS			
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	21,230	126,482	(105,252)
Intangible assets with finite useful lives	133,008	179,312	(46,304)
	154,238	**305,794**	**(151,556)**
Tangible assets:			
Property, plant and equipment owned	74,768	87,252	(12,484)
Assets held under finance leases	-	-	-
	74,768	**87,252**	**(12,484)**
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	-	-	-
Other investments	1,513	1,129	384
Non-current financial assets	877	897	(20)
Miscellaneous receivables and other non-current assets	42,485	20,422	22,063
Deferred tax assets	9,679	13,063	(3,384)
	54,554	**35,511**	**19,043**
TOTAL NON-CURRENT ASSETS (A)	**283,560**	**428,557**	**(144,997)**
CURRENT ASSETS			
Inventories	1,693	1,544	149
Trade and miscellaneous receivables and other current assets	134,883	122,206	12,677
Current income tax receivables	493	1,378	(885)
Investments			-
Current financial assets			-
Securities other than shareholdings, financial receivables and other current financial assets	215	269	(54)
Cash and cash equivalents	203	5,345	(5,142)
TOTAL CURRENT ASSETS (B)	**137,487**	**130,742**	**6,745**
TOTAL ASSETS (A+B)	**421,047**	**559,299**	**(138,252)**
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Parent	(36,970)	204,213	(241,183)
Equity attributable to Minority Interests	4,596	12,099	(7,503)
TOTAL EQUITY (C)	**(32,374)**	**216,312**	**(248,686)**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	21	100,026	(100,005)
Employee benefits	9,714	9,814	(100)
Deferred tax liabilities	21,225	22,548	(1,323)
Provisions	238	335	(97)
Miscellaneous payables and other non-current liabilities	11,675	11,456	219
TOTAL NON-CURRENT LIABILITIES (D)	**42,873**	**144,179**	**(101,306)**
CURRENT LIABILITIES			
Current financial liabilities	261,381	45,164	216,217
Trade and miscellaneous payables and other current liabilities	148,489	153,525	(5,036)
Current income tax payables	678	119	559
TOTAL CURRENT LIABILITIES (E)	**410,548**	**198,808**	**211,740**
TOTAL LIABILITIES (F=D+E)	**453,421**	**342,987**	**110,434**
TOTAL EQUITY AND LIABILITIES (C+F)	**421,047**	**559,299**	**(138,252)**

Non-current assets at December 31, 2012 amounted to Euro 283,560 thousand, a decrease of Euro 144,997 thousand compared to December 31, 2011 (Euro 428,557 thousand). More in detail:

- **intangible assets**, amounting to Euro 154,238 thousand, decreased by Euro 151,556 thousand compared to Euro 305,794 thousand at December 31, 2011. This change was mainly attributable to investments made in 2012 for Euro 35,953 thousand, as described in the section "Investments", and depreciation and amortization for the year amounting to Euro 41,021 thousand, as well as Euro 145,456 thousand related to the impairment of non-current assets and the goodwill writedown, resulting from the impairment test and taking into account the possible sale of La7 S.r.l., amounting to Euro 40,204 thousand and Euro 105,252 thousand, respectively.

(in thousands of euro)	Net intangible assets
12/31/2011	**305,794**
Movements for the year	
Investments	35,953
Amortization rate	(41,021)
Writedowns	(145,456)
Change in consolidation area and other movements	(1,032)
Total movements	**(151,556)**
12/31/2012	**154,238**

In further detail, intangible assets included Euro 21,230 thousand of goodwill from consolidation as of December 31, 2012, referring to acquisitions of investments and business units in previous years. In accordance with IAS 36, goodwill was not amortized and was tested for impairment, showing the above-mentioned impairment. For further details, the reader is referred to note 3 on page 206.

Intangible assets with finite useful lives are presented below:

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES	12/31/2011	Investments	Writedowns	Other movements	12/31/2012
Goodwill	86				86
Goodwill	126,396		(105,252)		21,144
MTV	23,052		(23,052)		
TIMB	91,144		(70,000)		21,144
TI MEDIA	12,200			(12,200)	
LA7			(12,200)	12,200	
GROUP TOTAL	**126,482**		**(105,252)**		**21,230**

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	12/31/2011	Investments	Writedowns	Amortization	Disposals	Other movements	12/31/2012
Industrial patents and intellectual property rights	44,503	26,340	(38,105)	(31,390)	(781)	7,498	8,065
Trademarks	485		(381)	(80)			24
TV concessions and frequencies	115,754			(6,864)		23	108,913
Licenses	21	117		(97)			41
Irrevocable rights of use	15,614			(2,590)			13,024
Work in process	2,935	9,496	(1,718)			(7,772)	2,941
GROUP TOTAL	**179,312**	**35,953**	**(40,204)**	**(41,021)**	**(781)**	**(251)**	**133,008**

- **tangible assets** amounted to Euro 74,768 thousand, with a decrease of Euro 12,484 thousand compared to December 31, 2011 (Euro 87,252 thousand):

(in thousands of euro)	Net tangible assets
12/31/2011	**87,252**
Movements for the year	
Investments	20,988
Writedowns	(11,251)
Depreciation rate	(22,385)
Change in consolidation area, writedowns and other movements	164
Total movements	**(12,484)**
12/31/2012	**74,768**

The breakdown by nature is provided below:

NET TANGIBLE ASSETS	12/31/2011	Investments	Writedowns	Depreciation	Disposals	Other movements	12/31/2012
Industrial and civilian buildings	133	98	(10)	(26)			195
Plant and machinery	68,149	18,626	(8,846)	(19,288)	(15)	7,242	65,868
Manufacturing and distribution equipment	1,282	129	(3)	(479)	(54)		875
Other tangible assets	5,426	998	(2,289)	(2,592)	(18)	409	1,934
Work in process	12,262	1,137	(103)			(7,400)	5,896
GROUP TOTAL	**87,252**	**20,988**	**(11,251)**	**(22,385)**	**(87)**	**251**	**74,768**

In detail, the item “Writedowns” amounting to Euro 11,251 thousand was defined following the impairment test and taking account of the possible sale of the investee La7 S.r.l..

Plant and equipment included assets owned by Telecom Italia Media Broadcasting S.r.l. for Network Operator activities with a value of Euro 65,102 thousand.

Other non-current assets increased by Euro 19,043 thousand, rising from Euro 35,511 thousand at December 31, 2011 to Euro 54,554 thousand at December 31, 2012. This change referred primarily to the recognition of the new receivable relating to the National Tax Consolidation program (Euro 30,450 thousand) partially offset by the reclassification among miscellaneous receivables and other non-current assets of tax losses for financial year 2011. The amount at December 31, 2012 and December 31, 2011 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 2012	*57,541*
Year 2011	*61,411*
Abs. change	*(3,870)*
Change %	*(6.3)*

Total capital expenditure for 2012 was Euro 57,541 thousand (Euro 61,411 thousand in 2011) and was classified as follows:

(in thousands of euro)	Year 2012	Year 2011	Change
Investments in intangible assets	35,953	30,610	5,343
Investments in tangible assets	20,988	30,765	(9,777)
Total industrial investments	*56,941*	*61,375*	*(4,434)*
Investments in financial assets	600	36	564
Total	**57,541**	**61,411**	**(3,870)**
Industrial investments paid for the year	*69,789*	*63,730*	*6,059*

Industrial investments related to Group's operations amounted to Euro 56,941 thousand, of which Euro 18,643 thousand by Telecom Italia Media S.p.A. (Euro 18,634 thousand in the first eight months of 2012), Euro 9,102 thousand by the MTV Group, Euro 11,668 thousand by La7 S.r.l. (from September to December 2012) and Euro 17,528 thousand by TIMB (Network Operator). In further detail:

- investments in intangible assets included Euro 33,943 thousand (of which Euro 15,565 thousand incurred by Telecom Italia Media, Euro 10,062 thousand by La7 S.r.l., and Euro 8,316 thousand by MTV Italia) for the acquisition of long-term television rights to the use and economic exploitation on television of films, 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 20,988 thousand include Euro 17,026 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 2,674 thousand investments made by Telecom Italia Media S.p.A.

Investments in financial assets of Euro 600 thousand pertained to the subscription by La7 S.r.l. of a 30% equity investment in Effe TV S.r.l., a recently incorporated company in which the remaining 70% interest is held by the Feltrinelli Group, which aims to create a new multi-platform television, Internet and mobile channel.

12/31/2012	*137,487*
12/31/2011	*130,742*
Abs. change	*6,745*
Change %	*5.2*

Current assets amounted to Euro 137,487 thousand as of December 31, 2012, up by Euro 6,745 thousand compared to December 31, 2011. This change was primarily due to the increase in trade receivables of Euro 12,677 thousand, only partially offset by the reduction in cash and cash equivalents amounting to Euro 5,142 thousand.

In further detail, current assets include:

- Euro 117,864 thousand in net trade receivables, consisting mainly of Euro 71,935 thousand in trade receivables from third-party clients of La7 S.r.l. (of which Euro 66,239 thousand was recognized by the company's advertising agency, Cairo Communication S.p.A.), MTV Pubblicità (Euro 19,803 thousand), MTV Italia (Euro 7,515 thousand), and Telecom Italia Media Broadcasting (Euro 15,031 thousand), and Euro 3,524 thousand in trade receivables from Telecom Italia S.p.A., related primarily to La7 S.r.l. (Euro 1,195 thousand) and MTV Italia (Euro 1,513 thousand);
- miscellaneous receivables and other current assets amounting to Euro 17,019 thousand, including Euro 8,665 thousand for receivables from the Parent Company Telecom Italia S.p.A. to La7 S.r.l. recognized in adherence with the National Tax Consolidation in connection with tax losses for 2011, for which pay-in is expected in June 2013;
- inventories amounted to Euro 1,693 thousand and consisted of Euro 1,353 thousand in inventories of television products, and Euro 330 thousand in film rights;
- cash and cash equivalents amounting to Euro 203 thousand and including Euro 24 thousand in bank and postal deposits and cash and cash equivalents of Euro 179 thousand.

At December 31, 2012, equity totaled Euro -32,374 thousand (Euro 216,312 thousand at December 31, 2011), of which Euro -36,970 thousand attributable to the Parent Company (Euro 204,213 thousand as of December 31, 2011) and Euro 4,596 thousand attributable to minority interests (Euro 12,099 thousand at December 31, 2011).

(in thousands of euro)	12/31/2012	12/31/2011
At beginning of year	**216,312**	**299,586**
Profit (loss) for the year of the Parent Company and Minority Interests	(248,439)	(83,304)
Other movements	(247)	30
At end of year	**(32,374)**	**216,312**
Of which:		
- Parent Company	(36,970)	204,213
- Minority Interests	4,596	12,099

Statement of Reconciliation of the Profit (loss) 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 12/31/2012	Result for the year 12/31/2011 (Restated)	Equity [(1)] 12/31/2012	Equity [(1)] 12/31/2011
Financial Statements of Telecom Italia Media SpA	**(178,110)**	**(61,475)**	**56,204**	**234,300**
Equity and result for the year of consolidated companies, net of minority interests	(48,283)	(262)	70,345	37,632
Book value of consolidated equity investments			(182,706)	(182,706)
Consolidation adjustments				
- elimination of goodwill recognized in the Parent Company's financial statements	40,355	38,140	(6,295)	(70,697)
- recognition in the consolidated statements of positive differences arising from purchase of investments and relevant impairment losses	(81,205)	(56,650)	21,144	126,396
- impairment losses pursuant to IAS 36	(51,455)		(51,455)	
- recognition of intangible assets and relevant amortizations, net of the tax effect arising on application of IFRS 3	(4,818)	(4,824)	55,793	59,288
- adjustment of the deferred tax assets provision related to the above-mentioned transaction	1,323	1,323		
- intragroup dividends	(31)	(79)		
- results of consolidated companies included in parent companies' results and impairment losses	81,280			
Equity and result attributable to the equity holders of the Parent	**(240,944)**	**(83,827)**	**(36,970)**	**204,213**
Equity and result attributable to Minority Interests	(7,495)	(351)	4,596	12,099
Equity and result in the consolidated financial statements	**(248,439)**	**(84,178)**	**(32,374)**	**216,312**

(1) Total equity, including net result for the year

12/31/2012	*42,873*
12/31/2011	*144,179*
Abs. change	*(101,306)*
Change %	*(70.3)*

Non-current liabilities amounted to Euro 42,873 thousand at December 31, 2012, with a decrease of Euro 101,306 thousand compared to Euro 144,179 thousand at December 31, 2011. This decline is mainly attributable to the reclassification among 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 maturing December 2013.

The figure at December 31, 2012 and December 31, 2011 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 21,225 thousand in provisions for deferred taxes and Euro 9,714 thousand in provisions for personnel.

12/31/2012	*410,548*
12/31/2011	*198,808*
Abs. change	*211,740*
Change %	*106.5*

Current liabilities amounted to Euro 410,548 thousand at December 31, 2012, compared to Euro 198,808 thousand at December 31, 2011, up by Euro 211,740 thousand, mainly as a result of the aforementioned reclassification of non-current financial liabilities of the soft loan issued by the EIB (Euro 100,000 thousand) and the increase in debt related to the current account with Telecom Italia, only partially offset by the reduction in trade and miscellaneous liabilities and other current liabilities amounting to Euro 5,036 thousand.

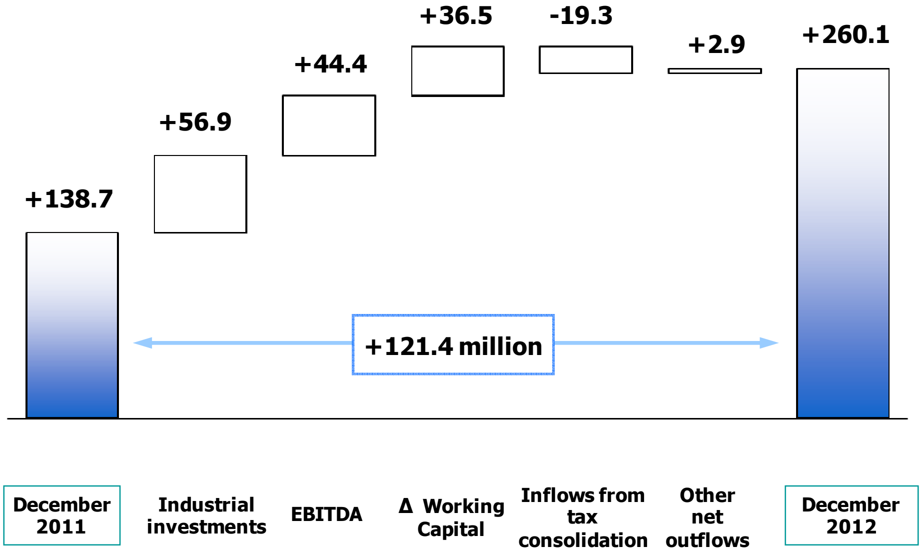
This item mainly consists of the following:

- Euro 160,058 thousand for the debt relating to the current account with Telecom Italia, which includes the amount of Euro 60,000 thousand repaid to Telecom Italia Finance SA in December 2012 for the conclusion of the credit facility agreement;
- trade payables of Euro 100,845 thousand, primarily owed by La7 S.r.l. (Euro 55,492 thousand), Telecom Italia Media Broadcasting (Euro 15,499 thousand) and MTV Italia (Euro 18,672 thousand);
- miscellaneous payables and other current liabilities of Euro 47,644 thousand, primarily consisting of payables to personnel (Euro 8,098 thousand), provisions (Euro 15,567 thousand), and contributions to pension and social security institutions (Euro 5,516 thousand), other tax payables amounting to Euro 4,689 thousand, and current payables of Euro 3,448 thousand for the Telecom Italia Media Broadcasting's National Tax Consolidation, related to the taxable profit for 2012.

12/31/2012	*260,107*
12/31/2011	*138,679*
Abs. change	*121,428*
Change %	*87.6*

The Group's <u>net financial position</u> was a debt of Euro 260,107 thousand at December 31, 2012 compared to Euro 138,679 thousand at December 31, 2011. The change was primarily due to the cash used in industrial investments during the year of Euro 56,941 thousand (of which Euro 33,943 thousand to purchase television rights, Euro 17,528 thousand for Digital Terrestrial development activity, and Euro 5,470 thousand in other investments) and the result of operating activity for the year (EBITDA of Euro +44,414 thousand and Δ working capital of Euro +36,459 thousand), only partially offset by the collection of receivables related to the National Tax Consolidation (Euro 19,321 thousand).
Furthermore, other net outlays amounted to Euro 2,936 thousand, including total net finance expenses for the year (Euro 7,449 thousand) partially offset by the net collection of excess tax prepayments by TIMB in 2011 in the amount of Euro 2,252 thousand and the amount of Euro 1,700 thousand earned by MTV for the sale of the satellite channels Nickelodeon and Comedy Central to Viacom. It should be noted that such debt, determined by changes in working capital, was affected by both the factoring operation and the anticipation of certain collections in December 2011, for a total amount of Euro 27,100 thousand.

Breakdown of net financial position



The breakdown of the net financial position by nature/maturity is indicated on page 86.

Consolidated Cash Flows Statement

(in thousands of euro)	Year 2012	Year 2011 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) from continuing operations	(248,439)	(84,204)
Adjustments for:		
Depreciation and amortization	63,406	58,348
Impairment losses/reversals of non-current assets (including investments)	156,923	56,706
Net change in deferred tax assets and liabilities	2,168	(2,028)
Gains/losses realized on disposals of non-current assets (including investments)	(1,781)	377
Share of losses/gains of associates accounted for using the equity method		
Change in employee benefits	(770)	(9)
Changes in inventories	(149)	(341)
Change in trade receivables and in net receivables for contract works	(24,222)	18,377
Change in trade payables	(2,022)	(7,193)
Net change in income tax receivables/payables	1,444	(1,262)
Net change in miscellaneous receivables/payables and other assets/liabilities	(246)	1,442
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**(53,688)**	**40,213**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets on an accrual basis	(35,953)	(30,610)
Purchase of tangible assets on an accrual basis	(20,988)	(30,765)
Total acquisitions of intangible and tangible assets on an accrual basis (2)	(56,941)	(61,375)
Change in trade payables relating to investing activities	(12,848)	(2,355)
Total purchase of intangible and tangible assets on a cash basis	(69,789)	(63,730)
Acquisitions of investments in subsidiaries and businesses, net of cash acquired (I)	-	-
Acquisitions of other investments (II)	(600)	(36)
Change in financial receivables and other financial assets (I)	74	(12)
Proceeds from sale of subsidiaries, net of cash disposed of (II)		(274)
Proceeds from sale/repayment of tangible, intangible and other non-current assets (II)	2,649	656
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(67,666)**	**(63,396)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in current financial liabilities and other liabilities	(43,804)	25,077
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	(42)	11
Proceeds from equity instruments		
Amount paid for instruments representing equity		
Dividends paid (2)		
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**(43,846)**	**25,088**
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	**-**	**-**
AGGREGATE CASH FLOWS (E=A+B+C+D)	**(165,200)**	**1,905**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)	**5,344**	**3,439**
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)	**(159,856)**	**5,344**

(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 2012	Year 2011 (restated)
Income tax expense (paid)/received	21,763	3,308
Interest expense	(6,136)	(3,199)
Interest income	-	-
Dividends received	28	

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2012	Year 2011 (restated)
NET CASH AND CASH EQUIVALENTS AT BEGINNING 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**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents - from continuing operations	203	5,345
Bank overdraft repayable on demand - from continuing operations	(160,059)	(1)
	(159,856)	**5,344**

At December 31, 2012, net financial debt was Euro 260,107 thousand, with an increase of Euro 121,428 thousand compared to December 31, 2011.

(in thousands of euro)	12/31/2012	12/31/2011
Gross financial debt:		
Non-current financial liabilities:		
- Financial payables		100,000
- Finance lease liabilities		
- Other financial liabilities	21	26
Current financial liabilities:		
- Financial payables	261,372	45,155
- Finance lease liabilities		
- Other financial liabilities	9	9
Total gross financial debt (A)	**261,402**	**145,190**
Financial assets:		
Non-current financial assets:		
- Securities other than investments		-
- Financial receivables and other non-current financial assets	877	897
Current financial assets:		
- Securities other than investments		
- Financial receivables and other current financial assets	215	269
- Cash and cash equivalents	203	5,345
Total financial assets (B)	**1,295**	**6,511**
Net financial debt (A-B)	**260,107**	**138,679**

The most significant changes compared to December 31, 2011 are explained on the following page:

- **Current financial liabilities.** At December 31, 2012, this item amounted to Euro 261,372 thousand (Euro 45,155 thousand at December 31, 2011), up by Euro 216,217 thousand. The item mainly consists of the following:
  - Euro 100,000 thousand related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the establishment of a loan agreement of the same amount 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

    In 2011, the loan, set to mature in December 2013, had been recognized among non-current financial liabilities.
  - Euro 160,058 thousand for the debt relating to the current account with Telecom Italia, which includes the amount of Euro 60,000 thousand repaid to Telecom Italia Finance SA in December 2012 for the conclusion of the credit facility agreement;

- **Financial receivables and other current financial assets.** This item amounted to Euro 215 thousand and related to the current share of loans to employees;

- **Cash and cash equivalents.** This item amounted to Euro 203 thousand and mainly includes Euro 24 thousand in bank and postal deposits and cash and cash equivalents amounting to Euro 179 thousand;

- **Financial receivables and other non-current financial assets.** The item amounted to Euro 877 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, 2012, 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 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, 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, 2012

Sale of La7 S.r.l.

Following the restructuring process illustrated on page 15 above, on February 18, 2013, the Board of Directors of Telecom Italia Media S.p.A. acknowledged the resolution passed by the Board of Directors of the Parent Company Telecom Italia S.p.A. during the meeting held on the same date, and, as a result of a thorough examination, resolved to grant Cairo Communication S.p.A. an exclusive to negotiate the sale of the whole stake in La7 S.r.l., excluding the 51% interest in MTV Italia S.r.l.

On March 4, 2013, the Board of Directors of Telecom Italia Media S.p.A. resolved to give mandate in order to finalize the agreement for the sale to Cairo Communication S.p.A. of the Company's entire stake in La7 S.r.l., with the exception of the 51% interest in MTV Italia S.r.l..

Under the agreement, Telecom Italia Media S.p.A. shall receive a consideration of Euro 1 million for the sale. Before transferring the shareholding,La7 S.r.l. will be recapitalized for an amount that will allow the Company to achieve, at that date, a positive net financial position of no less than Euro 88 million. Such recapitalization will also help the company to achieve the contractually agreed equity of Euro 138 million.

The agreements also envisage the signing of a multi-year agreement for the supply of broadcasting capacity betweenLa7 S.r.l. and Telecom Italia Media Broadcasting S.r.l.

As part of the transaction, Telecom Italia S.p.A. committed itself to waive its financial receivables from Telecom Italia Media S.p.A., for a total amount of Euro 100 million.

With reference to the announcement made on March 4, Telecom Italia Media and Cairo Communication signed, on March 6, 2013, an agreement on the sale of 100% interest inLa7 S.r.l. to Cairo Communication S.p.A., excluding the 51% interest in MTV Italia S.r.l.

Therefore, on the basis of the agreements described above and also taking into account the expected operating performance of the subsidiary until its disposal, an approximately Euro 130 million additional negative impact on results for the year 2013 is expected.

The completion of the transaction will be subject to the receipt of the necessary authorizations pursuant to applicable laws and regulations.

OUTLOOK FOR 2013

Risk factors and uncertainties for Telecom Italia Media during 2013

The following are the main risk factors and uncertainties facing Telecom Italia Media in 2013.

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 2012, the OECD published its most recent Economic Outlook, in which it revises downwards the change in Italy's gross domestic product (GDP) in 2012 and 2013 to a decline of 2.2% and 1.0%, respectively, compared to -1.7% and -0.4%, respectively, in May 2012. The decline in consumption represents another critical issue: according to the OECD, the austerity measures undertaken by the Monti government generated the most severe consumption downtrend in Italy since the Second World War.
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 also 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, as occurred in 2012.

Competitive positioning and risks related to dependence on audience levels in the television sector

Telecom Italia Media faces severe competition from important television operators. As far as traditional analog television is concerned, intense competition is expected for slots among the main companies in the sector, while for Digital Terrestrial, numerous free and paid channels have already been launched by the main broadcasters (RAI, Mediaset and Sky) and new operators on the market following the completion of the switch-off process.
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

At December 31, 2012, Telecom Italia Media net consolidated debt amounted to Euro 260.1 million (Euro 138.7 million at December 31, 2011).

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 the risks related to the company's stock performance.

Risks associated with stock performance

Macroeconomic prospects for 2013 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. The OECD's most recent Economic Outlook (November 2012) forecasts that the Eurozone economy will contract by 0.1% in 2013 and expand by 1.3% in 2014, revising downwards the previous report's projections.
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.
Ordinary shares lost 5% of their value and savings shares appreciated by 40% in 2012. At December 31, 2012, market capitalization achieved Euro 227.5 million (Euro 241.1 million at December 31, 2011). If the stock price should fall, resulting in a lower stock market capitalization, the company could be obliged to conduct another impairment test in 2013, 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 meet its needs. In further detail, the expansion ofLa7's advertising base and the resilience of 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 2013. In addition, reaching full rental of the three digital multiplexes of the Network Operator TIMB should allow for resilience in terms of revenues and profitability.

Outlook

Following the sale of La7 and La7d television operations, Telecom Italia Media Group will focus its development strategy on the implementation of initiatives that will bring the Group back to efficiency and profitability. In light of the economic and regulatory environment in which Telecom Italia Media operates, expectations for 2013 include:

- MTV's focus on the free-to-air sector after the sale of its satellite channels considered as non-core to Viacom at the end of 2012, with greater attention paid to entertainment and significant investments in content and communication combined with careful cost control;
- keeping of the current level of bandwidth rental (98%) of the Network Operator TIMB with the aim of consolidating its customer base, increasing the range of additional services offered to its customers while carefully controlling costs and reducing investments as a result of the completion of the digitalization plan.

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 determined 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 disclosure 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 BY CHAIRMAN SEVERINO SALVEMINI

In 2012 the television sector was strongly influenced by the profound economic crisis that affected all markets, as well as by the intensification of competition resulting from the multiplication of channels on digital terrestrial and their primarily theme-based offerings.

During the year, this situation clearly yielded a general decline in advertising investments in the television market, which according to Nielsen sources amounted to approximately -15.3%, as well as a decrease in viewing of the "traditional" general-interest networks as a consequence of the dilution of those networks in a new and broader television scenario.

Nonetheless, the TI Media Group succeeded in distinguishing itself from its competitors, showing considerable ability to maintain its advertising sales, as shown, for example, by the fact that the adverse effects described above had an impact on the sales reported by the **channels La7** and **La7d** of an average of just -1.2%.
The main conditions that characterized this success are primarily attributable to the editorial quality offered on the two channels. For **La7** in particular, reference should be made to a study conducted by Demos in November 2012, the results of which show that in the past five years the channel's information and news programs achieved constant growth and strong credibility, obtaining our audience's full confidence. Secondly, a crucial contribution was also made by **La7d**, which doubled its viewers as a direct consequence of the strong interest shown by the television audience in the channel's editorial decisions.

In this context, mention should also be made of **MTV Italia**, which despite having suffered in terms of advertising sales, nonetheless laid the foundations for its inclusion in the Auditel audience survey panel, continuing the transformation process initiated in 2011 and shifting its positioning from a strictly music channel to an entertainment channel, while continuing to pursue an offering objective aimed at a more youthful segment.

In the area of sustainability, we generally continued to dedicate a very high degree of attention to our stakeholders in order to ensure that they are as fully satisfied as possible. In terms of **Community** in particular, throughout the year we sought to contribute actively to supporting social and environmental issues by conducting television and multimedia projects and social campaigns.
In addition, with the aim of satisfying the increasingly exacting demands of our viewers, who are our main **Customers**, the Group's channels adroitly pursued their aim of ensuring that customers enjoyed very high levels of quality both from an editorial standpoint, as discussed above, and a technological standpoint. In fact, emphasis was placed on producing programs in full-HD format. Through the use of innovative technologies and recording on cutting-edge media, we also succeeded in ensuring a lesser impact on the **Environment**: in fact, we generated smaller amounts of hazardous materials to be disposed of.

Finally, mention should be made of our network operator, **TIMB**, which in July 2012 successfully completed its network digitalization process, achieving a 94.9% coverage of the population, and also kept the promise made in 2011, succeeding in achieving full occupation of its multiplexes owing to the arrival of new customers.

I would like to conclude with a reflection on the context in which our Group operates. In order to overcome the challenges that arise as part of a virtuous cycle — in which we are proud to participate — we need to act constantly with a high level of competence, respond swiftly and handle complex issues. This is made possible first and foremost by the high level of expertise of our **internal professionals**, the main driver of the success achieved by the Group and an asset that we wish to ensure possesses a company consciousness with which to identify in order to safeguard and heighten the sense of belonging, integration and a focus on the Customer. This is not always an easy task, yet by following the guidelines of our Code of Ethics and Conduct, which draws its inspiration from the principles of the **Global Compact**, we are in a position over time to renew strategies and management practices that stimulate dialog regarding our Group's value, in all shapes and forms, marked by transparency and social responsibility.

Severino Salvemini

SOCIAL RESPONSIBILITY

In confirmation of its commitment to promote and implement the ten basic principles of the Global Compact established by the UN, which relate to respect for human rights and labor standards, the protection of the environment and the fight against corruption, Telecom Italia Media is constantly committed to implementing corporate social responsibility policies to ensure compliance with the legislative framework of reference and internal procedures, by undertaking all those initiatives necessary to achieving its goals in the areas of integrity, transparency and the protection of workers.

In accordance with its development strategies, social responsibility is promoted by our Group as a course of conduct aimed at ensuring:

1. an effective contribution to diversity in information;
2. a constant social commitment through online and offline initiatives benefiting the community;
3. the use of increasingly advanced technologies that permit an improvement in the quality of the services offered along with a reduced environmental impact; and
4. a focus on workforce issues.

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 AND CONDUCT

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, 2001 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, 6.4.10, adopted in October 2012.
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 Law 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** (the "Investment Act") and, for all Telecom Italia Group companies, US SOX legislation (**Sarbanes-Oxley Act** of 2002). Achieving the objectives laid down in Law No. 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 and 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 54th edition (effective as of June 4, 2012). 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.
In 2012, Telecom Italia Media, which had previously been a member of the IAP through the association FRT, has joined the Advertising Self-Regulatory Institute. By joining the Institute, Telecom Italia Media committed directly to accept the Advertising Self-Regulatory Code and the decisions of the Control Committee Jury.

SELF-REGULATORY CODE ON MINORS AND THE MEDIA

The website www.la7.it presents the general principles of the Self-Regulatory Code 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 No. 112/04, in turn incorporated into the Consolidated Act, 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 violence relating to athletic events, especially football, in the public opinion 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.

VOLUNTARY SELF-REGULATORY CODE ON THE USE OF SECONDARY RIGHTS BY INDEPENDENT PRODUCERS

Pursuant to **Article 44, paragraph 5, of the Consolidation Law on Audiovisual and Radiophonic Media Services** (Legislative Decree No. 177/05, as amended by Legislative Decree No. 44/10) as well as the AGCOM Regulation set forth in **Resolution 30/11/CSP**, all television broadcasters are bound to comply with AGCOM's regulatory provisions, in all their dealings with independent producers and entailing specific types of production (co-production or content mainly financed by the broadcaster). One of the primary goals of the regulatory framework is to prevent broadcasters for acquiring all rights in perpetuity on content produced in concert with independent producers that bore part of the overall production costs, with a view to ensuring that independent producers retain so-called secondary rights (on their share of the overall work), upon expiry of deadlines established in the Regulation or, otherwise by contract.
To ensure the utmost compliance with the aforesaid Regulation, Telecom Italia Media voluntarily subjected all its relationships with independent television producers to a self-regulatory internal procedure that was declared fully respectful of all applicable statutory provisions by AGCOM in May 2012, and that, in particular, lays down the guidelines the company intends to follow in dealing with independent television producers:

- processes for identifying the independent procedure and the type of production (co-production or content mainly financed by the broadcaster);
- portions of the rights due to independent producers on the basis of their actual contributions towards overall costs and the completion of "minimal development activities";
- procedures for managing/exploiting jointly held secondary rights;
- procedures for the use of rights on productions in the event the same are not used within two years following delivery of the content.

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

The Telecom Italia Media Group stands out for its constant commitment to implementing strategies and undertaking initiatives capable of ensuring respect for the environment.

Regarding waste disposal, at the end of 2012, 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. However, to date, the Ministry has not yet applied the system.

Telecom Italia Media Broadcasting aims 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, European or international.
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.
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.
The organization and subsequent implementation within the Company of an environmental management system entailed a significant commitment to the ongoing improvement of the Company's organization with the aim of optimizing its environmental performance.
The implementation of improvement measures and reviews of the efficacy of such measures are conducted by applying a Plan – Do – Check – Act (PDCA) model.

TIMB has always acknowledged the need to disseminate environmental awareness both internally and externally to the Company. It has attempted to begin to obtain data concerning various environmental issues that are presumed may have a significant environmental impact: in this regard, the monitoring of electromagnetic fields at its television sites, conducted in collaboration with the University of Medicine of Turin – Prevention and Safety Department, may be considered important.

During an initial phase, such data were collected separately by each working segment, and the study was then conducted on a more homogeneous basis and with similar criteria in order to conduct an initial analysis of the following aspects:

a) Electrical Power
The definitive switch in early July from analog to digital technology will result in significant reductions in the consumption of electrical power as early as the end of this year.

b) Energy Conservation
Given that it was necessary to renovate certain premises to expand the technical department at Via della Pineta Sacchetti 229 in Rome, attention was devoted to improving the buildings' thermal insulation.

c) Training/Information for Personnel
All employees were asked to contribute to energy conservation by engaging in more environmentally responsible behavior.

d) Gas Emissions
The company cars assigned to technical personnel, middle managers and executives were purchased with an eye towards low consumption and the most environmentally friendly emissions possible.
The same criterion was adopted for the purchase of emergency generators.

e) Electromagnetic Pollution
As in the case of electrical power consumption, the definitive transition to digital technology contributed to the reduction of electromagnetic field emissions, owing to the use of systems with lower output power.

HEALTH AND SAFETY

The Risk Assessment Documents 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 was carried out on work methods and processes.
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 plans, 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 the whole workforce, in full accordance with the reference statutory framework and the Central Government/Region agreement dated December 21, 2011.

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

In 2012, improvement works continued for technological plants and office areas, with particular reference to the offices in via della Pineta Sacchetti, and the new offices acquired close to the TV production center of Via Novaro. 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.

In regards to Telecom Italia Media Broadcasting in particular, for both its Rome office and Prato office — as for all television sites identified as technical facilities — reference should be made to the risk assessment documents required by workplace safety law.

The analysis of the various technical facilities and premises and the assessment of the accidents that have occurred over the past ten years did not result in the identification of any significant risks except for those related to:
- the risk of tripping or slipping, especially in access to television sites; and
- electrical risk.

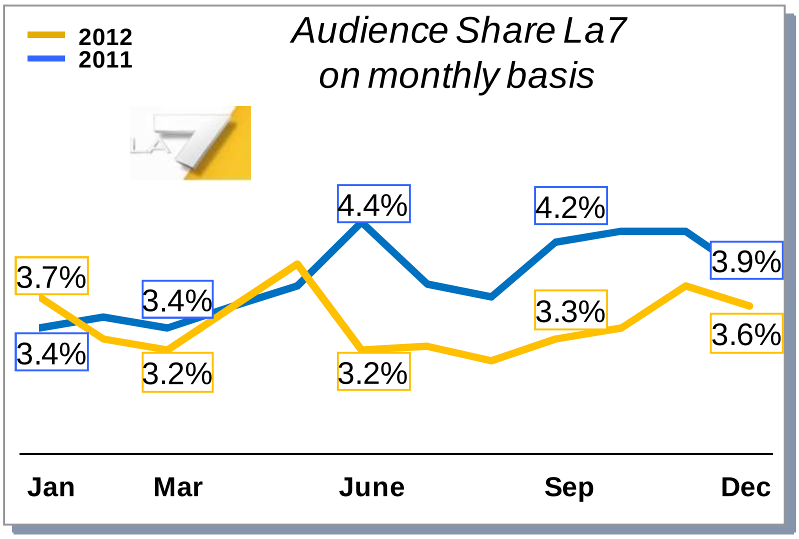
Accordingly, preventative measures were adopted, involving providing technical staff with no-slip shoes, revamping electrical systems in television facilities and having sample-based checks conducted by a certification authority for grounding systems and electrical protection systems.
To coincide with the transition from analog to digital technology, Telecom Italia Media Broadcasting commissioned new systems aimed at optimizing its coverage, for which new sites equipped with cutting-edge safety measures were chosen from well regarded providers such as Telecom Italia S.p.A., RAI WAY and EI Towers.

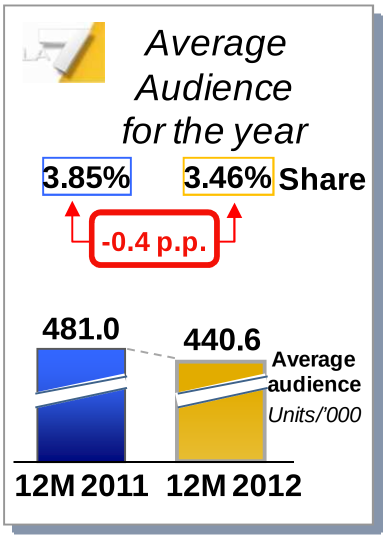
In addition, every two years employee training courses are held on the accident-prevention measures to be adopted and first aid.
During the year the Company continued with awareness-raising measures for health and safety prevention issues with the training of fire prevention staff and first aid staff in accordance with legal requirements.
Regular medical visits, at precise intervals, continued relating to the risks identified in the work environments and particularly for High-Frequency engineers who every year undergo eye tests, cardiology visits with phonometric examinations and blood tests.
The measurements of the electromagnetic fields present in television facilities did not result in the detection of levels in excess of those provided for in Legislative Decree No. 81/08 for the exposure of workers. In any event, monitoring of such fields has continued and will continue in the future, as will the health surveys that have been conducted over the past ten years aimed at examining whether there may be illnesses attributable to exposure to electromagnetic fields, although limited in duration and frequency.

CUSTOMERS

During the current year, all possible efforts have been made to undertake initiatives and projects that would consolidate the traits of the Group's identity, while constantly referring to the needs of our viewers and users who follow us on the social media and various multimedia platforms. This has been pursued by striving to enrich our programming, focused on information and cultural in-depth programs, while also rendering our offerings more consistent across all time slots, and at the same time improving the level of quality of the technologies used to broadcast that programming.

The prestige of our editorial line, already ensured by authoritative names in journalism such as Enrico Mentana, Lilli Gruber, Corrado Formigli and Gad Lerner, has been further reinforced by the inclusion of high-caliber personalities such as Michele Santoro, Fabio Fazio and Roberto Saviano.





A study conducted in November 2012 by Demos in collaboration with Coop (National Association of Consumers' Cooperatives) confirmed that the Group has met its objectives as regards achieving increasingly broad consent in terms of confidence and credibility in editorial content and the news and information provided by its television networks.

Appreciation for the Programs of the Channel La7

(Source: Demos & Pi survey, November 2012)

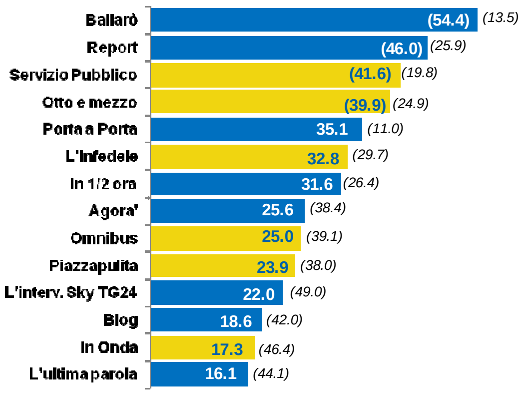
Confidence in Television News Programs[1]

"How much confidence do you have in the following news programs?"

	2012		Diff.	Diff.
	Valori % di chi esprime "molta o abbastanza fiducia"	% che non si esprime o non conosce il programma	12 - '11	12 - '07
Tg3	62.4%	(3.4%)	+0.3	**-1.0**
Tg1	56.3%	(1.7%)	+6.2	**-12.7**
Tg2	55.9%	(2.8%)	+4.4	**-6.7**
TgLa7	50.8%	(6.6%)	-0.9	**+16.5**
Tg5	49.1%	(2.5%)	+0.6	**-10.2**
Radio Rai	40.7%	(9.6%)	+0.7	**-3.1**
Rai News24	40.6%	(11.4%)	+1.2	**+21.4**
Sky Tg24	33.8%	(14.8%)	+0.2	**+12.5**
Studio Aperto	33.3%	(4.3%)	+0.4	**-6.5**
Tg4	28.0%	(4.3%)	+8.6	**+1.1**
Tg3 regionale	66.5%	(2.9%)	-3.9	**-6.0**

Confidence in Cultural and Investigative Programs[1]

"How much confidence do you have in the following information programs?"



Only TV programs broadcast throughout the year were considered

As a sign of the strength of La7's programs and the interest they have met with among the public, the results of the Demos study show a sharp increase in the credibility of the LGLa7 news program (approximately +17% over a five-year period), the result of the important work done in recent years. The public's appreciation is not limited to the news program, but also extends to the entire line-up of the channel, whose traits of impartiality and accuracy are also widely recognized for its other programs, evidence of its clear editorial reputation.

(1) Percent of those who expressed high or considerable confidence (the percentage of those who did not express a view or did not know the program is in parentheses).

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IN-DEPTH CULTURAL OFFERINGS WITH A SOCIAL AND ENVIRONMENTAL SUSTAINABILITY CONTENT

The most significant initiatives achieved or hosted during the year by our television channels are illustrated below.

THE FOLLOWING CONTENT WAS BROADCAST ON CHANNELS La7 AND/OR La7d:

- ITIS GALILEO theatrical performance in-depth analysis + promo – April 25

A live theatrical performance from the INFN Workshops in Gran Sasso. Being clever, in difficult circumstances, can be a problem, especially for others.
This is the consideration inspiring the curious in-depth analysis piece by Marco Paolini and Francesco Niccolini, dedicated to the figure of Galileo.
From a contemporary standpoint, the father of modern science appears a great disseminator of his studies, but also, and most importantly, a mind that remained open to doubt until the very end, until old age. When we talk about Galileo we always think of a venerable old man: it may be an issue of iconography, but it may also be because we understand that the scientist never put his mind in retirement. Indeed, he made his most important discoveries after age 60.
Galileo lived 400 years ago, at a time of certainties and inflexible worldviews, yet there are elements today that renew our dialogue with that past.
Marco Paolini's goal is to involve the audience in reasoning, and not only in story-telling, and create a situation in which the public is not sitting calmly in the role of passive spectators only. The performance even includes a dialog: while admittedly not braving the dialog concerning the chief world systems, the show does at least deal with what it calls the "least common multiple."

- L'IMPORTANZA DELLA CARTA STAGNOLA in-depth analysis + promo – April 25

Natascha Lusenti hosts the in-depth analysis program "L'importanza della carta stagnola" from Fermi Hall, in connection with the laboratory rooms.

- ALLARME ITALIA - SPECIAL (BRIEF RE-EDITION) documentary + promo – May 21

A special episode hosted by Mario Tozzi, focusing on the environmental and climatic risks that have affected Italy.
Tozzi will visit the locations of the floods, on Via Fereggiano and along Bisagno Creek in Genoa, followed by Monterosso and Vernazza, and, with the aid of some amateur footage, will show how the rivers have become so dangerous as a result of filling, deforestation and paving.
In addition, taking the example of the work done in Seravezza in the Apuan Alps, site of the catastrophic 1996 flood, he will discuss possible solutions and the environmental engineering work that secured the area and may represent a solution to the flood problem.

- "L'ERBA DEL VICINO - 10 45' episodes AIRED ON La7 AND La7d

A new gardening program: a team composed of Lucia Loffredo and two popular gardening experts, Vittorio Chia and Olivier Gerard, helps ten blocks of flats reclaim and restore gardens, courtyards and communal areas to their former glory.

- "ARRIVA MR. GREEN" - 10 45' episodes AIRED ON La7d

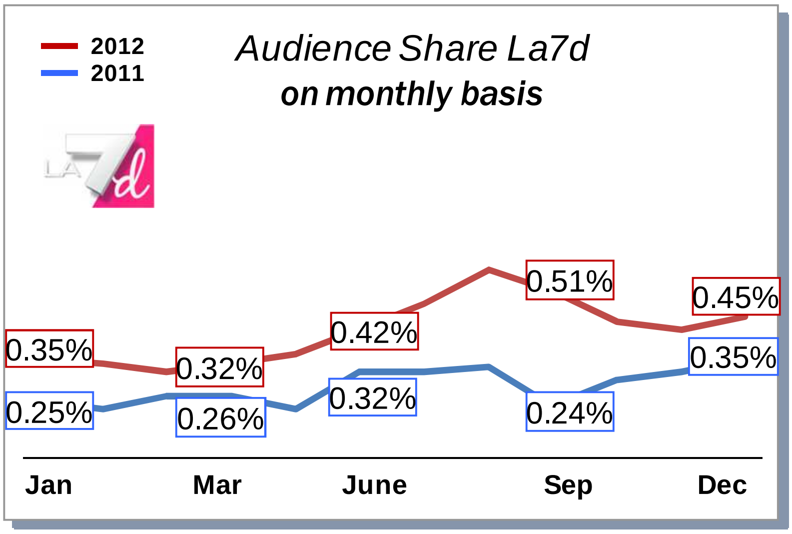
During our day-to-day life, we unknowingly commit so many tiny errors in household management, when traveling and in our food consumption that lead us to over-consume, over-spend and over-pollute. Bills are going up, the ecosystem is falling to pieces, waste is unacceptable. We should change this.
What family would not want help? Who would not want someone to point them in the right direction? Who would not want someone to teach them how to save water, electricity, food, someone to explain how to recycle waste, how to drive without using too much fuel, how to cook using leftovers, how to manage electrical appliances?

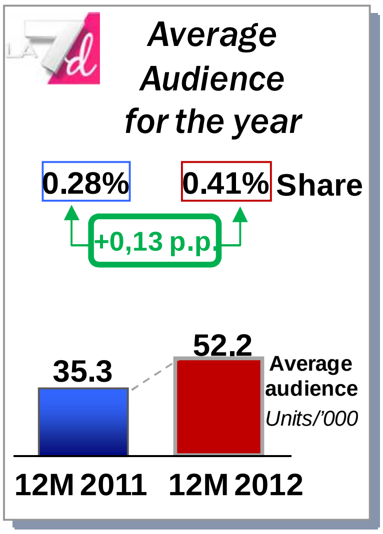
Who would not want to spend a few days living with Mr. Green, who will lead the family onto the right road with humor, a touch of devilment and a lot of expertise?
Mr. Green is first of all an expert in eco-sustainable living and the environment. His mantra is based on the "the three Rs": recycle, reuse and reduce.
He is a strict but likeable taskmaster, has a great sense of irony, can take the mickey, is shrewd in his comments but can also be very endearing.
His goal is very precise: managing to change a family's "unsustainable" bad habits in a few days.
Mr. Green is Luca Bonaccorsi, who in 2006 founded *Terra*, Italy's first ecologist daily and became its Editor in Chief in 2009. He changed it into a monthly publication in 2011.
As well as being an expert in topics relating to sustainability, ecology and our future, he is an empathetic, likeable and engaging personality.
His key role in the program will be to provide families with ways of making environmentally-friendly savings in their day-to-day lives in a fun, gentle and engaging manner.

La7 PROGRAMMING DEVOTED TO CULTURAL PROGRAMS

La7	Cultural programs		
	Hours	Net of advertising	On 24 hours
January	219:15:35	34.3%	29.5%
February	225:08:00	37.5%	32.3%
March	218:18:14	34.2%	29.4%
April	214:33:02	34.6%	29.8%
May	207:20:40	32.1%	27.9%
June	210:22:21	33.6%	29.2%
July	156:31:31	24.3%	21.0%
August	125:43:00	19.0%	16.9%
September	230:47:00	36.6%	32.1%
October	309:18:54	47.7%	41.5%
November	328:13:09	51.9%	45.6%
December	276:21:46	42.7%	37.1%
Jan-Dec 2012	2721:53:12	35.7%	31.0%

Audience approval of **"La7d"** continues to raise not only making possible a vision of the main programs on theLa7 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 extending to new audience segments.





La7d PROGRAMMING DEVOTED TO CULTURAL PROGRAMS

La7d	Cultural programs		
	Hours	On programming net of advertising and repeted contents	On 24 hours
January	82:25:53	12.6%	11.1%
February	48:33:10	7.9%	7.0%
March	77:43:43	11.9%	10.5%
April	76:09:38	11.9%	10.6%
May	69:58:50	10.7%	9.4%
June	101:51:57	16.0%	14.1%
July	129:09:14	19.6%	17.4%
August	128:21:22	18.5%	17.3%
September	89:44:42	13.9%	12.5%
October	139:56:57	21.1%	18.8%
November	158:26:04	24.2%	22.0%
December	117:31:09	17.8%	15.8%
Jan-Dec 2012	1219:52:39	18.9%	18.6%

LINE-UP OF IN-DEPTH CULTURAL ANALYSIS CONTENT WITH A FOCUS ON SOCIAL AND ENVIRONMENTAL SUSTAINABILITY ISSUES BROADCAST ON VARIOUS MTV-BRANDED CHANNEL

Starting in the first few months of the year, MTV Italia undertook significant measures aimed at innovating its content offerings that are to be developed in the course of the year, while still ensuring considerable space for initiatives of significant social importance for its target audience within its customary programming on its various branded channels:

- IO VOTO
a multiplatform project by MTV Italia to encourage young people to participate in political life, to vote and be voted for on all levels, from high school to Parliament.
WEBSITE: www.mtv.it/iovoto
Information portal on participation featuring information, videos, blogs and forums
Online as of April 21, 2011 – ongoing

Data of the websites Io Voto and Mtv Voices
Figures from Io Voto website for the period January-December are: over 66,000 total pages visited and more than 43,800 unique users.
Since December 2012, these videos are available on MTV On-Demand as well. The first data on video streams refers to December alone and includes 5,000 contacts.

- COMMERCIAL "IO VOTO LA MIA SCUOLA":
Broadcast from February 27 to March 18, 2012
MTV ONE: 281 total broadcasts (14 commercials/day)
MTV MUSIC: 193 total broadcasts (9 commercials/day)
SATELLITE CHANNELS: 140 total broadcasts on Classic (7 commercials/day)
131 total broadcasts on Hits (6.5 commercials/day)

IO VOTO
In April, a video report was produced on the campaign for the administrative elections by a list of candidates formed by young people from Comacchio (Voce Giovane per Comacchio) and 11 new idents were recorded by artists for the Io Voto campaign during the TRL Awards in Florence and MTV Days in Turin.

MTV ITALIA'S PROJECTS OR EVENTS

- MTV NEWS
Socially relevant stories:

- CRESCERE A ROSARNO: Two years after the Rosarno immigrants' revolt, MTV NEWS visited the town in Calabria seeking to understand what it means to grow up amongst organized crime, immigration, struggling agriculture and a lack of jobs and opportunities.
On air from January 9 to 15: five 4' clips a day, five days a week, one 20' special a day, five days a week, and one 60' special on Saturday with a re-run on Sunday.

- LA RIVOLUZIONE, UN SOGNO: One year after the revolts that put an end to the regimes in Tunisia, Egypt and Libya, MTV NEWS returns to meet with key figures in the Arab Spring that resulted in the great changes of 2011.

On air from January 13 to 19: five 4' clips a day, five days a week, one 20' special a day, five days a week, and one 60' special on Saturday (broadcast twice) with a re-run on Sunday.

- IO VOTO LA MIA SCUOLA: In support of the Io Voto campaign, which asks young people to become engaged from their schools to Parliament in order to create the political class of the future, MTV News — MTV Italia's space devoted to information — returns to schools once more to address a topical moment of student life.

On air from February 27 to March 4: five 4' clips a day, five days a week, one 20' special a day, five days a week, and one 60' special on Saturday with a re-run on Sunday.

- L'AMBIENTE SIAMO NOI!: In conjunction with the WWF event, "EARTH HOUR," MTV News tells the tales of young people who dedicate themselves to the environment each day.
On air from March 26 to April 1: five 4' clips a day, five days a week, one 20' special a day, five days a week, and one 60' special on Saturday with a re-run on Sunday.

- IL TERREMOTO DENTRO: Three years from the earthquake of April 6, 2009, MTV News returned to L'Aquila to document the lives of the young people who experienced the earthquake. The tremor of three years ago is still alive within them and made them into adults in a single night. They do not think about the future because they know that it can fall apart in an instant and focus on the present, which is still shaped by fear of earthquakes, the challenge of finding a job, the lack of space and places in which to meet and enjoy themselves, which mostly ends up taking the form of a visit to a café or a shopping center. Three years from the destruction, it is difficult to rebuild one's life, especially for young adults.
On air from **April 2 to 8**: five 4' clips a day, five days a week, one 20' special a day, five days a week, and one 60' special on Saturday with a re-run on Sunday.

- OCCUPIAMO IL FUTURO: The young adults starring in "Occupiamo il futuro" are from Athens, New York, London and Madrid, and as always they are the ones to talk about their lives during this year of struggle and tell us what drives them to contribute to an ideological movement, from Syntagma Square to Zuccotti Park. They are young adults who are occupying the world so as not to become part of what has already been defined a "lost generation."
On air from **April 30 to May 6**: five 4' clips a day, five days a week, one 20' special a day, five days a week, and one 60' special on Saturday with a re-run on Sunday.

- NAPOLI OGGI: Naples is a challenging city, for young people particularly, bottom of the league for youth unemployment, with a rate exceeding 42%, significant levels of school non-attendance and a high crime and petty crime rate.
A city where for some the only chance of work is on the black labor market or in illegal occupations, providing them easy money and the capacity to survive or live above their means.
MTV NEWS with "Napoli Oggi" reports on the diverse scenarios in a city such as Naples through the stories of young people who love and feel part of the city where they were born. Young people who, through sport, a sense of obligation to report crime and respect for the past, but also with a carefree approach to life, manage to find their own path and a way of living in the world surrounding them.

- LA MIA TERRA: The stars of "La mia terra" are young people linked to the environment who are looking for an alternative to pollution and the concrete jungle. Some of them live in highly polluted areas such as the Tamburi district in Taranto (where the steel producing company ILVA is located), Colleferro in Lazio, Porto Torres in Sardinia, the "Terra dei Fuochi" in Campania, where the risks for inhabitants' health are very high. They battle daily for the environment in which they live, or they have made choices considered "extreme" in favor of a life which, as far as possible, has a zero impact.
On air from November 12 to 17: five 4' clips a day, five days a week, one 20' special a day, five days a week, and one 60' special Saturday.

- 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.

- Adotta una scuola: the social initiative aimed at raising funds to renovate the school ISS Galilei in Mirandola was presented on June 29 at MTV Days 2012. The Adotta una scuola initiative is made possible by the online sale of the song "Se il mondo fosse," written by Emis Killa and also performed by Club Dogo, J-Ax and Marracash during the most recent edition of the MTV Days event in Turin (number-one download for a week). A videoclip was created with the performance at MTV Days, including all fund-raising information, in rotation on all MTV channels, provided free of charge to other media. Mtv.it, mtvnews.it and MTV's FB page all supported the Adotta una scuola initiative.

Social and sustainable projects and initiatives achieved in 2012

Title	Broadcasting period/live broadcasting	Broadcasting channel/platform	Length	Synopsis
EP 101 ADDIO PIZZO	JAN. 2, REPLAY	MTV ONE	24'	The ins and outs of the anti-Mafia organization, to eliminate dirty money in Palermo.
EP 206 EROE PER SCELTA IL TESTIMON	JAN. 2, REPLAY	MTV ONE	24'	The life of young Red Cross volunteers.
EP 301	JAN. 2, REPLAY	MTV ONE	48'	Profile of a very special journalist who denounces organized crime in Sicily
EP 309 FOOTBAL DE RUA	JAN. 2, REPLAY	MTV ONE	48'	A soccer campus organized in Rio de Janeiro by Rome's sports company for youth in Brazil's favelas.
EP 302 LE FAMIGLIE ARCOBALENO	JAN. 2, REPLAY	MTV ONE	24'	Encounters with two same sex parents families, one just with fathers, the other just with mothers.
MTV SPIT SERIE - EP 101 -104	MARCH 2012 - PREMIERE	MTV ONE	4X 48'	Four rappers in a challenging competition where improvisation and freestyle are used to discuss facts, news and events regarding our times and the world in which we live. For the first time, the program stars meet in a ring. Here, after a short introduction given by the host, the first issue is drawn out among the latest news. Two rappers at a time enter the ring to challenge each other in a one-minute performance : rapping on the same track, they are asked to comment the theme improvising rhymes .
EP 101 ADDIO PIZZO	JUNE 8, REPLAY	MTV ONE	24'	The ins and outs of the anti-Mafia organization, to eliminate dirty money in Palermo.
EP 104 SPIT	APR. 1, REPLAY	MTV ONE	44'	A challenging competition among rappers where improvisation and freestyle are used to discuss facts, news and events regarding our times and the world in which we live.
EP 112 IL TESTIMONE - VEDERE AL BUI	MAY 19, REPLAY	MTV ONE	22'	How to describe colors to someone who has never seen them? Withe no do-goodism nor rhetoric, Pif reveals hidden truths about the real situation of Italy - and much more - through the voice of common people and their stories.
MUSICA PER MELISSA	MAY 21, PREMIERE	MTV ONE	88'	Music rotation dedicated to the young woman who died in an attack in Brindisi
EP 109 IL TESTIMONE - FUTEBOL DE RU	MAY 24, REPLAY MAY 27, REPLAY	MTV ONE	44	A soccer campus organized in Rio de Janeiro by Rome's sports company for youth in Brazil's favelas.
EP 206 IL TESTIMONE - EROE PER SCE	MAY 28, REPLAY JUNE 7, REPLAY	MTV ONE	22'	The life of young Red Cross volunteers.
MTV DAYS 2012 - FIRST NIGHT	JUNE 29, REPLAY JUNE 30, REPLAY	MTV ONE	176'	Live show, live from Turin. Performace + launch of the initiave deditcated to the earthquake in Emilia Romagna supported by the young rapper Emis Killa and some of the most important names of the Italian hip hop scene (J-Ax, Club Dogo and Marracash): a single track entitled "Se il mondo fosse", whose proceeds will be given to the "Adotta una scuola" social project, sponsored by the Ministry of Education and the regional school authority of Emilia Romagna, which aims at gathering funds to rebuild the school "Istituto Superiore Galileo Galilei" in Mirandola.
EP 101 ADDIO PIZZO	JAN 2, REPLAY JUNE 8, REPLAY	MTV ONE	24'	The ins and outs of the anti-Mafia organization, to eliminate dirty money in Palermo.
EP 104 SPIT	APR. 4, REPLAY MAY 12, REPLAY JUNE 8, REPLAY	MTVMUSIC	44'	A challenging competition among rappers where improvisation and freestyle are used to discuss facts, news and events regarding our times and the world in which we live.
EP 101 SPIT	APR. 1, REPLAY MAY 16, REPLAY JUNE 18, REPLAY	MTVMUSIC	44'	A challenging competition among rappers where improvisation and freestyle are used to discuss facts, news and events regarding our times and the world in
EP 106 SPIT	APR. 4, REPLAY	MTVMUSIC	44'	A challenging competition among rappers where improvisation and freestyle are used to discuss facts, news and events regarding our times and the world in which we live.
EP 109 IL TESTIMONE - FUTEBOL DE RUA	OCT. 14, REPLAY	MTV ONE	44	A soccer campus organized in Rio de Janeiro by Rome's sports company for youth in Brazil's favelas.
EP 206 IL TESTIMONE - EROE PER SCELTA	NOV. 7, REPLAY	MTV ONE	22'	The life of young Red Cross volunteers.
EP 301	NOV. 4, REPLAY	MTV ONE	48'	Profile of a very special journalist who denounces organized crime in Sicily
EP 302 LE FAMIGLIE ARCOBALENO	NOV. 4, REPLAY	MTV ONE	24'	Encounters with two same sex parents families, one just with fathers, the other just with mothers.

MTV ITALIA PROGRAMS ADAPTED TO HEARING-IMPAIRED AUDIENCE:

Period	Cultural programs		
	Hours	Net of advertising	On 24 hours
January 2012	96:39:04	13.5%	13.0%
February 2012	70:21:09	11.1%	10.5%
March 2012	56:21:07	8.2%	7.6%
April 2012	56:08:10	8.5%	7.8%
May 2012	90:44:26	13.3%	12.2%
June 2012	94:40:47	14.3%	13.1%
July 2012	72:54:00	10.6%	9.8%
August 2012	64:11:58	9.0%	8.6%
September 2012	49:53:51	7.5%	6.9%
October 2012	59:47:01	8.7%	8.0%
November 2012	33:11:06	5.0%	4.6%
December 2012	41:41:15	6.1%	5.6%
Total 2012	786:33:54	9.7%	9.0%

Period	Programs adapted to hearing-impaired audience		
	Hours	Net of advertising	On 24 hours
January 2012	169:29:45	23.7%	22.8%
February 2012	222:56:00	35.3%	33.2%
March 2012	233:14:28	33.8%	31.4%
April 2012	41:00:56	6.2%	5.7%
May 2012	175:59:47	25.8%	23.7%
June 2012	182:39:45	27.7%	25.4%
July 2012	179:44:07	26.0%	24.2%
August 2012	107:31:12	15.1%	14.5%
September 2012	134:14:32	20.2%	18.6%
October 2012	85:20:22	12.5%	11.5%
November 2012	81:54:15	12.5%	11.4%
December 2012	64:06:59	9.4%	8.6%
Total 2012	1678:12:08	20.6%	19.2%

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La7 and La7d's programmings were still available on channels 7 (La7), 107 (La7+1), 507 (La7HD), 29 (La7d), 229 (La7d+1), 529 (La7d HD), whereas MTV Italia's on channels 8 (MTV), 108 (MTV+1), 67 (MTV Music), 267 (MTV Music +1), and 508 (MTV Music HD).

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 theLa7.it website (www.la7.it) which presents detailed information and extracts ofLa7 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 forLa7 productions.
A very important target for interaction with viewers was achieved in 2011 when the 'Social Connect' function was introduced, which can interconnect users active on theLa7.it website with their friends on Facebook and Twitter.

Implementation of the Web TV channel continues throughLa7.TV (www.la7.tv), which shows, over the Internet and in full-screen television quality, the original programming produced and broadcast byLa7 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.

Telecom Italia Media has also expanded its on-demand offerings by participating in the trial of TivùOn!, an application available for a set of 200 households through the TivùSat platform (a consortium formed by Italy's major broadcasters). Telecom Italia Media is present on the application with its re-run service forLa7 and La7d's main programs for catch-up viewing (last seven days of programming) and an archive.

Video On-Demand on one's own TV screen continues to be available through the 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, in addition to providing access to an archive of over 300 cult classics through the Bollino Gold decoder.

In the area of mobile distribution,La7's offerings have been enriched from one season to the next through the creation of specific apps for its most popular shows. As a result, the shows "Crozza delle Meraviglie" and "Le Invasioni Barbariche," in versions for both IOS and Android (tablets included), were added to the already widely distributed and always highly attractive product "TG La7 Mobile," which also includes live viewing of the three daily editions of the television news program directed by Enrico Mentana.

La7's On-Demand content also represents an integral part of the Cubovision Mobile offerings, which in late 2012 also saw the introduction of live streaming of the channel 24 hours a day, involving real-time availability of all content for which the rights relating to the channel are available.

The partnership agreement with YouTube was recently renewed and beginning on July 1 re-runs ofLa7 and La7d programs became available for catch-up viewing. La7's offerings on YouTube were revamped to include new layouts and the creation of individual shows for each program.

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 twoLa7 and La7d versions.

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The high definition path started some years ago with an important roadmap and growing investments.
This important change was implemented thanks to the collaboration of the entire television technological chain.
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 also allows production and broadcasting of 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 and are now fully operating as regards the productions carried out in our Rome Production Center in Via Novaro.
The native HD transmission of all programs using our technical facilities already set up for this essential changeover.
The quality level has risen significantly due to this innovation.

The chain allowing video-recorded services to be implemented has been finalized and upgraded; in fact, the process, apart from 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 completed 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.

Regarding shooting at external television Studios, all productions are carried out in Full-HD technology, 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 shows of Maurizio Crozza, Serena Dandini, Marco Paolini, Fabio Fazio and Roberto Saviano, as well as the latest great success of "Sevizio Pubblico" by Michele Santoro, confirm our network's success, not only due to the wealth of content but also, undoubtedly, due to the sharpness of the images and perfect visual definition.
Particular mention should be made of lighting system construction with 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 XDCam HD broadcasts, using very high-performance technologies and recording on media such as optical 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 lower 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, content acquisition from tapes, quality control, third-party warehouses with related flow and resource optimization. In this context particular attention was paid to setting up new playout channels.
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.
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.

New technological developments in the second half of 2012 are essentially to be attributed to the definitive transition to file-based.
A workflow management platform for managing media assets such as finished programs, rights, films, etc., was made operational and available to production users.
The system provides users with a full suite of tools that efficiently automate the key processes of ingestion and subsequent steps. The software optimizes operators' skills, improving performance and quality control. It facilitates the distribution and circulation of content, as well as all associated workflows.
In addition, this application allows users to convert items from any format to any other format, thus enabling an indispensable, highly versatile multi-platform.

At the office on Via della Pineta Sacchetti, our Playout Services have completed the transition to the XDCAM format. This means that the entire production process is now tapeless. The benefits relate to more immediate content management, prompt availability of content and financial savings owing to the decreased amount of magnetic tapes purchased.

In the Broadcasting Area, a new channel was created as a joint venture with the publisher Feltrinelli, in whichLa7 has a 30% interest, providing technical and infrastructure support.

At the TV Production Center on Via Novaro, the transition to tapeless will soon be completed, with the installation in RVM and post-production rooms of new players/recorders in XDCAM format, which will allow programs to be recorded and finalized in our format of reference.

The Production Center also saw users of the news area provided with access to the new newsroom file and editing management platform, which allows, among its other features, interchangeability between all editing platforms and makes the facility even more open to the outside technological world.

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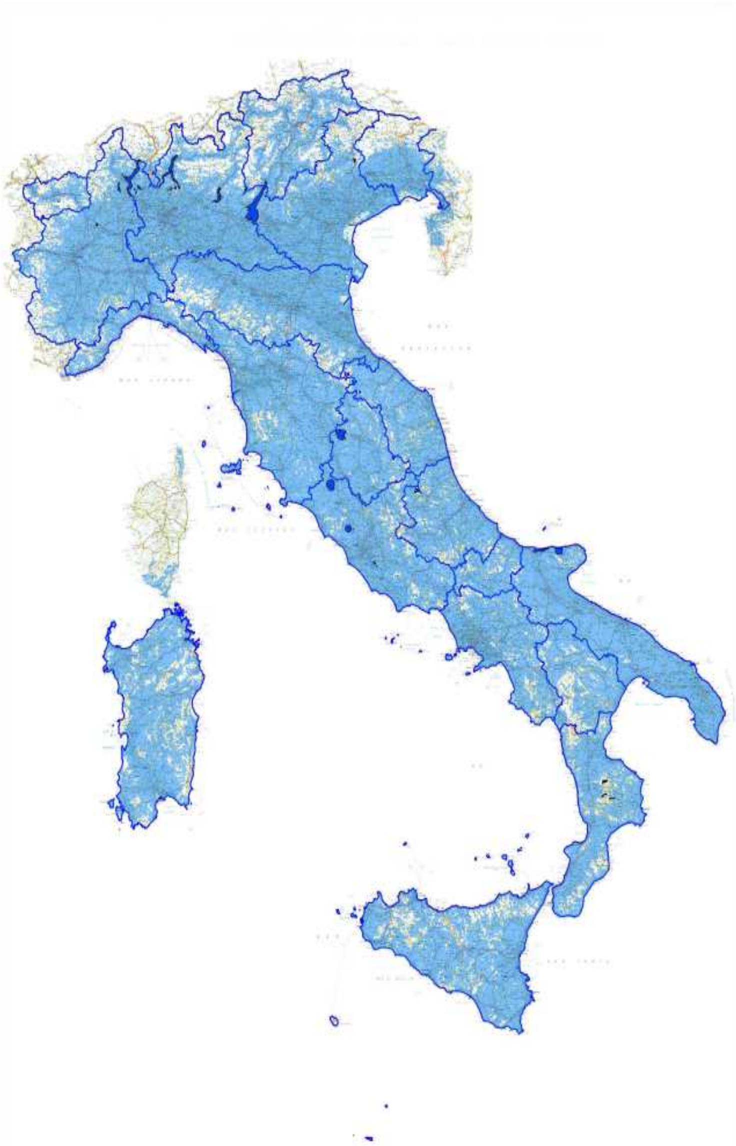
As far as the Network Operator Italia Media Broadcasting is concerned, it should be noted that, as set forth last year, its three digital multiplexes reached the full rental as of December 31, 2012, thus covering 94.9% of Italy's population.
The following table reports the graphic representation of the coverage of territory of the three digital multiplexes of Telecom Italia Media Broadcasting.



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, supporting significant social causes and initiatives aimed at spreading the importance of environmental respect and protection.

In the reporting year, the Telecom Italia Media Group launched a range of sustainable initiatives through its broadcasting platforms and channels:

Race for the Cure

Telecom Italia Media took part in Race for the Cure, the fund-raising mini-marathon that was held in Rome on May 20 with the aim of raising awareness among the public and supporting research into breast tumors, with a direct contribution to the initiative in the form of a donation.

La7, the initiative's media partner, brought to bear some of the networks' best known female faces, Geppi Cucciari, Lilli Gruber, Myrta Merlino and Tiziana Panella, who along with their colleagues from the TGLa7 news program wore a symbolic pink ribbon and discussed the initiative in a virtual marathon leading up to the event. In addition, the news program covered the race and a group of employees actively participated, forming a full-fledgedLa7 team.

Restoration of the sculpture "La Resurrezione" – Nervi Hall in the Vatican

Telecom Italia Media contributed to the restoration work on "La Resurrezione," the work that since 1977 has been at the center of the stage in the Pope's General Audience Hall – Nervi Hall – in the Vatican. The large bronze sculpture (20 x 7 x 3 m) represents Christ's ascent to heaven and required five years of work to be completed. It is the best known and most complex work by Pericle Fazzini, one of Italy's greatest 20th-century sculptors.

La7 PROGRAMMING SLOTS DEVOTED TO THE BROADCASTING OF SOCIAL CAMPAIGNS:

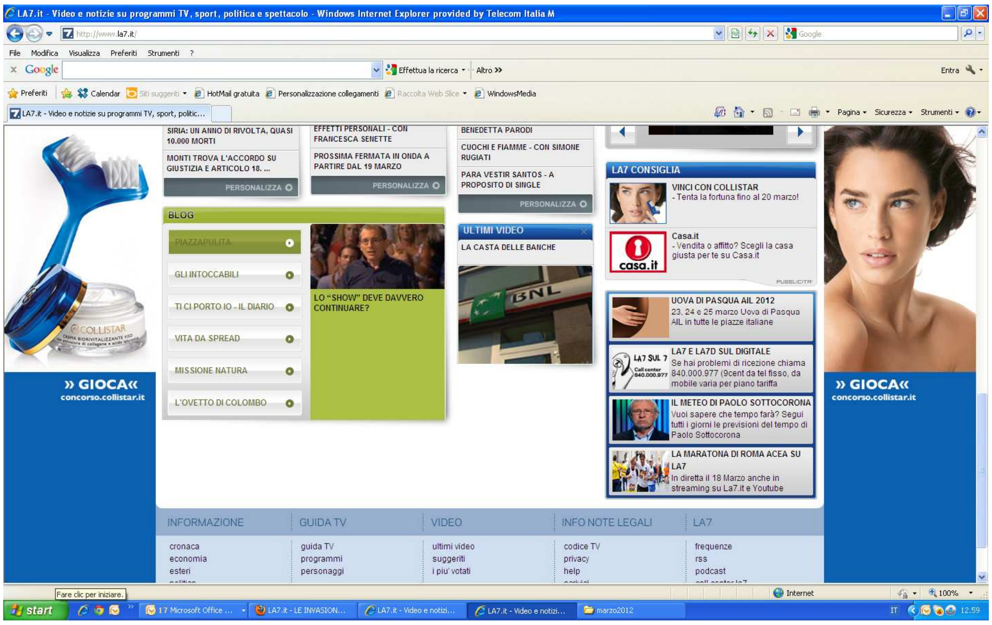
		January	February	March	April	May	June	July	August	September	October	November	December	Total
TOTAL		298	251	262	392	373	389	110	244	432	395	289	247	3682
A.C.L.I.	ACLI 5 X MILLE				137	145								282
AGIRE	EMERGENZA SIRIA									42				42
AI.BI.	ASSOCIAZIONE AMICI DEI BAMBINI							50						50
A.I.P.D.	ASSOC.ITAL.PERSONE DOWN								75	44				119
AIRP	ASS. ITAL. RENE POLICISTICO												46	46
A.I.S.	A.I.S. SEGUIMI	8												8
AISLA	GIORNATA NAZIONALE SLA										47			47
A.I.S.M.	ASS.IT.SCLEROSI MULTIPLA GARDENIA		19	18										37
A.I.S.OS.	A.I.S.OS. OSTEOSARCOMA									30	25			55
ALICE IT.ONLUS	ALICE ITALIA				22									22
AMREF ITALIA	AMREF			28										28
ANLAIDS	ANLAIDS BONSAI LOTTA AIDS			12	22									34
ANT	ASSISTENZA MALATI TERMINALI						53							53
ASD DOGMA	HOMELESS ITALIAN CUP					24								24
ASS.AMICI DINO FERRARI	ASS.AMICI CENTRO DINO FERRARI									42				42
ASS.BABY NEL CUORE	BABY NEL CUORE		41	13										54
ASS.CASA OZ	CASA OZ				17	36								53
ASS.C.P.GIOVANNI XXIII	ASS.COMUNITA' PAPA GIOVANNI XXIII	4												4
ASS.CCSVI	CCSVI SCLEROSI MULTIPLA		9											9
ASS.CHILD.IN CRISIS IT.	CHILDREN IN CRISIS			13										13
ASS.COOP.RURALE AFRICA	ACRA COOPERAZIONE RURALE				26									26
ASS.DIABETE IT.	GIORNATA MOND.DEL DIABETE											12		12
ASS.ICEI	FORESTE PER LE PERSONE		44	13										57
ASS.LIMPE	GIORNATA PARKINSON											63		63
ASS.PIU'VITA	PIU' VITA ONLUS	30												30
AUT.GARANTE INFANZIA	GARANTE PER L'INFANZIA												44	44
AXE' ITALIA	PROGETTO AXE			12	13									25
CAF	CAF ASSIST.FAMIGLIE											59		59
CESVI	FERMIAMO AIDS SUL NASCERE												39	39
C.I.A.I.	CIAI CENTRO ITALIANO AIUTI INFANZIA			36										36
CIR	CIR CONSIGLIO IT.RIFUGIATI						31							31
COM.AMORE E L.	COMUNITA' AMORE E LIBERTA	5												5
COMUNITA' NUOVA	AIUTIAMOLI A CRESCERE										26			26
COOPI	EMERGENZA ALIMENTARE NIGER										15			15
COOP.IT.SVIL.	CRESCITA										18			18
COORDOWN	COORDOWN	1												1
DYNAMO CAMP	DYNAMO CAMP			9	14									23
EMERGENCY	EMERGENCY		17											17
EVENTS 365 &P.	SOLELUNA FESTIVAL						10	8						18
F.A.I.	RICORDATI DI SALVARE L'ITALIA										59			59
F.A.I.	I LUOGHI DEL CUORE						119			130	1			250
FED.ALZHEIMER IT.	PRONTO ALZHEIMER	27												27
FED.FIAGOP	FIAGOP		17											17
FOND.AIBO ITALIA	AIBO ASSISTENZA OSPEDALIERA BAMBINI									41				41
FOND.AIUTARE I BAMBINI	CUORE DI BIMBI		40											40
FOND.ARISLA	FONDAZIONE VIALLI E MAURO CONTRO SLA			34										34
FOND.B.D'INTINO	CENTRO BENEDETTA D'INTINO				25									25
FOND.CASA S.S.	ADOTTA UNA CELLULA	42												42
FOND.CUORE E C.	LOTTA ALLA MORTE CARDIACA				25									25
FOND.D.C.GNOCCHI	FONDAZ.DON CARLO GNOCCHI			14										14
FOND.FIBROSI CISTICA	FOND.FIBROSI CISTICA										35	19		54
FOND.FIRC	FOND.IT.RICERCA CANCRO				33									33
FOND.INSE'	HUB FOR KIMBONDO								29					29
FOND.MALAGUTTI	GIORNATA UNIVERSALE DIRITTI INFANZIA										27			27
FOND.MEM.SHOAH	FONDAZIONE MEMORIALE SHOAH	20												20
FOND.OLTRE LAB.	FONDAZ.OLTRE IL LABIRINTO				27									27
FOND.P.ARCA	PROGETTO ARCA	27												27
FOND.THEODORA	FONDAZIONE THEODORA	30												30
FOR A SMILE	FOR A SMILE	28												28
GICAM	GICAM										47			47
GLOBAL HUMANITARIA	BIMBE DELLA CAMBOGIA							9	40					49
GREENPEACE	5 X MILLE					46	1							47
HELP FOR LIFE	HELP FOR LIFE						24							24
L'ALBERO DELLA VITA	L'ALBERO DELLA VITA												18	18
LEGA FILO D'ORO	LEGA DEL FILO D'ORO	19	32											51
LEGA IT.LOTTA FIB.CIST.	LEGA IT.LOTTA CONTRO FIBROSI CISTICA	1												1
L.I.C.E.	LEGA IT.CONTRO EPILESSIA					24								24
MINISTERO SALUTE	AIDS FAI IL TEST												22	22
MINISTERO SALUTE	EDUCAZIONE ACQUATICA								83					83
M.L.F.M.	MOVIMENTO LOTTA FAME NEL MONDO	20												20
MOIGE	MOVIMENTO GENITORI						49	10						59
OSP.PED.BAMBIN GESU'	OSPEDALE PEDIATRICO BAMBIN GESU' ROMA							33	17					50
OXFAM ITALIA	CONTRO LA FAME NEL MONDO									103				103
OXFAM ITALIA	RIO 2012						40							40
PUBBL.PROGR.	PUBBLICITA' PROGRESSO	1												1
RYDER ITALIA	RYDER ITALIA				16	24								40
SAVE THE CHILDREN	SAFER INTERNET DAY		32											32
SAVE THE CHILDREN	EVERY ONE - STOP MORTALITA' INFANTILE										35	50		85
SMILE TRAIN ITALIA	SMILE TRAIN ITALIA											67	12	79
SOLETERRE	SOLETERRE											19		19
SOS ITALIA	ADOTTA UN BAMBINO A DISTANZA	23												23
SURVIVAL I.IT.	SURVIVAL PER POPOLI TRIBALI						41							41
TERRE DES HOMMES	DIRITTI DELLE BAMBINE										42			42
TWINS INT.	ALICE FOR CHILDREN			33										33
U.I.L.D.M.	UNIONE ITALIANA LOTTA DISTROFIA MUSCOLARE			9	15									24
UNHCR	UNHCR UN REFUGEE AGENCY						21							21
UNICEF	UNICEF					53								53
WE DAY ORG.	WE DAY FREE THE CHILDREN	12												12
WORLD FOOD PROG.	LUCE PER LA LIBERTA'												66	66
W.W.F.	W.W.F.			18		21					18			57

La7d PROGRAMMING SLOTS DEVOTED TO THE BROADCASTING OF SOCIAL CAMPAIGNS:

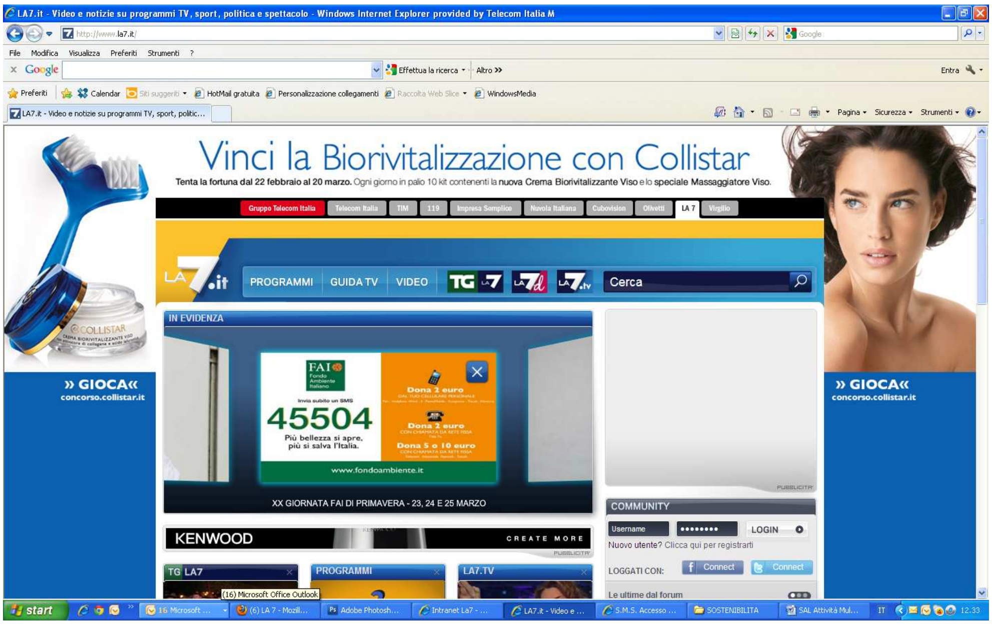
ACLI	5 X MILLE
ACRA	COOPERAZIONE RURALE IN AFRICA
AGIRE	EMERGENZA SIRIA
AI.BI.	ASSOC.AMICI DEI BAMBINI
A.I.P.D.	ASSOC.ITAL.PERSONE DOWN
AIRP	ASS. ITAL. RENE POLICISTICO
A.I.S.	A.I.S. SEGUIMI
AISLA	GIORNATA NAZIONALE SLA
A.I.S.M.	ASS.IT.SCLEROSI MULTIPLA GARDENIA
A.I.S.OS.	A.I.S.OS. OSTEOSARCOMA
ALICE ITALIA	LOTTA ICTUS CEREBRALE
AMREF ITALIA	AMREF
ANLAIDS	ANLAIDS BONSAI LOTTA AIDS
ASS.AMICI DINO FERRARI	ASS.AMICI DINO FERRARI
ASS.BABY NEL CUORE	BABY NEL CUORE
ASS.C.P.GIOVANNI XXIII	ASS.COMUNITA' PAPA GIOVANNI XXIII
ASS.CCSVI	CCSVI SCLEROSI MULTIPLA
ASS.CHILD.IN CRISIS IT.	CHILDREN IN CRISIS
ASS.DIABETE IT.	GIORNATA MOND.DEL DIABETE
ASS.ICEI	FORESTE PER LE PERSONE
ASS.LIMPE	GIORNATA PARKINSON
ASS.PIU'VITA	PIU' VITA ONLUS
AUT.GARANTE INFANZIA	GARANTE PER L'INFANZIA
AXE' ITALIA	PROGETTO AXE
CAF	CAF ASSIST.FAMIGLIE
CESVI	FERMIAMO AIDS SUL NASCERE
C.I.A.I.	CIAI CENTRO ITALIANO AIUTI INFANZIA
C.I.R.	CONS. ITALIANO PER I RIFUGIATI
CASA OZ	CASA OZ
CENTRO D'INTINO	CENTRO BENEDETTA D'INTINO
COM.AMORE E L.	COMUNITA' AMORE E LIBERTA
COMUNITA' NUOVA	AIUTIAMOLI A CRESCERE
COOPI	EMERGENZA ALIMENTARE NIGER
COOP.IT.SVIL.	CRESCITA
DYNAMO CAMP	DYNAMO CAMP
EMERGENCY	EMERGENCY
F.A.I.	RICORDATI DI SALVARE L'ITALIA
F.A.I.	LUOGHI DEL CUORE
FED.ALZHEIMER IT.	PRONTO ALZHEIMER
FED.FIAGOP	FIAGOP
FESTIVAL SOLELUNA	FESTIVAL SOLELUNA
FOND.ABIO	ASSISTENZA OSPEDALIERA BAMBINI
FOND.AIUTARE I BAMBINI	CUORE DI BIMBI
FOND.ANT	ASSISTENZA MALATI TERMINALI
FOND.ARISLA	FONDAZIONE VIALLI E MAURO CONTRO SLA
FOND.CASA S.S.	ADOTTA UNA CELLULA
FOND.CUORE E CIRC.	FONDAZIONE CUORE E CIRCOLAZIONE
FOND.D.C.GNOCCHI	FONDAZ.DON CARLO GNOCCHI
FOND.FIBROSI CISTICA	FOND.FIBROSI CISTICA
FOND.HELP FOR LIFE	HELP FOR LIFE
FOND.INSE'	FONDAZIONE INSE'
FOND.MALAGUTTI	GIORNATA UNIVERSALE DIRITTI INFANZIA
FOND.OLTRE LABIRINTO	FONDAZIONE OLTRE IL LABIRINTO
FOND.P.ARCA	PROGETTO ARCA
FOND.THEODORA	FONDAZIONE THEODORA
FOR A SMILE	FOR A SMILE
GICAM	GICAM
GLOBAL HUMANITARIA	GLOBAL HUMANITARIA
GREENPEACE	5 X MILLE
HOMELESS ITALIAN CUP	HOMELESS ITALIAN CUP
L'ALBERO DELLA VITA	L'ALBERO DELLA VITA
LEGA FILO D'ORO	LEGA DEL FILO D'ORO
LICE	GIORNATA NAZIONALE EPILESSIA
M.L.F.M.	MOVIMENTO LOTTA FAME NEL MONDO
MINISTERO SALUTE	AIDS FAI IL TEST
MINISTERO SALUTE	EDUCAZIONE ACQUATICA
MOIGE	PREVENZIONE ADESCAMENTO PEDOFILI
OSP.PED.BAMBIN GESU'	OSPEDALE PEDIATRICO BAMBIN GESU'
OXFAM	OXFAM
RYDER ITALIA	RYDER ITALIA
SAVE THE CHILDREN	EVERY ONE - STOP MORTALITA' INFANTILE
SAVE THE CHILDREN	SAFER INTERNET DAY
SMILE TRAIN ITALIA	SMILE TRAIN ITALIA
SOLETERRE	SOLETERRE
SOS ITALIA	ADOTTA UN BAMBINO A DISTANZA
SURVIVAL	VISIONI DEL MONDO
TERRE DES HOMMES	DIRITTI DELLE BAMBINE
TWINS INT.	ALICE FOR CHILDREN
U.I.L.D.M.	UNIONE ITALIANA LOTTA DISTROFIA MUSCOLARE
UNHCR	GIORNATA MONDIALE RIFUGIATO
UNICEF	VOGLIAMO ZERO
W.W.F.	GIORNATA OASI
W.W.F.	W.W.F.
WE DAY ORG.	WE DAY FREE THE CHILDREN
WORLD FOOD PROG.	LUCE PER LA LIBERTA'

IN THE MULTIMEDIA ARENA, MAINLY ON La7.it, THE FOLLOWING INITIATIVES WERE HOSTED:

1. AIL (Italian Association against Leukemia), MARCH 2012 — AN EASTER EGG FUNDRAISING CAMPAIGN

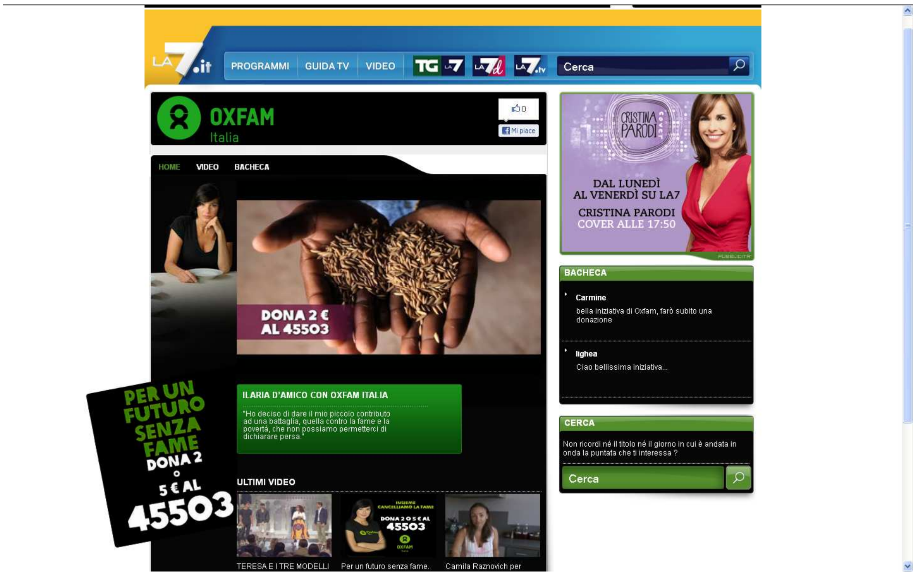


2. FAI (Italian Environment Foundation) CAMPAIGN, MARCH 15 – PRODUCTION OF A DEDICATED WEBSITE WITH AN INVITATION TO SEND A TEXT MESSAGE SUPPORTING THE FUNDRAISING CAMPAIGN



3. ILARIA D'AMICO WITH OXFAM ITALY — "For a future without hunger send a text message straightaway to the number 45503"

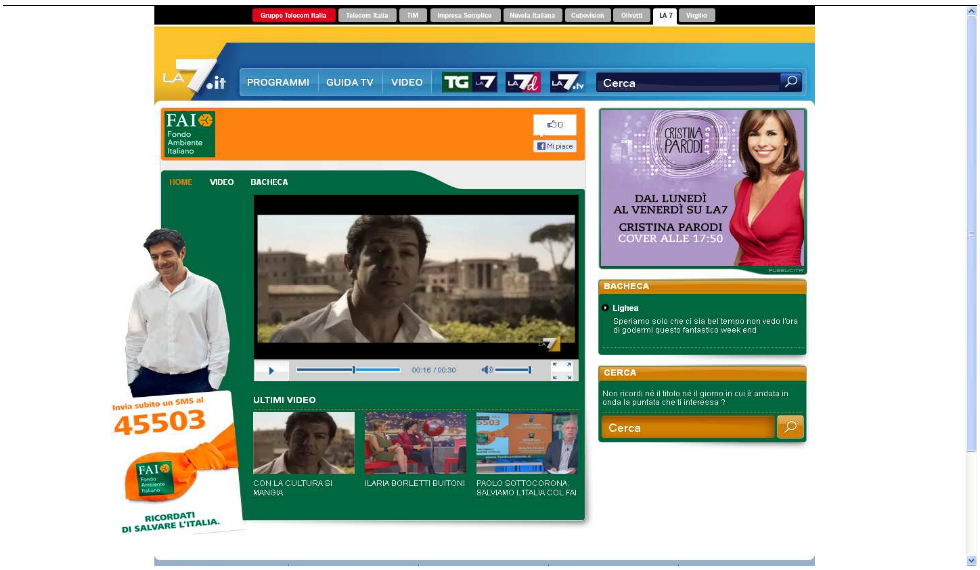
Between September 1 and 23, during the campaign period, a special environment was created within the www. La7.it website which published, in addition to mainstream adverts, videos produced by OXFAM to support the campaign: FOR A FUTURE WITHOUT HUNGER.



4. FAI (Italian Environment Foundation) – Fall fundraising campaign "Remember to save Italy"

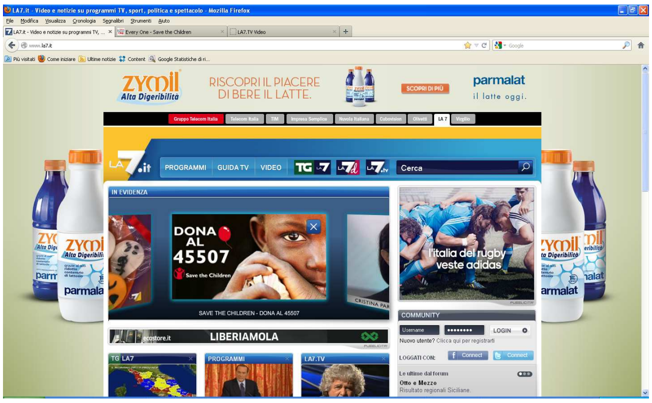
October 8 –28, 2012

During the campaign period a special space was created on the website, promoted by the La7.it homepage and La7's social channels, which hosted, in addition to institutional commercials, all the videos of the various guests on La7's program schedule who promoted the FAI campaign and the initiatives supporting Italy's artistic heritage.



5. SAVE THE CHILDREN

October 15 - November 11
During the “#ogni5secondi” campaign period, ample editorial visibility was given to all the spaces onLa7.it’s homepage with a direct link to the Save The Children website.



6. AIL (Italian Association against Leukemia) CAMPAIGN FOR THE FIGHT AGAINST LEUKEMIA, LYMPHOMA AND MYELOMA

7. EDISON CAMPAIGN “LIGHT FOR FREEDOM — FREEDOM FROM HUNGER”

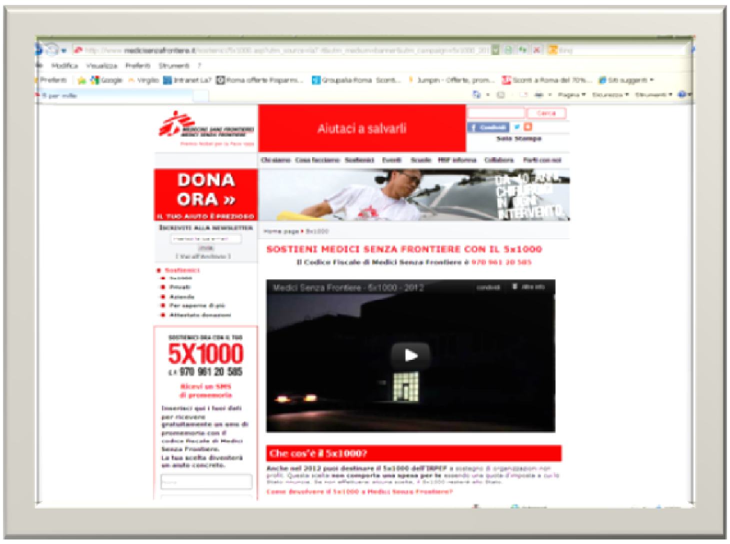
8. ITALIAN ENVIRONMENT FOUNDATION (FAI) CAMPAIGN

9. SAVE THE CHILDREN CAMPAIGN

10. WEB CAMPAIGN 5x1000 "*MÉDICINS SANS FRONTIÈRES* " — La7 Web circuit

Doctors without borders' campaign to promote 5x1000 donations.

Period: end of March – April 2012



(http://www.medicisenzafrontiere.it/sostienici/5x1000.asp?utm_source=la7.it&utm_medium=banner&utm_campaign=5x1000_2012&utm_content=home_page)

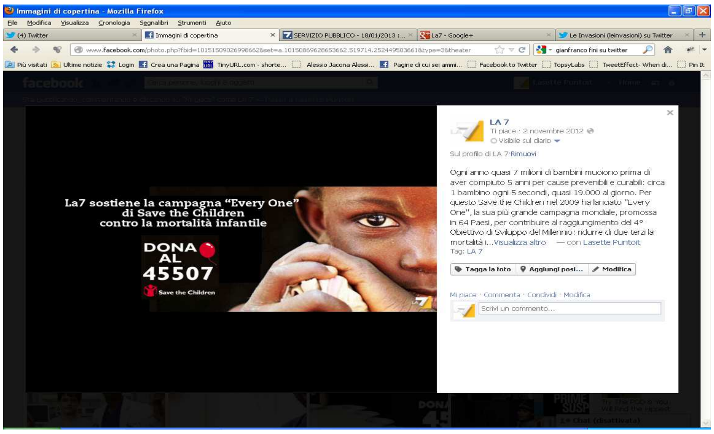
La7 hosted the following initiatives on the social media:

1. CAMPAIGN TO FREE ROSSELLA URRU

Ad hoc graphics were created for the profile and fan page on Facebook, whereas the hashtag #freeRossellaUrru was re-activated and promoted with the text, "La7 supports the campaign to free Rossella Urru #freerossellaurru."

2. SAVE THE CHILDREN

Personalization of La7 Facebook timeline image supporting the campaign and activation of hashtags set up by Save The Children to retweet the image fromLa7's twitter channel as well.



3. FAI (Italian Environment Foundation)

Personalization of La7's Facebook timeline image to support the campaign.

The contribution by MTV Italia was essential: it has become an instrument for raising awareness with its audience through socially relevant projects, both on television channels and websites:

EARTHQUAKE IN EMILIA:

- on Monday June 4, the national day of mourning for the victims of the earthquake in Emilia Romagna, MTV Italia modified its programming for the entire day. In conjunction with the minute of silence in schools, two hours of Music for Emilia were scheduled, serving as an opportunity to reflect on the dramatic events in the region and the concrete response to be provided to the emergency.

- MTV Italia participated in the fund-raising campaign for the Civil Defense Service (Euro 2.00 by text message to the number 45500), creating an ad hoc spot to promote aid, broadcast the entire day of June 4 for 31 total airings.

- on June 4 and for the rest of the week, the news special "Il terremoto dentro" was broadcast, providing a different point of view on an emergency that has affected Italy so many times in the past. The program illustrated the lives of young people from L'Aquila three years after the earthquake.

- the sites www.mtv.it and www.mtvnews.it also provided all of the information required for donations and contributions in other forms (from couch-surfing to the purchase of local food products), as well as useful numbers for those in earthquake zones and how to behave in the event of further tremors.

- Adotta una scuola: the social initiative aimed at **raising funds to renovate the school ISS Galilei in Mirandola** was presented on June 29 at MTV Days 2012. The **Adotta una scuola** initiative was made possible by the online sale of the song "**Se il mondo fosse,"** written by Emis Killa and also performed by Club Dogo, J-Ax and Marracash during the most recent edition of the MTV Days event in Turin (number-one download for a week). A **videoclip** was created with the performance at MTV Days, including all fund-raising information, in rotation on all MTV channels, provided free of charge to other media. Mtv.it, mtvnews.it and MTV's FB page all supported the Adopt a School initiative.

- The next stage of the **"Adotta una scuola"** initiative was the day spent by the rapper **Emis Killa** in **Mirandola** who handed over to the **Istituto Superiore Galileo Galilei** the funds collected from the sale of the track "Se il mondo fosse". The handover was filmed by MTV's cameras and went on air on **Saturday November 3** on Mtv Italia (channel 8 of DTT) in all the daily editions of MTV News, at **2.20p.m., 4.00p.m., 5.15p.m., 6.30p.m. and 8.20p.m.**, and then published online on the www.mtvnews.it website.

When the funds collected were handed over, the sale was launched of **"Rap per l'Emilia"** T-shirts, with some of the proceeds going to the school.

MUSICA PER MELISSA
In May, a solidarity initiative was held for Melissa Bassi, the young woman who died in an attack in Brindisi on May 19. During the national day of mourning for Melissa's funeral, MTV's programming was modified to devote two hours to the young woman's favorite music, reaching out with appeals and messages to fans on our social networks, as well with thousands of contacts and messages expressing solidarity with the young woman.

COMMUNITY DAYS AND THE COMMERCIAL FOR "COMUNITÀ NUOVA"
In April, a video was conceived and produced for the internal MTV initiative Community Days, along with the non-profit Comunità Nuova di Don Gino Rigoldi. A spot was then created for fund-raising by text messages with Elio (of Elio and Le Storie Tese band) and Don Gino Rigoldi, also for the non-profit Comunità Nuova.

IO VOTO LA MIA SCUOLA
In October and November 2012, two events took place on the ground on the topic of participation and voting entitled "Io Voto la mia scuola" at the schools IIS Primo Levi in Turin and IIS Paolo Baffi in Fiumicino (Rome). The videos of the events produced were later posted on the www.mtv.it/iovoto website.

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). Generally, certification control of sub-contractors is 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 sub-contractors;
- 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 sub-contracting, 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 within each individual Telecom Italia Media Group company 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 2012, 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. 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 by the Investor Relations function. 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 that this function holds 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) promoting the respect of the workers' right.

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 December 31, 2012	Workforce at December 31, 2011	Change
699	728	(29)

At December 31, 2012, the workforce numbered 699 units, showing a decrease of 29 units compared to December 31, 2011. This change included the overall decrease of -5 indefinite-term employees (TI Media/La7 +21, Network Operator -3, MTV Group -23) and the overall decrease of -24 in fixed-term employees (TI Media/La7 -14, MTV Group -10).

(units)	12/31/2012	12/31/2011	Change
(*) TI Media	40	497	(457)
(*) LA7	464	0	464
MTV Group	148	181	(33)
Network Operator	47	50	(3)
Group Total	**699**	**728**	**(29)**

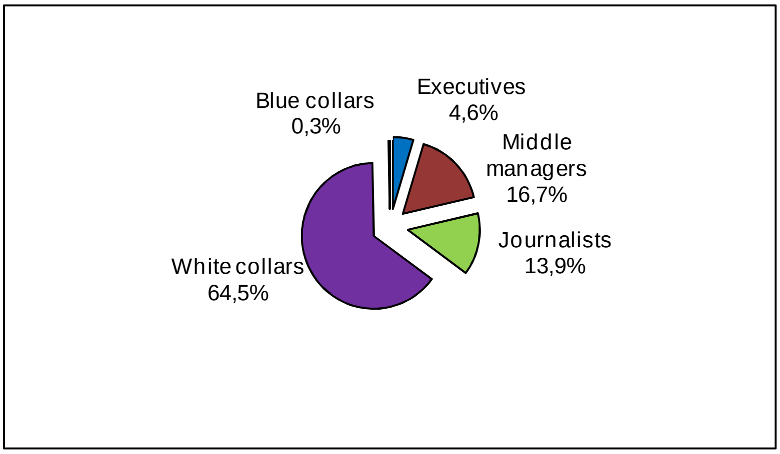
(*) On September 1, 2012, the transfer to La7 S.r.l. of the *Television Department* business unit of Telecom Italia Media S.p.A. became effective.

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

(units)	12/31/2012	12/31/2011	Change
Executives	32	32	0
Middle managers	117	123	(6)
Journalists	97	98	(1)
White collars	451	472	(21)
Blue collars	2	3	(1)
Group Total	**699**	**728**	**(29)**

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

Telecom Italia Media Group



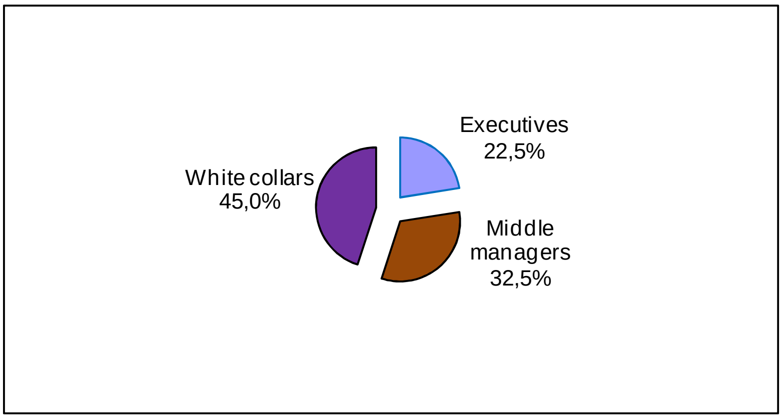
TELECOM ITALIA MEDIA S.p.A.

Workforce at December 31, 2012	Workforce at December 31, 2011	Change
40	497	(457)

At December 31, 2012, Telecom Italia Media S.p.A.'s workforce numbered 40, with an increase of 457 units compared to December 31, 2011, as a result of the transfer to La7 S.r.l. of the *Television Department* business unit of Telecom Italia Media S.p.A., effective September 1, 2012.

The breakdown of Telecom Italia Media S.p.A. workforce by professional category, net of the aforementioned business unit transfer, was as follows:

Telecom Italia Media S.p.A.



ORGANIZATION

Pursuant to service order No. 90 of March 29, 2012, responsibility for the Administration and Control Function was assigned to Luigino Giannini.

The composition of the Telecom Italia Media S.p.A. Investment Committee was redefined by organizational directive No. 91 of April 26, 2012.

Pursuant to general directive No. 92 of June 15, 2012, Vice Chairman and Managing Director Giovanni Stella is at the apex of the TI Media Group Department, headed by General Manager Marco Ghigliani – to whom the company Telecom Italia Media Broadcasting reports – as well as the Television Department, temporarily headed by Giovanni Stella, to which the following functions report: Administration and Control, headed by Luigino Giannini, Human Resources, headed by Fabio Locatelli, Legal and Regulatory Affairs, headed by Monica Caccavelli, Purchasing and Production, headed by Michela Vanetti, External and Institutional Affairs, temporarily headed by Giovanni Stella, Information Technology, headed by Lorella Scalcione, Security Facility Management and SPPA, headed by Paolo Spinelli, the Network and Multimedia Department, headed by Paolo Ruffini, the News and Sport Department, headed by Enrico Mentana, Operations Department, headed by Simone Madoni, and Marketing & Sales, headed by Quintilio Tombolini. In addition, the activities and resources of the previous Production function have been assigned to the Network and Multimedia Department and the News and Sport Department, to the extent of their respective competence.

On July 6, 2012, within the Television Department, the following organizational instruction were issued:

- No. 93, according to which the Administration and Control function was divided into the functions Administration & Financial Reporting and Budgeting & Management Control;
- No. 94, according to which the mission of the Purchasing & Production function was defined;
- No. 95, according to which the Network & Multimedia Department function was divided into the functions Programming and Network Image, Program Development – in turn divided into the functions Scouting & Innovation, Program Coordination and Network Production – and Rights & Multimedia Management. In addition, the News & Sport Production function was instituted within the News and Sport Department function;
- No. 96, according to which the Operations function was divided into the functions Technology & Media Development, Technical Management and Playout Services;
- No. 97, according to which the Marketing & Sales function was divided into the functions Marketing & Advertising Planning, Sales & Partnership Management and Marketing Communication;
- No. 98, according to which the production accounting support for the Television Department is provided by Ruggero Sartarelli.

Pursuant to general instruction No. 99 of July 6, 2012, issued following resolution of the Board of Directors of Telecom Italia Media S.p.A. on June 28, 2012, which vested the Chairman Severino Salvemini with the responsibility for the overall governance of the Group, the Company defined its organizational structure.
The **TI Media Group General Management,** headed by Marco Ghigliani, and the **Television Department**, headed by Giovanni Stella and maintaining the organizational structure previously defined, report directly to the Chairman Severino Salvemini. Within the TI Media Group General Management, the following functions report to Marco Ghigliani: Administration, Control & Investor Relations headed by Luigino Giannini who, *ad interim*, keeps his previous responsibilities in the Television Department, Group Legal headed by Valeria Savarese, Human Resources, Facility & Security headed by Fabio Locatelli, who, *ad interim*, keeps his previous responsibilities in the Television Department, Regulatory Affairs headed by Bianca Papini, External Relations headed by Federica Moroni, and Purchasing assigned *ad interim* to Marco Ghigliani.

As indicated in the communication of October 3, 2012, September 1 was the effective date of the contribution to La7 S.r.l. of the business unit identified in the Television Department of Telecom Italia Media S.p.A. The same communication also reported the appointment by the Board of Directors of La7 S.r.l. of Giovanni Stella as Chairman of the Company and the directors, in the person of Marco Ghigliani – General Manager of TI Media Group – and Luigino Giannini – Head of Administration, Control & Investor Relations of TI Media.

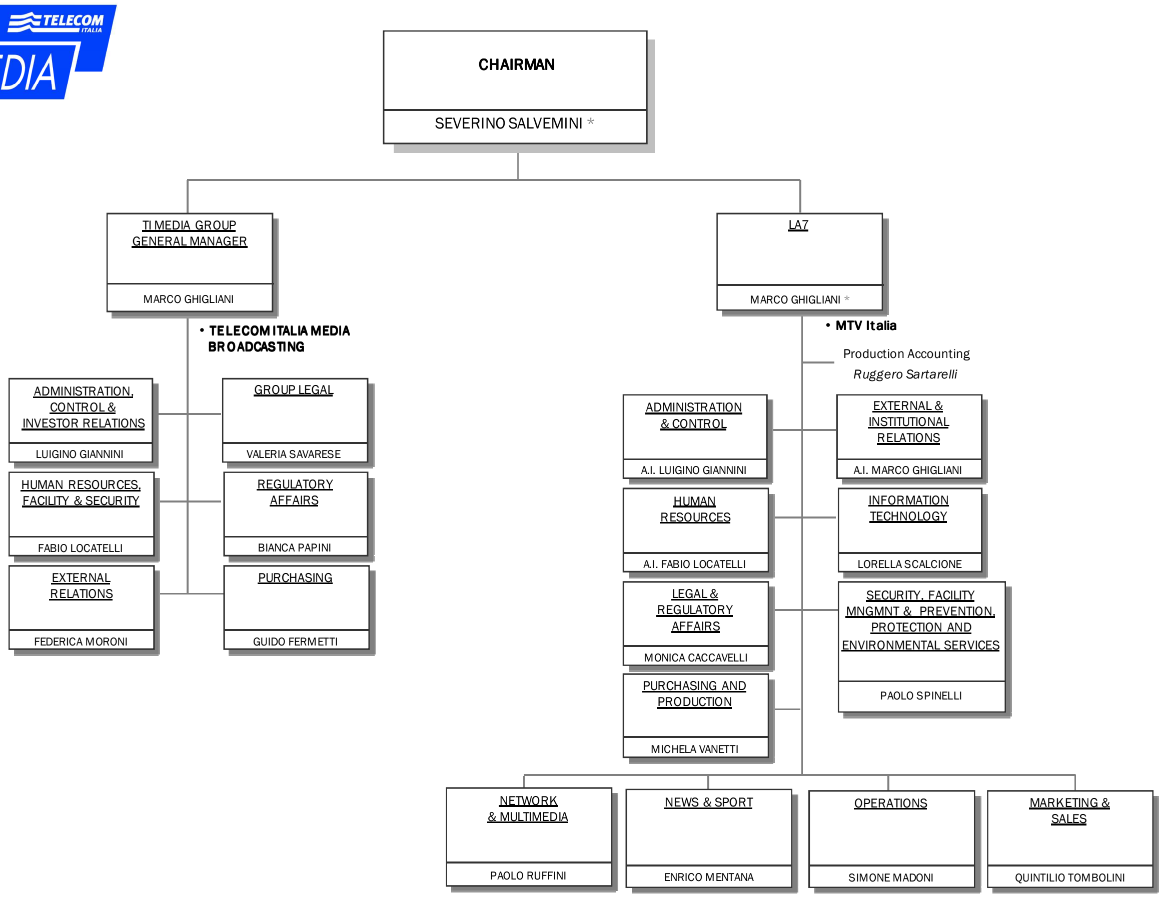
Pursuant to general instruction No. 1 of October 3, 2012, the company La7 S.r.l. organizational structure was set up, with the following functions reporting to the Chairman Giovanni Stella: Administration & Control, headed *ad interim* by Luigino Giannini, Human Resources, headed *ad interim* by Fabio Locatelli, Legal & Regulatory Affairs, headed by Monica Caccavelli, Purchasing & Production, headed by Michela Vanetti, External & Institutional Relations, headed *ad interim* by Giovanni Stella, Security, Facility Management and SPPA, headed by Paolo Spinelli, Network & Multimedia Department, headed by Paolo Ruffini, News & Sports Department, headed by Enrico Mentana, Operations Department, headed by Simone Madoni, Marketing & Sales, headed by Quintilio Tombolini and Information Technology, headed by Lorella Scalcione. The company MTV Italia, which maintains the organizational structure previously defined, also reports to the Chairman of La7.

On October 3, the following organizational instructions were issued within the company La7 S.r.l.:

- No. 2, according to which the Administration & Control function was divided into the functions Administration & Financial Reporting and Budgeting & Management Control;
- No. 3, according to which the mission of the Purchasing & Production function was defined;
- No. 4, according to which the Network and Multimedia Department function was divided into the functions Programming & Network Image, Program Development and Rights & Multimedia Management. In addition, the Program Development function was divided into the functions Scouting & Innovation, Program Coordination and Network Production;
- No. 5, according to which the Operations function was divided into the functions Technology & Media Development, Technical Management and Playout Services;
- No. 6, according to which the Marketing & Sales function was divided into the functions Marketing & Advertising Planning, Sales & Partnership Management and Marketing Communication;
- No. 7, according to which the Production Accounting support is provided by Ruggero Sartarelli;
- No. 8, which set up the Production News and Sport function, reporting directly to the News & Sport Department.

Pursuant to service order No. 100 of November 16, 2012, responsibility for the Purchasing function of Telecom Italia Media S.p.A. was assigned to Guido Fermetti.

With notice dated January 16, 2013 of La7 S.r.l., following the resolution of the Board of Directors of December 13, 2012, Severino Salvemini was appointed Chairman and Marco Ghigliani Managing Director, vesting the latter with powers for operating management.



CHAIRMAN
SEVERINO SALVEMINI *
TI MEDIA GROUP GENERAL MANAGER
MARCO GHIGLIANI
• TELECOM ITALIA MEDIA BROADCASTING
ADMINISTRATION, CONTROL & INVESTOR RELATIONS
LUIGINO GIANNINI
GROUP LEGAL
VALERIA SAVARESE
HUMAN RESOURCES, FACILITY & SECURITY
FABIO LOCATELLI
REGULATORY AFFAIRS
BIANCA PAPINI
EXTERNAL RELATIONS
FEDERICA MORONI
PURCHASING
GUIDO FERMETTI
LA7
MARCO GHIGLIANI *
• MTV Italia
Production Accounting
Ruggero Sartarelli
ADMINISTRATION & CONTROL
A.I. LUIGINO GIANNINI
EXTERNAL & INSTITUTIONAL RELATIONS
A.I. MARCO GHIGLIANI
HUMAN RESOURCES
A.I. FABIO LOCATELLI
INFORMATION TECHNOLOGY
LORELLA SCALCIONE
LEGAL & REGULATORY AFFAIRS
MONICA CACCAVELLI
SECURITY, FACILITY MNGMNT & PREVENTION, PROTECTION AND ENVIRONMENTAL SERVICES
PAOLO SPINELLI
PURCHASING AND PRODUCTION
MICHELA VANETTI
NETWORK & MULTIMEDIA
PAOLO RUFFINI
NEWS & SPORT
ENRICO MENTANA
OPERATIONS
SIMONE MADONI
MARKETING & SALES
QUINTILIO TOMBOLINI

DEVELOPMENT/TRAINING AND INCENTIVES

Training activities carried out in 2012 totaled about 7,900 hours, equal to a per-capita average of 11 hours (calculated on the average workforce employed at December 31, 2012).

The development of a project management culture was the most focal point for the training measures implemented in the first six months of the year. The professional figures involved amounted to 35% of the Telecom Italia Media Broadcasting population, with particular reference to resources working in network planning, development and management, in addition to 20 TI Media employees, to whom responsibility for certain editorial and production components for the creation of our television programs is entrusted. This group of employees attended an important team building exercise, based on an improvisation workshop intended to improve the interactions between various roles within the company involved in process management, in order to improve efficiency and speed of operation.

In accordance with the provisions of the agreements issued by the Central Government/Region Conference in reference to Legislative Decree No. 81/2008, in the second half of the year TI Media completed a training process concerning workplace health and safety issues. The courses, characterized by a theoretical-practical approach, lasted two days for supervisors and executives and one day for other personnel, including journalists, and allowed all employees to obtain information and tools to strengthen a culture of protecting health and safety, both for themselves and all other people in the workplace. Again with regard to health and safety in the workplace, TIMB technical personnel, who work on site, attended a specific four-day course for personnel performing temporary work at height using rope access and positioning techniques, after which they received a certificate from the National College of Alpine Guides.

All employee health and safety training will be completed by the end of February 2013.

The activities described above represented 70% of the total number of training hours delivered.

Additional training was provided in the following areas:

- English language training, through individual courses;
- Organizational Model 231, for personnel who did not complete the training course in 2011;
- recording of audience share for MTV Italia personnel with the aim of raising awareness of the basic principles of viewership analysis, also in order to further analyze the implications of Auditel data on advertising planning.

With regard to managerial training and continuing the program of 2011, individual public speaking courses were organized for managerial staff, funded by Fondirigenti.

This represented 30% of the total.

In addition, relationships continued with the academic world through the selection of two interns – from the Making TV master's program offered by the School for Advanced Media, Communication and Entertainment Studies of Università del Sacro Cuore of Milan – to be placed in the Network and Multimedia Department within the Program Development function.

In the area of **Resource Development Systems**, development processes and training courses in support of areas of improvement were defined for the personnel involved in assessment activities in 2011, along with those responsible for such activities. During the second half of 2012, the assessment activities involved two additional members of staff.

With reference to compensation processes, the performance-based salary components were generally assessed at the end of the year, and involved the award of mainly "one-off" bonuses, according to extremely rigorous, selective criteria. Almost all the members of staff receiving bonuses were within the business functions.

With regard to management incentives policies, during 2012 the traditional MBO system was not adopted. This decision, which referred to all the companies in the TI Media Group, was taken as a result of the business trend relating to the disposal of the business unit and the related restructuring operations. This process has not allowed the effective structuring of objectives according to a timeframe consistent with the framework of an efficient MBO system. In order to enable the continuation of specific performance appraisals by Management, for 2012 an assessment system was put in place that, as mentioned, focuses on the assessment of individual performances.

The appraisal process will cover three areas of performance, common to all staff.
In further detail:

1. performance during the year: this area relates to a "final" evaluation of the contribution made by the employee to all the activities that allow the Function to fulfill its mission.
2. professional excellence: this area evaluates the expertise deployed by an employee in the reference period, with a particular focus on:
    a. problem solving;
    b. decision-making capabilities.
3. valorization of company resources: this indicates the capacity to make the most of the resources within the company (human, industrial, technological, financial, etc.).

With regard to **Internal Communications**, the company has increased the information flow available on the Intranet. Greater emphasis has been given to issues relating to organizational changes and to the network programs and audience share; the press coverage has also been strengthened and made more accessible by simplifying access procedures.

During 2012, TI Media Group companies contributed to the development and implementation of important social projects, promoting participation of the workforce and obtaining high level of adherence. More specifically:

- on May 20, 74 employees of La7 participated in the "Race for the Cure," a marathon dedicated to the fight against breast cancer and support to early diagnosis, for the benefit of female colleagues;

- on May 25, in the studios of Via Novaro, the company organized the customary "Open Doors" event, which aims to enhance the involvement of employees' families. Approximately 80 of our employees' children up to 10 years participated in the event;

- in December, close to the holiday season, an event was organized during which a large number of employees along with several network celebrities shared the results of the year and exchanged Christmas greetings; in this occasion, a cash contribution was donated to the "Save the Children" non-profit organization.

In addition, for many years the company has been paying particular attention to voluntary blood donation: at least twice every six months the company hosts the "AVIS" association's bloodmobiles in the area in front of our headquarters, with the aim of promoting and encouraging this fundamental gesture of solidarity of many colleagues donors.

INDUSTRIAL RELATIONS

With respect to the journalism staff, it should be noted that on January 12, 2012 an agreement was signed with the Editorial Committee of Telecom Italia Media S.p.A. concerning the regulation of certain rate increases for night work, regarding in particular the specific time conditions applicable to employment services. The agreement also governs various provisions relating to work on holidays.

On June 28, 2012, the Company initiated the procedure for compliance with Article 47 of Law No. 428/1990 in connection with the transfer to La7 S.r.l. of the business unit coinciding with the Television Department, pursuant to general directive No. 92 of June 15, 2012. In the following month of July 2012 the company met with trade unions for the prescribed joint review process.

On July 10, 2012, at the headquarters of the National Federation of the Italian Press (F.N.S.I.), in Rome, a meeting was held with representatives of the journalists' unions. The meeting was attended by the Editorial Board of Telecom Italia Media S.p.A., F.N.S.I., the Lombardy Association of Journalists and the Rome Press Association. As no subsequent meeting was held with the journalists' unions, on July 20, 2012 the joint review was concluded, due to expiration of the legal time limit.

On July 12 and 20, 2012, at the headquarters of Unindustria in Rome, the company met with Telecom Italia Media S.p.A. Single Union Representative Body (R.S.U.) and the National and Local Union Organizations of SLC CGIL, CISL FISTEL, UILCOM UIL in order to carry out the procedure provided for by Article 47 of Law No. 428/90.
On July 20, 2012 the company met with the National Union of Industrial Companies' Managers (Federmanager).

At the end of discussions, the Parties signed the respective minutes attesting the completion of the procedure.

Having completed the required legal procedures, with effect from September 1, 2012, Telecom Italia Media S.p.A. transferred to La7 S.r.l. the business unit consisting of the Television Department operations.

On November 22, 2012, La7 S.r.l. entered into two separate agreements with the Single Union Representative Body and the National and Local Union Organizations of SLC CGIL, CISL FISTEL, UILCOM UIL concerning the time interval between two fixed-time contracts for the same worker, and the continued validity in La7 S.r.l. of the union agreements already applied in Telecom Italia Media S.p.A.

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 by Legislative Decree No. 44 of March 15, 2010 (the amended version of Legislative Decree No. 177/05 is also referred to as 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 amendments brought to the Consolidation Law have had no impact whatsoever on broadcasts onLa7 and MTV, which were already subject to the rules binding on analog broadcasting licensees.

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 achieve a corporate structure that allows it to act as digital terrestrial broadcaster and digital terrestrial network operator.
Specifically, Telecom Italia Media Broadcasting has been the Group's network operator, and La7 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 channelsLa7 and MTV (former analog concessions).

Regulation of LCN channels

On August 31, 2012, the Automatic Channel Numbering Plan set forth in resolution 366/10/CONS were cancelled pursuant to the publication of four judgments, Nos. 4658/12, 4659/12, 4660/12 and 4661/12, handed down in proceedings brought by Telenorba, SKY and certain local broadcasters. The plan was criticized particularly harshly in judgments Nos. 4659/12 and 4660/12, and above all, in the latter, entered in proceedings launched by Telenorba, which cancels, in favor of the local broadcaster, the assignment of channel numbers 7, 8 and 9 to La7, MTV and DeeJay, on the grounds, with regard to MTV and DeeJay, that neither of them qualified as generalist broadcasting networks, given that they focused largely on musical content specifically targeted at a young audience.

In compliance with the said judgments, by order of September 4, 2012, the Italian regulatory authority AGCOM suspended the current LCN allocations until the adoption of a new Plan which, given the procedural complexities involved, is scheduled to be issued within 180 days following the launching of the related public consultation.
Following the public consultation which ended in mid-November 2012, AGCOM launched a new survey on the habits and propensity of users, the results of which are not known at this time.

TIMedia believes that the new LCN plan of the Authority:

- cannot question the LCN 7 assignment toLa7, intended as seventh position after the six "generalist" channels of RAI and Mediaset. The judgment No. 4660/12 does not put forward any reasons with regard to the cancellation of LCN 7;
- can reassign the LCN 8 position to MTV, as it is not correct to consider MTV as a non generalist and music target broadcaster, as the "generalist" character is inherent in the obligations and commitments of former analog concessionaires. Furthermore, the opinion survey on the habits and preferences of users has consistently confirmed the presence of MTV on the remote control button 8 in higher percentage than all other broadcasters.

LCN Litigation

The Council of State adjourned to May 17, 2013 the discussion of the application brought by Telenorba for compliance with the judgment annulling the LCN Plan of AGCOM and the allocation of LCNs 7-8-9 (Council of State No. 4660/12). It considered it necessary to first discuss the application for revision of the judgment lodged by TI Media, MTV and All Music (Espresso Group).
The discussion of the revision was set for April 5, 2013, close to the deadline for the publication of the new LCN plan by AGCOM (mid-April 2013).

Transposition of the revised European framework for electronic communications networks and services

The new Code of Electronic Communications (Legislative Decree No. 70/12 that amends Legislative Decree No. 259/03), that transposes into Italian legislation European rules and regulations pertaining to: (i) electronic communications networks and services; (ii) access to electronic communications networks and related resources, as well as the interconnection of such networks; (iii) authorizations per communications services and networks, was published in the Official Journal of the Republic of Italy on May 31, 2012.

The new code of Electronic Communications entrenches the principle of technology and service neutrality in respect of the entire bandwidth spectrum allocated to electronic communications services and networks after June 30, 2012. The principle in question imposes restrictions on, *inter alia*, the promotion of cultural and linguistic diversity and media plurality, including through radio and television broadcasting services.
The industry regulator AGCOM and the Ministry of Economic Development (MISE) may allow network operators assigned frequencies prior to June 30, 2012, to apply, no later than May 25, 2016, for a review of the restrictions imposed on their bandwidth user rights that are not scheduled to expire within the following five years.

Digital frequencies

AGCOM Resolution No. 181/09/CONS, transposed into primary legislation pursuant to Article 45 of Law No. 88/2009, sets the rules for the full digitalization of terrestrial television networks, on the basis of which the Ministry of Economic Development has established the temporary assignment of user rights on digital frequencies. This regulatory measure had become necessary following the infringement procedure 2005/5086 against the Italian State, in which the EU Commission identified the need for an adjustment of the Italian television system and of the issue of frequencies assignment to RAI and Mediaset.
Also as part of the actions undertaken to overcome the remarks of the EU Commission in 2010, AGCOM, by means of Resolution No. 497/10/CONS, provided for the completion of a beauty contest for the allocation of rights to use the digital dividend frequencies. Following the publication of Law No. 44/12 in the Official Journal of the Republic of Italy on April 28, 2012, the beauty contest was canceled and was replaced with an open-bid tender process according to new criteria to be established by AGCOM.

Even though TIMB, a digital terrestrial network operator belonging to the Telecom Italia Media group, held all the permits, authorizations and rights to operate a total of four national networks using two analog (for the La7 and MTV channels) and two digital (for MBONE and TIMB1) frequencies, its rights were violated given that, since 2009, it was assigned only 3 DVB-T digital frequencies (CH 47 UHF, CH 48 UHF and CH 60 UHF).
The Group submitted an appeal (Docket No. 9621/09) to the Regional Administrative Court of Lazio in 2009 challenging the Ministry's determinations regarding the assignment of digital frequencies, seeking primarily:

- to set aside the ministerial determinations which assign no more than three frequencies, moreover, all qualitatively inferior to the frequencies allocated to RAI and Mediaset, as well as to assert TIMB's right to the allocation of four frequencies;

and subordinately:

- to obtain an award of damages for the non-assignment of the fourth frequency (on the basis of a market value of a MUX of at least Euro 240,000,000), as well as for the delay in proceeding with the required frequency allocation (Euro 1,740,000 per Mbit/sec per year).

The same application for judicial review also challenges the assignment of CH 60 UHF which is affected by interference from LTE-800 mobile telecommunications transmissions (carried on the former television broadcasting channels 61-69 UHF) and the lack of international cooperation with Malta (compromising the channels viewing in Sicily) and accordingly, fails to meet the quality standards of the frequencies assigned to competing Italian broadcasters.
The hearing for the appeal 9621/09 in front of the Regional Administrative Court of Lazio is scheduled for May 8, 2013.

TIMB filed a motion (Docket No. 4746/12) impugning the order authorizing the redemption of the three performance bonds that the company had signed in order to take part in the beauty contest. The said order was, in fact, based on the legislative cancellation of the beauty contest and its replacement with an auction. TIMB sought, by way of interlocutory motion:

- the suspension of the order, after forwarding of the entire record to the Constitutional Court or, otherwise, referral of the matter to the European Court of Justice, where necessary, with the ensuing obligation to conclude the beauty contest, as well as
- cover damages:
  - costs for drawing up the three applications (Euro 357,890.23); personnel costs for staff members unable to devote themselves to their usual tasks and duties (Euro 135,100.00); unused investments for the introduction of DVB-T2 technology (Euro 3,937,600.00); unquantifiable investments for HD broadcasts onLa7 and La7d;
  - expectations as per the proposed Strategic Plan which forecast profits (EBIT) totaling Euro 105,201,000.00 over ten years with binding contracts for Lot C (for which TIMB was the only qualified contender), as well as profits of Euro 171,186,000.00 over the same period, including Euro 67,258,000.00 generated through binding contracts for one of the two Lots B (for which RAI could not have qualified as a contender, given its failure to meet the requirements imposed under the call for participation to the contest, and the related rules).

The Regional Administrative Court of Lazio, at the hearing in chambers on July 11, 2012, referred discussion on the merits, which will be fixed once the AGCOM has approved the new auction criteria.

At the end of 2012, AGCOM launched a consultation on the draft resolution for the new auction for the allocation of the internal digital dividend.
The plan provides for the auction of 3 lots with frequencies below 700 MHz (LOTS L) and 20 year duration and 3 lots with frequencies above 700 MHz (LOTS U), with a limited duration until December 31, 2017. The starting price is not defined.
TIMB is excluded from participation in the first-price sealed bid auction for the LOTS L, as, once again, it has been put on equal footing with RAI and Mediaset. Due to this limitation, TIMB is the only operator that will not be able to hold 4 DVB-T for twenty years.
During consultation, TIMB asked for (i) a market analysis in order to identify the actual strength of market operators, (ii) the introduction of corrective measures for the protection of competition, (iii) a clarification on the structural nature of the 5 MUX cap, (iv) the settlement of the revocation of illegally allocated frequencies and unused DVB-H frequencies, (v) a ban on the incumbents' participation in the auction, as well as the immediate replacement of channel 60 UHF with the 55 UHF frequency included in the Lots U put on auction.
The new regulation could be finalized in the first months of 2013, after receiving the formal opinion of the EU Commission.

Law No. 44/12 also provides that AGCOM is to establish the administrative contributions for the use of television frequencies by network operators. The new system of contributions applicable to digital terrestrial television broadcasters is scheduled to enter into force as of January 1, 2013, and may not entail any additional government spending. Through to the end of 2012, accordingly, the license fee system shall continue to apply to activities conducted by former analog television broadcasting licensees.

The law also provides for measures aimed at promoting the incorporation of DVB-T2 technology into television sets and decoders. In accordance with said law, as of January 1, 2015, all television sets purchased wholesale from manufacturers by retailers must incorporate a digital tuner for receiving DVB-T2 broadcasts with MPEG-4 encoding, it being further understood that the same, or more advanced standards, must be met by all television sets sold to consumers in Italy as of July 1, 2015.

Switch off

As required under law, on July 4, 2012, after digitalizing the regions of Abruzzo, Molise, Puglia, Basilicata, Calabria and Sicily, the switch-off process — which had started in Sardinia in 2008 — was completed all over Italy.

Contest for the 800 Band

On December 31, 2012, the procedure for the release of the channels 61-69, already allocated to the local broadcasters during the switch-off stages of 2008, 2009 and 2010, was completed with a total indemnity in the amount of Euro 175 million.

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.

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 byTelecom 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).

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

DGTVI: Associazione italiana per il Digitale Terrestre (Italian association 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).

DVBH: 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 optimizing 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 par-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.

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).

MTVHITS.IT: Website dedicated to stars, with videos, news and in-depth 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 605 and 606 satellite channels (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.

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.

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.

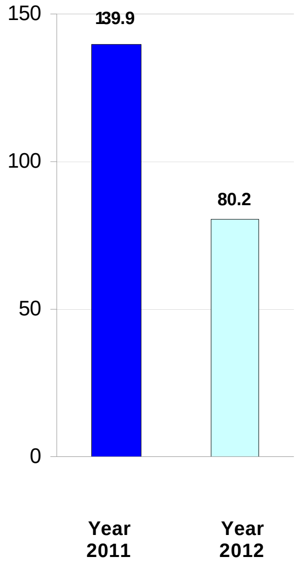
TELECOM ITALIA MEDIA S.p.A.

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

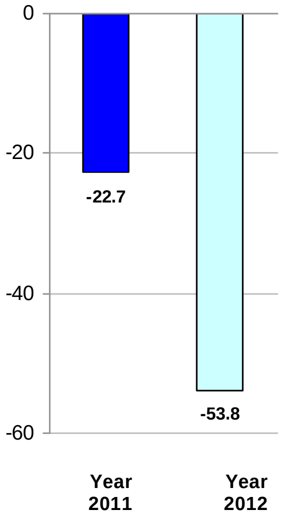
FOREWORD

Following the contribution, effective September 1, 2012, of the television business units to La7 S.r.l., the figures reported below include for the 2011 and 2012, respectively, 12 months and 8 months of television activities. Furthermore, considering that 2011 included Euro 20.5 million for the indemnity related to the early termination of the Competence Center agreement and Euro 38.1 million for goodwill writedown (Euro 40.3 million in 2012), in this annual report as of December 31, 2012 earnings results have been presented both on a like-for-like basis, i.e., showing the relevant amounts separately, and in overall terms. Following the early adoption of IAS 19 (Revised 2011) – *Employee Benefits* ("IAS 19R 2011"), which requires a retrospective application, data from financial year 2011 used for comparison were restated ("Restated").

Revenues
(in millions of euro)



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



(in millions of euro)		Year 2012	Year 2011 (Restated)
OPERATING AND FINANCIAL HIGHLIGHTS			
Revenues		**80.2**	**139.9**
EBITDA [(1)]		**(53.8)**	**(2.2)**
	% on revenues	*(67.1)*	*(1.6)*
Comparable EBITDA[(2)]		**(53.8)**	**(22.7)**
	% on revenues	*(67.1)*	*(16.2)*
Operating profit (loss)		**(113.5)**	**(67.8)**
	% on revenues	*(141.5)*	*(48.5)*
Comparable operating profit (loss) [(3)]		**(73.2)**	**(50.2)**
	% on revenues	*(91.3)*	*(35.9)*
Profit (loss) before tax from continuing operations		**(199.2)**	**(69.9)**
Profit/(loss) for the year		**(178.1)**	**(61.5)**
Investments:			
- Industrial		**18.6**	**31.1**
- Financial		-	-
		12/31/2012	**12/31/2011**
BALANCE SHEET HIGHLIGHTS			
Invested capital		**190.7**	**292.2**
Equity		56.2	234.3
Net financial position		134.5	57.9
EMPLOYEES		**12/31/2012**	**12/31/2011**
Personnel (at year-end) [(4)]		**40**	**497**
		Year 2012	**Year 2011**
Average employees [(5)]		357.3	481.4
Revenues/Personnel (in thousands of euro)		224.5	290.6

(1) Operating income before depreciation and amortization, gains/(losses), and writeups/(writedowns) of non current assets

(2) The amount does not include the income of Euro 20.5 million recognized in 2011, related to the indemnity for early termination of the Competence Center agreeement 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 and the goodwill impairment of Euro 25.4 million for 2012 (Euro 38.1 million in 2011).

(4) This figure does not include 29 temporary staff at December 31, 2011 and 1 temporary staff at December 31, 2012.

(5) This figure does not include 63.4 temporary staff at December 31, 2011 and 31.1 temporary staff at December 31, 2012.

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

OPERATING PERFORMANCE FOR THE YEAR

FOREWORD

Following the contribution, effective September 1, 2012, of the television business units to La7 S.r.l., the figures reported below include for the 2011 and 2012, respectively, 12 months and 8 months of television activities. Furthermore, considering that 2011 included Euro 20,500 thousand for the indemnity related to the early termination of the Competence Center agreement and Euro 38,140 thousand for goodwill writedown (Euro 40,355 thousand in 2012), in this annual report as of December 31, 2012, earnings results have been presented both on a like-for-like basis, i.e., showing the relevant amounts separately, and in overall terms. Following the early adoption of IAS 19 (Revised 2011) – *Employee Benefits* ("IAS 19R 2011"), which requires a retrospective application, data from financial year 2011 used for comparison were restated ("Restated").

Separate Income Statement

(in thousands of euro)	Year 2012 (a)	Year 2011 (restated) (b)	Change (a-b)	%
Revenues	80,214	139,867	(59,653)	(42.6)
Other income	5,569	26,408	(20,839)	(78.9)
Of which : income related to the early termination of the Competence Center agreement	-	*20,500*		
Total operating revenues and other income	**85,783**	**166,275**	**(80,492)**	**(48.4)**
Acquisition of goods and services	(99,362)	(118,486)	19,124	16.1
Employee benefits expenses	(37,214)	(45,542)	8,328	18.3
Other operating expenses	(3,587)	(4,620)	1,033	22.4
Changes in inventories	535	204	331	162.3
Internally generated assets	-	-	-	-
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(53,845)**	**(2,169)**	**(51,676)**	**n.s.**
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA), COMPARABLE	**(53,845)**	**(22,669)**	**(31,176)**	**(137.5)**
Depreciation and amortization	(19,371)	(27,487)	8,116	29.5
Gains (losses) realized on disposals of non-current assets	-	1	(1)	n.s.
Reversals /(Impairment losses) on non-current assets	(40,355)	(38,140)	(2,215)	(5.8)
OPERATING PROFIT (LOSS) (EBIT)	**(113,571)**	**(67,795)**	**(45,776)**	**(67.5)**
OPERATING PROFIT (LOSS) (EBIT), COMPARABLE	**(73,216)**	**(50,155)**	**(23,061)**	**(46.0)**
Income/(expenses) from investments	(81,468)	(56)	(81,412)	n.s.
Finance income	3,315	2,904	411	14.2
Finance expense	(7,497)	(5,000)	(2,497)	(49.9)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(199,221)**	**(69,947)**	**(129,274)**	**(184.8)**
Income tax expense	21,111	8,472	12,639	149.2
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(178,110)**	**(61,475)**	**(116,635)**	**(189.7)**
Profit (loss) from discontinued operations/Non-current assets held for sale	-	-	-	-
PROFIT (LOSS) FOR THE YEAR	**(178,110)**	**(61,475)**	**(116,635)**	**(189.7)**

STATEMENT OF COMPREHENSIVE INCOME

Profit (loss) for the year	**(178,110)**	**(61,475)**
Other components of the statement of comprehensive income		
° Redetermination of defined benefits retirement plans		
° Actuarial gains (losses)	(19)	988
° Tax effects	5	(272)
sub-total	(14)	716
Comprehensive profit (loss) for the year	**(178,124)**	**(60,759)**

Year 2012	*80,214*
Year 2011	*139,867*
Abs. change	*(59,653)*
Change %	*(42.6)*

Sales and service revenues for 2012 amounted to Euro 80,214 thousand, down by Euro 59,653 thousand compared to Euro 139,867 thousand for the previous year (-42.6%). This change is mainly attributable to the transfer of television operations to La7 S.r.l. For the years 2011 and 2012 these figures thus include 12 and 8 months, respectively, of television operations; therefore, data do not provide for a consistent comparison.

Year 2012	*5,569*
Year 2011	*26,408*
Abs. change	*(20,839)*
Change %	*(78.9)*

Other income for 2012 amounted to Euro 5,569 thousand, decreasing by Euro 20,839 thousand compared to 2011, which included the indemnity of Euro 20,500 thousand from Telecom Italia to Telecom Italia Media S.p.A. for the early termination of the Competence Center agreement; net of the indemnity, this item decreased by Euro 339 thousand in 2012, as follows:

(in thousands of euro)	Year 2012	Year 2011	Change
Use of writedown provisions, operative provisions and extraordinary provisions	2,478	3,281	(803)
Recovery of personnel costs	590	24	566
Recovery and reimbursements of acquisition of goods, services, use of property not owned	372	283	89
Other reimbursements	10	7	3
Other revenues and extraordinary income	2,119	2,313	(194)
Income related to the early termination of the Competence Center agreement		20,500	
Total other income	**5,569**	**26,408**	**(20,839)**

Year 2012	*(53,845)*
Year 2011	*(2,169)*
Year 2011, comparable	*(22,669)*
Abs. change	*(51,676)*
Abs. change, comparable	*(31,176)*
Change %	*n.s.*
Change %, comparable	*(137.5)*

Operating result before depreciation and amortization (EBITDA) amounted to Euro -53,845 thousand for 2012, decreasing by Euro 51,676 thousand compared to 2011 (Euro -2,169 thousand), which included 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 in comparable terms, EBITDA decreased by Euro 31,176 thousand . It should be noted that 2012 includes 8 months of television activities, later transferred to La7 S.r.l., whereas 2011 included 12 months of said activities; therefore, data do not allow for a consistent comparison.

In detail, the following factors impacted the performance of EBITDA at December 31, 2012:

Year 2012	*(99,362)*
Year 2011	*(118,486)*
Abs. change	*19,124*
Change %	*16.1*

Acquisition of materials and services totaled Euro 99,362 thousand, a decrease of Euro 19,124 thousand compared to 2011 (-16.1%). In particular, the reduction was attributable to the transfer to La7 S.r.l. of television operations, as 2012 and 2011 include 8 and 12 months of said operations, respectively. The main items are analyzed below:

(in thousands of euro)	Year 2012	Year 2011	Change
Acquisition of goods and services	**957**	**1,935**	**(978)**
Services	**77,826**	**93,918**	**(16,092)**
Professional services and consultancy	13,874	18,197	(4,323)
Television programs under contract	31,068	26,065	5,003
Electricity	544	680	(136)
Travel and accommodation	1,195	1,439	(244)
Commissions, fees and other commercial expenses	158	392	(234)
Location filming and troupes	4,041	4,899	(858)
Agencies and news and sport services	2,325	3,583	(1,258)
Advertising and promotion expenses	1,479	3,067	(1,588)
Signal conveyance, connections, inter-connections, telephone	2,814	3,105	(291)
Editing of external operations	830	790	40
Outsourcing	1,637	2,571	(934)
Distribution and stocking costs	641	889	(248)
Insurance	163	153	10
T&E services	73	100	(27)
Other costs for services	16,984	27,988	(11,004)
Use of property not owned	**20,579**	**22,633**	**(2,054)**
Royalties and other rights paid	13,965	13,296	669
Fees for the use of satellite and high-frequency systems	637	1,061	(424)
Real estate rents	2,756	3,688	(932)
Rental fees	3,129	4,495	(1,366)
Other costs for the use of property not owned	92	93	(1)
Total acquisition of goods and services	**99,362**	**118,486**	**(19,124)**

Year 2012	*(37,214)*
Year 2011	*(45,542)*
Abs. change	*8,328*
Change %	*18.3*

Personnel costs totaled Euro 37,214 thousand in 2012, decreasing by Euro 8,328 thousand compared to Euro 45,542 thousand in 2011 (-18.3%). The item includes Euro 1,951 thousand (Euro 2,207 thousand in 2011) primarily consisting of accruals to provisions for risks in relation to the definition of an incentive plan for personnel correlated to the successful completion of the process of selling La7, i.e., Telecom Italia Group's equity investment in Telecom Italia Media. In addition, those expenses include accruals for the labor dispute with employees and redundancy incentive costs amounting to Euro 275 thousand, not present in 2011. Excluding these items, personnel costs dropped by Euro 8,347 thousand as a result of a change in the consolidation area following the transfer of the business unit corresponding to the Television Department of Telecom Italia Media S.p.A. to La7 S.r.l.

At year-end, the **workforce** numbered 40, a decrease of 457 staff compared to December 31, 2011. This reduction is mainly due to the transfer of television operations to La7 S.r.l., effective September 1, 2012.

The following table shows the year-end, average workforce by category:

EXACT WORKFORCE	12/31/2012	%	12/31/2011	%	Change
Executives	9	22.5	21	4.2	(12)
Middle managers	13	32.5	77	15.5	(64)
Journalists			97	19.5	(97)
White collars	18	45.0	300	60.4	(282)
Blue collars			2	0.4	(2)
Total workforce	**40**	**100.0**	**497**	**100.0**	**(457)**
Temporary staff	1		29		(28)

AVERAGE WORKFORCE	Year 2012	%	Year 2011	%	Change
Executives	16.9	4.7	19.0	3.9	(2.10)
Middle managers	56.2	15.7	73.7	15.3	(17.50)
Journalists	65.0	18.2	93.2	19.4	(28.20)
White collars	218.3	61.1	293.5	61.0	(75.20)
Blue collars	0.9	0.3	2.0	0.4	(1.10)
Total workforce	**357.3**	**100.0**	**481.4**	**100.0**	**(124.10)**
Temporary staff	31.1		63.4		(32.27)

Year 2012	*(3,587)*
Year 2011	*(4,620)*
Abs. change	*1,033*
Change %	*22.4*

Other operating expenses for 2012 amounted to Euro 3,587 thousand, a decrease of Euro 1,033 thousand compared to 2011 (Euro 4,620 thousand). They included:

(in thousands of euro)	Year 2012	Year 2011	Change
Writedowns and charges connected with receivables management	820	1,367	(547)
Provisions for risks and other provisions	1,280	365	915
Concession fees for the exercise of TLC activities	857	1,101	(244)
Taxes, stamps and levies	70	104	(34)
Associations fees	163	225	(62)
Other expenses and charges	397	1,458	(1,061)
Total other expenses	**3,587**	**4,620**	**(1,033)**

Year 2012	*(113,571)*
Year 2012, comparable	*(73,216)*
Year 2011	*(67,795)*
Year 2011, comparable	*(50,155)*
Abs. change	*(45,776)*
Abs. Change, comparable	*(23,061)*
Change %	*(67.5)*
Change %, comparable	*(46.0)*

Operating result for 2012 was Euro -113,571 thousand, down by Euro 45,776 thousand compared to 2011. Excluding the aforementioned Euro 20,500 thousand indemnity for 2011 and the goodwill writedown (Euro 40,355 thousand in 2012 compared to Euro 38,140 thousand in 2011), operating result amounted to Euro -73,216 thousand in 2012, marking a drop of Euro 23,061 thousand. This trend substantially mirrors the change in EBITDA, as previously described, and a reduction in depreciation and amortization as follows.

Year 2012	*(19,371)*
Year 2011	*(27,487)*
Abs. change	*8,116*
Change %	*29.5*

Depreciation and amortization amounted to Euro 19,371 thousand in 2012 compared to Euro 27,487 thousand in the previous year, thus decreasing by Euro 8,116 thousand; this change was mainly attributable to the transfer of all intangible assets with finite useful lives and tangible assets to La7 S.r.l., within the process of conferment of all television operations to the latter. Depreciation and amortization were classified as follows:

(in thousands of euro)	Year 2012	Year 2011	Change
Depreciation and amortization			
- Depreciation of tangible assets	2,627	3,786	(1,159)
- Amortization of intangible assets	16,744	23,701	- 6,957
Total	**19,371**	**27,487**	**(8,116)**

Year 2012	*(40,355)*
Year 2011	*(38,140)*
Abs. change	*(2,215)*
Change %	*(5.8)*

Reversals/(Impairment) of non-current assets amounted to Euro -40,355 thousand in 2012 (Euro -38,140 thousand in 2011) and referred to the goodwill writedown resulting from the impairment test.
For further details, the reader is referred to note 3 on page 310.

Year 2012	*(81,468)*
Year 2011	*(56)*
Abs. change	*(81,412)*
Change %	*n.s.*

Other income (loss) from equity investments amounted to Euro -81,468 thousand compared to Euro -56 thousand in 2011, up by Euro 81,412 thousand. This item included the total write-off of the equity investment in La7 S.r.l., performed due to both the loss reported in the period September 1 – December 31, 2012 (Euro 52,572 thousand) and the effect of the impairment test.

It also included the writedown of the equity investment in Tiglio 1 for Euro 203 thousand, to bring its carrying amount into line with its fair value, and in Consorzio Sardegna Digitale for Euro 13 thousand, applied following its removal from the Company Register, partially offset by the collection of dividends of Euro 28 thousand from the investee Tivù S.r.l. The main changes are presented below:

(in thousands of euro)	Year 2012	Year 2011	Change
- Income from equity investments:	28		28
dividends			-
Tivù S.r.l.	28		28
- Expense from investments:	(81,496)	(56)	(81,440)
LA7 S.r.l.	(81,280)		
Consorzio Sardegna Digitale	(13)		(13)
Tiglio 1	(203)	(56)	(147)
Other income/(expenses) from equity investments	**(81,468)**	**(56)**	**(81,412)**

Year 2012	*(4,182)*
Year 2011	*(2,096)*
Abs. change	*(2,086)*
Change %	*(99.5)*

The balance of financial operations for 2012 was Euro -4,182 thousand, compared to Euro -2,096 thousand in 2011, thus improving by Euro 2,086 thousand. This performance is chiefly attributable to the increase in debt during the year and the increase in rates related to the general widening of spreads in Italy. Charges owing to the discounting of non-current items include interest expenses associated with the "time value" component in actuarial calculations, classified to this item following the early adoption of the revised version of IAS 19 in the amount of Euro 256 thousand in 2012 and Euro 368 thousand in 2011.

In further detail:

(in thousands of euro)	Year 2012	Year 2011	Change
Finance income	3,195	2,783	412
Foreign exchange gains	120	121	(1)
Finance expenses	(7,107)	(4,534)	(2,573)
Expenses related to discontinuing of non-current liabilities	(256)	(368)	112
Foreign exchange losses	(134)	(98)	(36)
Net finance income (expense)	**(4,182)**	**(2,096)**	**(2,086)**

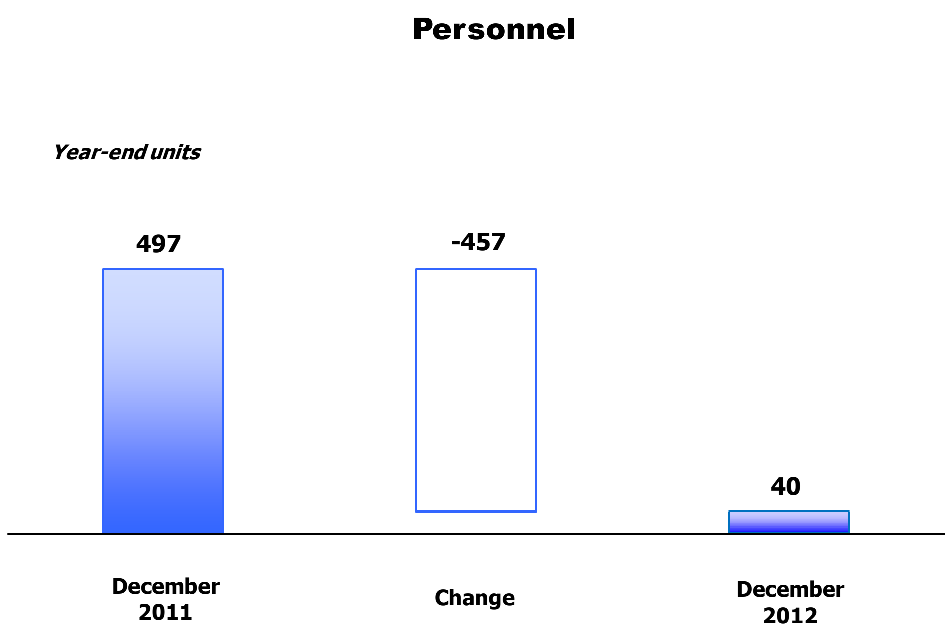
The result before taxes from continuing operations for 2012 amounted to Euro -199,221 thousand, compared to Euro -69,947 thousand for 2011.
The reduction (Euro 129,274 thousand) is attributable to the operating result (Euro 45,776 thousand), a higher expense from equity investments (Euro 81,412 thousand) and total financial operations (euro 2,086 thousand).

Year 2012	*21,111*
Year 2011	*8,472*
Abs. change	*12,639*
Change %	*149.2*

Income tax expense for the year amounted to Euro 21,111 thousand (Euro 8,472 thousand for 2011), increasing by Euro 12,639 thousand. Specifically, as a result of the Company's participation in Telecom Italia's National Tax Consolidation, financial year 2012 benefited from tax assets on tax losses for the year amounting to Euro 21,128 thousand; such assets amounted to Euro 8,460 thousand in financial year 2011. The rise in taxes was primarily due to the higher negative taxable income recognized in 2012 than in 2011.

The net result for 2012 was Euro -178,110 thousand compared to Euro -61,475 thousand for the previous year.

At December 31, 2012, workforce numbered 40, decreasing by 457 staff compared to 497 at December 31, 2011, due to the transfer of television operations of Telecom Italia Media S.p.A. to La7 S.r.l., effective September 1, 2012.



Statements of financial position

(in thousands of euro)	12/31/2012	12/31/2011	CHANGE
ASSETS			
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	6,295	70,697	(64,402)
Intangible assets with finite useful lives		40,714	(40,714)
	6,295	**111,411**	**(105,116)**
Tangible assets:			
Property, plant and equipment owned	8	11,593	(11,585)
Assets held under finance leases	-	-	-
	8	**11,593**	**(11,585)**
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	-	-	-
Other investments	173,716	183,443	(9,727)
Non-current financial assets	234	726	(492)
Miscellaneous receivables and other non-current assets	35,523	22,899	12,624
Deferred tax assets	2,639	6,171	(3,532)
	212,112	**213,239**	**(1,127)**
TOTAL NON-CURRENT ASSETS (A)	**218,415**	**336,243**	**(117,828)**
CURRENT ASSETS			
Inventories		1,371	(1,371)
Trade and miscellaneous receivables and other current assets	2,457	68,252	(65,795)
Current income tax receivables	122	27	95
Investments		-	-
Current financial assets			
Securities other than shareholdings, financial receivables and other current financial assets	70,071	70,192	(121)
Cash and cash equivalents	55,387	18,128	37,259
TOTAL CURRENT ASSETS (B)	**128,037**	**157,970**	**(29,933)**
TOTAL ASSETS (A+B)	**346,452**	**494,213**	**(147,761)**
EQUITY AND LIABILITIES			
EQUITY			
- Share capital	212,188	212,188	-
- Share premium account	22,027	82,786	(60,759)
Other reserves and retained earnings (accumulated losses), including profit (loss) for th	(178,011)	(60,674)	(117,337)
TOTAL EQUITY (C)	**56,204**	**234,300**	**(178,096)**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	5	100,021	(100,016)
Employee benefits	441	7,722	(7,281)
Deferred tax liabilities		-	-
Provisions		-	-
Miscellaneous payables and other non-current liabilities	14,400	14,400	-
TOTAL NON-CURRENT LIABILITIES (D)	**14,846**	**122,143**	**(107,297)**
CURRENT LIABILITIES			
Current financial liabilities	260,212	46,893	213,319
Trade and miscellaneous payables and other current liabilities	15,190	90,758	(75,568)
Current income tax payables		119	(119)
TOTAL CURRENT LIABILITIES (E)	**275,402**	**137,770**	**137,632**
TOTAL LIABILITIES (F=D+E)	**290,248**	**259,913**	**30,335**
TOTAL EQUITY AND LIABILITIES (C+F)	**346,452**	**494,213**	**(147,761)**

Non-current assets at December 31, 2012 amounted to Euro 218,415 thousand, a decrease of Euro 117,828 thousand compared to December 31, 2011 (Euro 336,243 thousand). More in detail:

- **intangible assets** amounted to Euro 6,295 thousand, down by Euro 105,116 thousand compared to Euro 111,411 thousand at December 31, 2011. The change was due both to the transfer of television operations to La7 S.r.l., effective September 1, 2012, and the goodwill writedown resulting from the impairment test (Euro 40,355 thousand), as well as amortization charges for the year of Euro 16,744 thousand, partially offset by the investments undertaken during the reporting year (largely film rights) of Euro 15,969 thousand. For further details on the impairment test, the reader is referred to note 3 on page 310.

(in thousands of euro)	Net intangible assets
12/31/2011	**111,411**
- Investments	15,969
- Amortisation for the year	(16,744)
- Goodwill writedowns	(40,355)
- Mergers, demergers, spinoffs	(63,965)
- Disposals and other movements	(21)
Total movements	*(105,116)*
12/31/2012	**6,295**

Intangible assets with finite useful lives are presented below:

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	12/31/2011	Mergers, demergers, spinoffs	Investments	Amortization	Other movements	12/31/2012
Industrial patents and intellectual property rights	38,210	(37,967)	14,742	(16,688)	1,703	-
Trademarks	449	(404)		(45)		-
TV concessions and frequencies	-					-
Licences	17	(6)		(11)		-
Other intangible assets	-					-
Work in process	2,038	(1,541)	1,227		(1,724)	-
TOTAL	**40,714**	**(39,918)**	**15,969**	**(16,744)**	**(21)**	**-**

- **tangible assets** were Euro 8 thousand, down by Euro 11,585 thousand compared to December 31, 2011 (Euro 11,593 thousand), mainly due to the transfer of television operations to La7 S.r.l.:

(in thousands of euro)	Gross tangible assets	Accumulated depreciation	Net tangible assets
12/31/2011	**45,002**	**(33,409)**	**11,593**
movements for the year			
- Investments	2,674		2,674
- Depreciation for the year		(2,627)	(2,627)
- Mergers demergers, spinoffs	(47,688)	36,035	(11,653)
- Disposals and other movements	21		21
Total movements	*(44,993)*	*33,408*	*(11,585)*
12/31/2012	**9**	**(1)**	**8**

The breakdown by nature is provided below:

NET TANGIBLE ASSETS	12/31/2011	Mergers, demergers, spinoffs	Investments	Depreciation	Other movements	12/31/2012
Industrial and civilian buildings	11	(10)		(1)		
Plant and machinery	8,170	(8,844)	2,182	(1,516)	8	
Manufacturing and distribution	5	(4)		(1)		
Other tangible assets	3,166	(2,564)	299	(1,109)	210	2
Work in process	241	(231)	193		(197)	6
TOTAL	**11,593**	**(11,653)**	**2,674**	**(2,627)**	**21**	**8**

- **other non-current assets** decreased by Euro 1,127 thousand, from Euro 213,239 thousand at December 31, 2011 to Euro 212,112 thousand at December 31, 2012.
  The amount of other miscellaneous receivables from third parties at December 31, 2012 and December 31, 2011 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 reported by the item Other Investments (Euro 9,727 thousand) arose mainly from the sale to La7 S.r.l. of the equity investment in MTV Italia for Euro 9,460 thousand (including Euro 258 thousand in payments for future equity investments) resulting from the transfer of television operations.

  Deferred tax assets decreased (Euro 3,532 thousand), primarily due to the transfer of television operations to La7 S.r.l.

Year 2012	*18,663*
Year 2011	*31,100*
Abs. change	*(12,437)*
Change %	*(40.0)*

Total capital expenditure for 2012 were Euro 18,663 thousand (Euro 31,100 thousand in 2011) and were classified as follows:

(in thousands of euro)	Year 2012	Year 2011	Change
Investments in intangible assets	15,969	26,701	(10,732)
Investments in tangible assets	2,674	4,399	(1,725)
Total industrial investments	***18,643***	***31,100***	***(12,457)***
Investments in financial assets	20		20
Totale	**18,663**	**31,100**	**(12,437)**
Industrial investments paid for the year	*15,260*	*30,807*	*(15,547)*

Telecom Italia Media S.p.A.'s industrial investments amounted to Euro 18,643 thousand and related mostly to the first 8 months of the reporting year, which included the television operations transferred to La7 S.r.l., effective September 1, 2012. This item decreased by Euro 12,457 thousand over 2011. In detail:

- investments in intangible assets included Euro 15,565 thousand associated with the acquisition of multi-year television rights to the usage and economic exploitation of films, television films, series and documentaries, all transferred to La7 S.r.l.; TV rights were amortized on an annual straight-line basis in the period of the contractual availability;
- investments in tangible assets included Euro 2,051 thousand associated with the implementation of the signal for low-frequency television broadcasting systems, Euro 240 thousand associated with leasehold improvements consisting of the renovation and expansion of the premises at the Rome office, and Euro 239 thousand in other plant. Also in this case they were all transferred to La7 S.r.l.

Investments in other financial assets were Euro 20 thousand and referred to the incorporation of La7 S.r.l. on May 23, 2012.

12/31/2012	*128,037*
12/31/2011	*157,970*
Abs. change	*(29,933)*
Change %	*(18.9)*

At December 31, 2012, **current assets** totaled Euro 128,037 thousand, down by Euro 29,933 thousand at December 31, 2011; this drop was mainly due to the full transfer to La7 S.r.l. of all inventories as of August 31, 2012 (Euro 1,906 thousand), the transfer of almost all trade receivables as of August 31, 2012 (Euro 51,342 thousand) and tax losses arising from the National Tax Consolidation as of August 31, 2012 (Euro 8,665 thousand). The item included also the reduction of financial receivables related to the intercompany current account from Telecom Italia Media Broadcasting and Telecom Italia S.p.A., amounting to Euro 3,344 thousand and Euro 5,187 thousand, respectively. The aforementioned effects were only partially offset by the recognition in the cash and cash equivalents of the financial receivables related to the current account with La7 S.r.l. (Euro 45,899 thousand at December 31, 2012).

Equity at December 31, 2012 amounted to Euro 56,204 thousand (Euro 234,300 thousand at December 31, 2011).

(in thousands of euro)	Year 2012	Year 2011
At beginning of year	**234,300**	**295,030**
Capital increase		
Profit (loss) for the year	(178,110)	(60,759)
Other movements	14	29
At end of year	**56,204**	**234,300**

12/31/2012	*14,846*
12/31/2011	*122,143*
Abs. change	*(107,297)*
Change %	*(87.8)*

Non-current liabilities amounted to Euro 14,846 thousand at December 31, 2012 compared to Euro 122,143 thousand for the previous year and decreased by Euro 107,297 thousand.
This decline was mainly attributable to the reclassification among current financial liabilities amounting to Euro 100,000 thousand and referring 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 maturing December 2013. The figure at December 31, 2012 and December 31, 2011 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 441 thousand in employee benefits.

12/31/2012	*275,402*
12/31/2011	*137,770*
Abs. change	*137,632*
Change %	*99.9*

At December 31, 2012, **current liabilities** totaled Euro 275,402 thousand, increasing by Euro 137,632 thousand compared to Euro 137,770 thousand at December 31, 2011, mainly due to the above-mentioned reclassification of non-current financial liabilities from the soft loan issued by the EIB (Euro 100,000 thousand), and the increase in debt related to the current account with Telecom Italia by Euro 160,058 thousand (including Euro 60,000 thousand paid to Telecom Italia Finance SA in December 2012 following the termination of the credit facility agreement), only partially offset by a reduction in trade and miscellaneous liabilities and other current liabilities arising mostly from the contribution to La7 S.r.l.

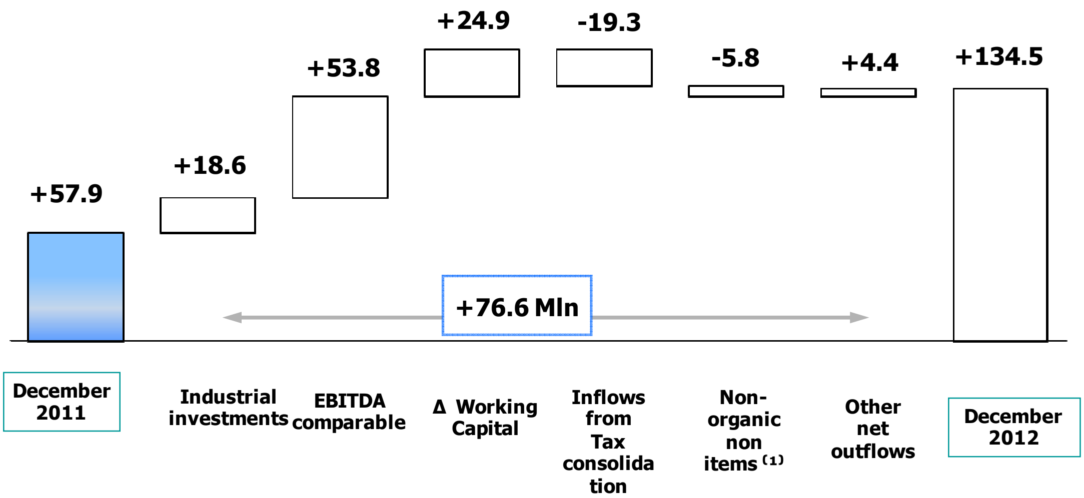
12/31/2012	*134,525*
12/31/2011	*57,868*
Abs. change	*76,657*
Change %	*132.5*

Telecom Italia Media S.p.A.'s **net financial position** at December 31, 2012 was negative at Euro 134,525 thousand, up by Euro 76,657 thousand compared to a debt of Euro 57,868 thousand at December 31, 2011. The following factors contributed to this change:

- a Euro 101,785 thousand increase, broken down as follows:
  - Euro 18,643 thousand for industrial investments made in 2012, mainly regarding the acquisition of television rights, amounting to Euro 15,565 thousand;
  - Euro 53,845 thousand as result of the operating activity for the year (EBITDA);
  - Euro 24,825 thousand concerning the change in working capital for the year;
  - Euro 4,472 thousand in net outlays, which included primarily Euro 4,154 thousand for net financial expense for the year;

- a Euro 25,128 thousand decrease, broken down as follows:
  - Euro 19,321 thousand from the collection of the receivable arising from participation in Telecom Italia's Tax Consolidation;
  - Euro 5,807 thousand concerning the balance sheet items included in the sale of La7 S.r.l.

Breakdown of net financial position



(1) Referred to balance sheet items transferred to LA7 S.r.l.

The breakdown of the net financial position by nature/maturity is indicated on page 172.

Cash Flow Statements

(in thousands of euro)	Year 2012	Year 2011 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year	(178,110)	(61,475)
Adjustments for:		
Depreciation and amortization	19,371	27,487
Impairment losses/reversals of non-current assets (including investments)	121,851	38,196
Net change in deferred tax assets and liabilities	(89)	311
Gains/losses realized on disposals of non-current assets (including investments)		(1)
Share of losses/gains of associates accounted for using the equity method		
Change in employee benefits	(322)	(293)
Changes in inventories	(535)	(204)
Change in trade receivables and in net receivables for contract works	(6,067)	6,969
Change in trade payables	(16,806)	(3,335)
Net change in income tax receivables/payables	(214)	119
Net change in miscellaneous receivables/payables and other assets/liabilities	(6,263)	13,704
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**(67,184)**	**21,478**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets on an accrual basis	(15,969)	(26,701)
Purchase of tangible assets on an accrual basis	(2,674)	(4,399)
Total acquisitions of intangible and tangible assets on an accrual basis	(18,643)	(31,100)
Change in trade payables relating to investing activities	3,383	293
Total purchase of intangible and tangible assets on a cash basis	(15,260)	(30,807)
Acquisition of subsidiaries and businesses, net of cash acquired	(20)	-
Acquisition of other equity investments	-	-
Change in financial receivables and other financial assets	(1,637)	15
Proceeds from sale of subsidiaries, net of cash disposed of		-
Proceeds from sale/repayment of tangible, intangible and other non-current assets		501
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(16,917)**	**(30,291)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in current financial liabilities and other liabilities	(45,090)	25,088
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	(37)	9
Proceeds from equity instruments	-	-
Amount paid for instruments representing equity		
Dividends paid		
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**(45,127)**	**25,097**
NET CASH AND CASH EQUIVALENTS TRANSFERRED TO LA7 S.r.l. (D)	**8,035**	**-**
AGGREGATE CASH FLOWS (E=A+B+C+D)	**(121,193)**	**16,284**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)	**16,397**	**113**
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)	**(104,796)**	**16,397**

Additional cash flow information

(in thousands of euro)	Year 2012	Year 2011 (restated)
Income tax expense (paid)/received	18,988	17,477
Interest expense	(6,101)	(3,197)
Interest income	3,062	2,775
Dividends received	28	-

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2012	Year 2011 (restated)
NET CASH AND CASH EQUIVALENTS AT BEGINNING 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**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents - from continuing operations	55,387	18,128
Bank overdraft repayable on demand - from continuing operations	(160,183)	(1,731)
	(104,796)	**16,397**

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

(in thousands of euro)	12/31/2012	12/31/2011
Gross financial debt:		
Non-current financial liabilities:		
- Financial payables	-	100,000
- Finance lease liabilities		
- Other financial liabilities	5	21
Current financial liabilities:		
- Financial payables	260,209	46,885
- Finance lease liabilities		
- Other financial liabilities	3	8
Total gross financial debt (A)	**260,217**	**146,914**
Financial assets:		
Non-current financial assets:		
- Securities other than investments	-	-
- Financial receivables and other non-current financial assets	234	726
Current financial assets:		
- Securities other than investments		
- Financial receivables and other current financial assets	70,071	70,192
- Cash and cash equivalents	55,387	18,128
Total financial assets (B)	**125,692**	**89,046**
Net financial debt (A-B)	**134,525**	**57,868**

At December 31, 2012, net financial debt was Euro 134,525 thousand, with an increase of Euro 76,657 thousand compared to Euro 57,868 thousand at December 31, 2011.

In detail, figures for 2012 refer to:

- **Current financial liabilities.** At December 31, 2012, this item amounted to Euro 260,209 thousand (Euro 46,885 thousand at December 31, 2011), up by Euro 213,324 thousand. The item mainly consists of the following:
  - Euro 100,000 thousand related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the establishment of a loan agreement of the same amount 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

    In 2011, the loan, set to mature in December 2013, had been recognized among non-current financial liabilities;
  - Euro 160,058 thousand for the debt relating to the current account with Telecom Italia, which includes the amount of Euro 60,000 thousand repaid to Telecom Italia Finance SA in December 2012 for the conclusion of the credit facility agreement.

- **Financial receivables and other non-current financial assets.** They amounted to Euro 234 thousand, marking a decrease of Euro 492 thousand compared to Euro 726 thousand at December 31, 2011, also because they were partially transferred to La7 S.r.l. They related to loans to employees.

- **Financial receivables and other current financial assets.** The item amounted to Euro 70,071 thousand, down by Euro 121 thousand compared to December 31, 2011 (Euro 70,192 thousand) and included a loan of Euro 70,000 thousand to Telecom Italia Media Broadcasting and loans of Euro 71 thousand to employees.

- **Cash and cash equivalents.** Cash and cash equivalents amounted to Euro 55,387 thousand, a Euro 37,359 thousand increase compared to Euro 18,128 thousand reported at December 31, 2011. This performance was mainly attributable to the Euro 3,344 thousand receivable from the subsidiary La7 S.r.l. (Euro 45,899 thousand), which was not present at December 31, 2011, and the Euro 5,187 thousand reduction in receivables from Telecom Italia Media Broadcasting and 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, 2012

CONTENTS:

Consolidated Statement of Financial Position

ASSETS

(in thousands of euro)	Notes	12/31/2012	of which related parties	12/31/2011	of which related parties
NON-CURRENT ASSETS					
Intangible assets:					
Goodwill	3)	21,230		126,482	
Intangible assets with finite useful lives	4)	133,008		179,312	
		154,238		**305,794**	
Tangible assets:	5)				
Property, plant and equipment owned		74,768		87,252	
Assets held under finance leases		-		-	
		74,768		**87,252**	
Other non-current assets	6)				
Investments in associates and joint ventures accounted for using the equity method		-		-	
Other investments		1,513		1,129	
Non-current financial assets		877	-	897	-
Miscellaneous receivables and other non-current assets		42,485	30,450	20,422	8,460
Deferred tax assets	7)	9,679		13,063	
		54,554		**35,511**	
TOTAL NON-CURRENT ASSETS (A)		**283,560**		**428,557**	
CURRENT ASSETS					
Inventories	8)	1,693		1,544	
Trade and miscellaneous receivables and other current assets	9)	134,883	12,241	122,206	27,110
Current income tax receivables		493		1,378	
Investments		-		-	
Current financial assets					
Securities other than investments, financial receivables and other current financial assets	10)	215	-	269	22
Cash and cash equivalents	11)	203	-	5,345	5,187
TOTAL CURRENT ASSETS (B)		**137,487**		**130,742**	
TOTAL ASSETS (A+B)		**421,047**		**559,299**	

LIABILITIES

(in thousands of euro)	Notes	12/31/2012	of which related parties	12/31/2011	of which related parties
EQUITY	12)				
- Share Capital		212,188		212,188	
- Share premium account		22,027		82,786	
Other reserves and retained earnings (accumulated losses), including profit for the year		(271,185)		(90,761)	
Equity attributable to equity holders of the Parent		**(36,970)**		**204,213**	
Equity attributable to Minority Interests		**4,596**		**12,099**	
TOTAL EQUITY (A)		**(32,374)**		**216,312**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	13)	21	-	100,026	100,000
Employee benefits	15)	9,714		9,814	
Deferred tax liabilities	7)	21,225		22,548	
Provisions	16)	238		335	
Miscellaneous payables and other non-current liabilities	17)	11,675	11,675	11,456	11,456
TOTAL NON-CURRENT LIABILITIES (B)		**42,873**		**144,179**	
CURRENT LIABILITIES					
Current financial liabilities	13)	261,381	260,085	45,164	45,154
Trade and miscellaneous payables and other current liabilities	18)	148,489	15,815	153,525	16,341
Current income tax payables		678		119	
TOTAL CURRENT LIABILITIES (C)		**410,548**		**198,808**	
TOTAL LIABILITIES (D=B+C)		**453,421**		**342,987**	
TOTAL EQUITY AND LIABILITIES (A+D)		**421,047**		**559,299**	

SEPARATE CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	Notes	Year 2012	of which related parties	Year 2011 (restated)	of which related parties
Revenues	23	222,714	4,539	238,189	18,588
Other income	24	5,105	492	26,287	20,552
Total operating revenues and other income	**22**	**227,819**		**264,476**	
Acquisition of goods and services	25	(196,685)	(15,256)	(167,150)	(14,208)
Employee benefits expenses	26	(67,432)	(2,116)	(61,457)	(2,006)
Other operating expenses	27	(8,266)	(17)	(8,575)	(161)
Changes in inventories		150		9	
Internally generated assets		-		-	
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**(44,414)**		**27,303**	
Depreciation and amortization	28	(63,406)		(58,348)	
Gains/ (Losses) realized on disposals of non-current assets		1,781		(377)	
Reversals /(Impairment losses) on non-current assets	31	(156,707)		(56,650)	
OPERATING PROFIT (LOSS) (EBIT)		**(262,746)**		**(88,072)**	
Other income/(expense) from investments	32	(188)	-	(56)	-
Finance income	33	494	-	600	-
Finance expenses	34	(7,755)	(6,799)	(5,326)	(4,412)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(270,195)**		**(92,854)**	
Income tax expense	35	21,756	25,147	8,650	6,929
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(248,439)**		**(84,204)**	
Profit (loss) from discontinued operations/Non-current assets held for sale	36	-	-	26	-
PROFIT (LOSS) FOR THE YEAR	**37**	**(248,439)**		**(84,178)**	
Attributable to:					
- Equity holders of the Parent company		(240,944)		(83,827)	
- Minority interests		(7,495)		(351)	

The following table reports the calculation of earnings per share:

	Year 2012	Year 2011 (restated)
- Basic earning (loss) per share:		
- ordinary shares	(0.1711)	(0.0580)
- savings shares	(0.1711)	(0.0580)
of which:		
-. from continuing operations		
- ordinary shares	(0.1711)	(0.0580)
- savings shares	(0.1711)	(0.0580)
- from discontinued operations/non-current assets held for sale		
- ordinary shares	0.0000	0.0000
- savings shares	0.0000	0.0000

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year 2012	Year 2011 (restated)	Change
Profit (loss) for the year	**(248,439)**	**(84,178)**	**(164,261)**
Other components of the statement of comprehensive income			
° Redetermination of defined benefits retirement plans			
° Actuarial gains (losses)	(340)	1,206	(1,546)
° Tax effects	94	(332)	426
Sub-total	(246)	874	(1,120)
Total profit (loss) for the year	**(248,685)**	**(83,304)**	**(165,381)**
Attributable to:			
- Equity holders of the Parent			
> Profit (loss) from continuing operations	(241,182)	(83,025)	(158,157)
> Profit (loss) from discontinued operations/Non-current assets held for sale	-	26	(26)
- Profit/(loss) for the period attributable to equity holders of the Parent	(241,182)	(82,999)	(158,183)
- Minority interests			
> Profit (loss) from continuing operations	(7,503)	(305)	(7,198)
> Profit (loss) from discontinued operations/Non-current assets held for sale			
- Profit (loss) for the period attributable to Minority Interests	(7,503)	(305)	(7,198)

Statement of changes in consolidated equity from January 1 to December 31, 2012

	Equity of the Parent Company							
(in thousands of euro)	Share capital	Share premium account	Exchange gains from conversion of foreign operations	Reserves for redetermination of defined benefits retirement plans (IAS 19) (*)	Retained earnings (accumulated losses), including profit (loss) for the year	**Equity attributable to equity holders of the Parent**	Equity attributable to Minority Interests	**Total Equity**
Balance at December 31, 2011 (Note 12)	**212,188**	**82,786**			**(90,761)**	**204,213**	**12,099**	**216,312**
Change in accounting standards (IAS19 (2011))				**884**	**(884)**			
Balance at December 31, 2011	**212,188**	**82,786**		**884**	**(91,645)**	**204,213**	**12,099**	**216,312**
Change in Equity for 2012								
Authorized dividends								
Comprehensive profit (loss) for the year					(240,944)	**(240,944)**	(7,495)	**(248,439)**
Capital increases								
Conversion of bonds								
Treasury shares								
Exercise of instruments representing equity (share options)								
Change in consolidation area								
Other movements		(60,759)		(239)	60,759	**(239)**	**(8)**	**(247)**
Balance at December 31, 2012 (Note 12)	**212,188**	**22,027**		**645**	**(271,830)**	**(36,970)**	**4,596**	**(32,374)**

(*) The reserve has been highlighted following the early application of IAS 19R as of the first half of 2012. The recognition of such reserve led to the reduction for the same amount of the opening balance of the item "Retained earnings (accumulated losses), including profit (loss) for the year"

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	Reserves for redetermination of defined benefits retirement plans (IAS 19) (*)	Retained earnings (accumulated losses), including profit (loss) for the	**Equity attributable to equity holders of the Parent**	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 accounting standards (IAS19 (2011))				**56**	**(56)**			
Balance at December 31, 2010	**212,188**	**235,995**		**56**	**(161,057)**	**287,182**	**12,404**	**299,586**
Change in Equity for 2011								
Authorized dividends								
Total profit (loss) for the year					(83,827)	**(83,827)**	(351)	**(84,178)**
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)		828	153,209	**828**	**46**	**874**
Balance at December 31, 2011 (Note 12)	**212,188**	**82,786**		**884**	**(91,645)**	**204,213**	**12,099**	**216,312**

(*) The reserve has been highlighted following the early application of IAS 19R as of the first half of 2012. The recognition of such reserve led to the reduction for the same amount of the opening balance of the item "Retained earnings (accumulated losses), including profit (loss) for the year"

Consolidated Cash Flow Statement

(in thousands of euro)	Notes	Year 2012	Year 2011 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) from continuing operations		(248,439)	(84,204)
Adjustments for:			
Depreciation and amortization	28)	63,406	58,348
Impairment losses/reversals of non-current assets (including investments)	31)	156,923	56,706
Net change in deferred tax assets and liabilities		2,168	(2,028)
Gains/losses realized on disposals of non-current assets (including investments)	29-30)	(1,781)	377
Share of losses/gains of associates accounted for using the equity method		-	-
Change in employee benefits	15)	(770)	(341)
Changes in inventories	8)	(149)	(9)
Change in trade receivables and in net receivables for contract works		(24,222)	18,377
Change in trade payables		(2,022)	(7,193)
Net change in income tax receivables/payables		1,444	(1,262)
Net change in miscellaneous receivables/payables and other assets/liabilities		(246)	1,442
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**(53,688)**	**40,213**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets on an accrual basis	4)	(35,953)	(30,610)
Purchase of tangible assets on an accrual basis	5)	(20,988)	(30,765)
Total acquisition of intangible and tangible assets on an accrual basis (2)		(56,941)	(61,375)
Change in trade payables relating to investing activities		(12,848)	(2,355)
Total purchase of intangible and tangible assets on a cash basis		(69,789)	(63,730)
Acquisitions of subsidiaries and businesses, net of cash acquired (I)		-	-
Acquisitions of other equity investments (II)		(600)	(36)
Change in financial receivables and other financial assets (I)		74	(12)
Proceeds from sale of subsidiaries, net of cash disposed of (II)		-	(274)
Proceeds from sale/repayment of tangible, intangible and other non-current assets (II)		2,649	656
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(67,666)**	**(63,396)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in current financial liabilities and other liabilities		(43,804)	25,077
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		(42)	11
Proceeds from equity instruments		-	-
Amount paid for instruments representing equity		-	-
Dividends paid (2)		-	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**(43,846)**	**25,088**
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)		-	**-**
AGGREGATE CASH FLOWS (E=A+B+C+D)		**(165,200)**	**1,905**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)		**5,344**	**3,439**
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)		**(159,856)**	**5,344**

(2) **OF WHICH TRANSACTIONS WITH RELATED PARTIES**		Year 2012	Year 2011
(in thousands of euro)			
Total acquisitions of intangible and tangible assets on an accrual basis	39)	(1,579)	(1,454)
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 form the relevant acquisition.

Additional cash flow information

(in thousands of euro)	Year 2012	Year 2011
Income tax expense (paid)/received	21,763	3,308
Interest expense	(6,136)	(3,199)
Interest income	-	-
Dividends received	28	-

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2012	Year 2011
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR:		
Cash and cash equivalents - from continuing operations	5,345	3,440
Bank overdrafts repayable on demand - from continuing operations	(1)	(1)
	5,344	**3,439**
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR:		
Cash and cash equivalents - from continuing operations	203	5,345
Bank overdraft repayable on demand - from continuing operations	(160,059)	(1)
	(159,856)	**5,344**

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.) and 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, 2012 were prepared on a going-concern basis (further details are provided in the Note "Accounting Standards"), in accordance with the International Financial Reporting Standards 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 force 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 2012 the Group applied accounting standards consistent with those followed in the previous year, with the exception of the following:

- the early adoption, in the first half of 2012, of the IAS 19 (revised) — *Employee Benefits*, whose effects are described in the note "Accounting Standards". Therefore, the early adoption of said amendments led to the reclassification of items of the separate consolidated income statement and consolidated statement of comprehensive income of 2011 ("Restated");
- the adoption of new standards/interpretations, effective January 1, 2012, which had no effects on the Consolidated Financial Statements as of December 31, 2012.

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, 2012 were authorized for publication with a resolution passed by the Board of Directors on March 4, 2013.

Financial Statements

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

- in the consolidated statement 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.
  The separate consolidated income statement includes, in addition to EBIT (Operating Result) the alternative performance measure 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 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; goodwill impairment losses.

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.

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

- **La7**[1] includes the Company's operations relating to the television broadcastersLa7 and La7d and the Multimedia/Web area (La7.it andLa7.tv);

- **MTV Group** comprises activities carried out by MTV Italia and its subsidiary MTV Pubblicità concerning TV broadcasters MTV and MTV Music, production unit 360° Playmaker, the production of multimedia music platforms and satellite channels, as well as MTV Mobile and Digital (Web);

- **Network Operator (TIMB)** includes the operations of Telecom Italia Media Broadcasting relating to managing the digital broadcasting networks ofLa7 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 2011 and through to June 2012, this business area was denominated TI Media – La7 and included corporate operations, in addition to television operations.

NOTE 2 – Accounting Standards

Going concern

The consolidated financial statements for 2012 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 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."

Furthermore, in line with all of the above and with reference to the sale process of La7 S.r.l., the Parent Company Telecom Italia S.p.A. issued a letter of equity and financial support whereby the Parent Company confirmed its intention and commitment to fund and financially support Telecom Italia Media S.p.A. in order to ensure that the latter discharges its obligations and continues to operate regularly as a going concern, avoiding any reduction in its capacity, at least with respect to financial years 2012 and 2013. Telecom Italia's irrevocable commitment will be fulfilled according to conditions to be agreed upon with the Board of Directors of Telecom Italia Media, within the terms deemed appropriate and/or necessary in the light of company needs.

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 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 Statement of Financial Position, 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 statement of financial position, the separate consolidated 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 to 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 consolidated 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 translated based on the year-end exchange rate.

Investments in associates and joint ventures are included in the consolidated financial statements 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 completely written off 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 consolidated 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 consolidated 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 consolidated 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”. Frequencies using the digital terrestrial technique are amortized up to 2028, with the enactment of Italian Decree Law 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).

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 consolidated 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 consolidated 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 consolidated financial statements, conventionally under item “Depreciation and Amortization.”

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 consolidated income statement.
Land, including that pertaining to buildings, is not depreciated.

Assets held under finance leases

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 consolidated 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 consolidated income statement on a straight-line basis over the lease term.

Capitalization of borrowing costs

In accordance with IAS 23 – *Borrowing Costs*, the Group capitalizes borrowing costs only if directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time (set as more than 12 months) to get ready for its intended use or for sale.
Capitalized borrowing costs are recognized in the separate consolidated income statement as a direct deduction from the "borrowing costs" to which they relate.

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 it 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 or group of units that benefit from the acquisition. If the carrying amount of the cash-generating unit (or group of units) exceeds the respective recoverable amount, an impairment loss is recognized in the separate consolidated income statement. Impairment losses are charged to the income statement, first against the goodwill allocated to the unit (or group of units) and then against the other assets within the unit 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 during an explicit period between three and five years, 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, at 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 cash-generating unit (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 indications 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 recorded in the separate consolidated 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 consolidated 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, charged to components of the statement of comprehensive income ("*Reserve for adjustment to fair value of AFS financial assets*"), which is reversed to the separate consolidated income statement upon disposal 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 consolidated 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 consolidated 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 uncollectability, 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated statement during the same periods in which the effects of the hedged transaction are recognized in the separate consolidated income statement. The gain or loss associated with the ineffective portion of the hedge is immediately recognized on the separate consolidated 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 consolidated income statement.

Gains and losses arising from the fair-value measurement of derivatives not designated as hedges are recognized directly in the separate consolidated income statement.

Assignment of receivables

The Telecom Italia Media Group assigns 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 consolidated 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 consolidated 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 consolidated income statement, net of the tax effects. The corresponding amounts for the previous year, where present, are reclassified and presented separately in the separate consolidated 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.
A reversal is 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.
Following the early adoption, in the first half of 2012, of the IAS 19 (revised) — *Employee Benefits*, changes in actuarial gains/losses ("remeasurements") are to be recognized among the other components of the statement of consolidated comprehensive income. The cost of employment services rendered to Group's Italian companies with less than 50 staff and interest expenses relating to the time value component in actuarial calculations (the latter reclassified among finance expenses) are to be recognized in the separate consolidated income statement.
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 recognize additional benefits to certain Group executives through share-based payment plans (stock option plans and long-term incentive plans).

The aforementioned plans are valued in accordance with IFRS 2 (*Share-based payment*).

Under IFRS 2, such plans represent a component of the beneficiaries' remuneration. Accordingly, the cost of plans that involve remuneration consisting of share-based payments is represented by the grant date fair value of those instruments and is recognized in the separate consolidated income statement among "Employee expenses" 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 expiration 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".

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 consolidated 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 consolidated 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 consolidated 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 process*
  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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 IFRSs, 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 21,230 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 24,732 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 63,406 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 6,952 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, especially the provision for employee termination indemnities, are calculated on the basis of actuarial assumptions. Changes in such assumptions could have a material impact on such provisions.
Income tax expense (Euro 21,756 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.

As provided for in IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors*, paragraph 10, 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 consolidated 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, 2012

Pursuant to IAS 8, it should be noted that amendments to IAS 12 — *Income Taxes* and IFRS 7 — *Financial Instruments: Disclosures*, in force since January 1, 2012, had no effects on the Group's consolidated Financial Statements.

New Standards and Interpretations acknowledged by the EU, not yet in Force but early adopted

IAS 19 (2011) (*Employee Benefits*)
In June 2012 Regulation (EC) No. 475-2012 was issued, endorsing at the Community level the revised version of the standard IAS 19 — *Employee Benefits* (**IAS 19R 2011**) , which is to be applied effective January 1, 2013 according to the retrospective method, as provided for in IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors*. As permitted, Telecom Italia has decided to apply such amendments early, effective the consolidated condensed half-yearly financial statements as of June 30, 2012, in order to reduce the volatility of the figures recognized in the separate consolidated income statement.
In particular, IAS 19 (2011) provides that, for defined-benefit plans (such as termination indemnities), changes in actuarial gains/losses ("remeasurements") are to be recognized among the other components of the statement of consolidated comprehensive income, thereby eliminating the other previously allowed options (including that adopted by the Telecom Italia Group, which recognized such components among personnel costs in the separate income statement). The cost of employment services rendered and interest expenses relating to the time value component in actuarial calculations (the latter reclassified among finance expenses) are to continue to be recognized in the separate consolidated income statement.
The early adoption of said amendments led to the reclassification of items of the separate consolidated income statement and statement of consolidated comprehensive income of 2011 ("Restated").

More in detail:

Separate Consolidated Income Statement (in thousands of euro)	Historical	Year 2011 IAS 19 impact (2011)	Restated
Employee expenses	(60,715)	(742)	(61,457)
EBITDA	**28,045**	**(742)**	**27,303**
EBIT	**(87,330)**	**(742)**	**(88,072)**
Other income (expense) from investments	(56)		(56)
Finance income	600		600
Finance expenses	(4,862)	(464)	(5,326)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(91,648)**	**(1,206)**	**(92,854)**
Income tax expense	8,318	332	8,650
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(83,330)**	**(874)**	**(84,204)**
PROFIT (LOSS) FOR THE YEAR	**(83,304)**	**(874)**	**(84,178)**
Attributable to:			
- Equity holders of the Parent	(82,999)	(828)	(83,827)
- Minority Interests	(305)	(46)	(351)

Consolidated Statements of Comprehensive Income (in thousands of euro)	Historical	Year 2011 IAS 19 impact (2011)	Restated
PROFIT (LOSS) FOR THE YEAR	**(83,304)**		**(83,304)**
Other components of the statement of comprehensive income:			
Redetermination of defined benefits retirement plans			
Actuarial gains (losses)		(1,206)	(1,206)
Tax effects		332	332
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR	**(83,304)**	**(874)**	**(84,178)**
Attributable to:			
- Equity holders of the Parent	(82,999)	(828)	(83,827)
- Minority Interests	(305)	(46)	(351)

The application of such changes resulted in an effect on earnings per share for 2011 (0.0006).

Consolidated Cash Flow Statement

The early application of the revised version of IAS 19 did not entail effects on the "Aggregate cash flows" presented in the consolidated cash flow statement and in particular on "Cash flow from (used in) operating activities."

New Standards and Interpretations acknowledged by the EU not yet in force

In 2012, the following amendments were adopted at the Community level:

	Compulsory adoption as of
Amendments to IAS 1 – *Presentation of Financial Statements*	1/1/2013
Amendments to IFRS 7 – *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*	1/1/2013
IFRS 13 – *Fair Value Measurement*	1/1/2013
IAS 27 – *Separate Financial Statements*	1/1/2014
IAS 28 – *Investments in Associates*	1/1/2014
IFRS 10 – *Consolidated Financial Statements*	1/1/2014
IFRS 11 – *Joint Arrangements*	1/1/2014
IFRS 12 – *Disclosure of Interests in Other Entities*	1/1/2014
Amendments to IAS 32 – *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*	1/1/2014

The effects on the Consolidated Financial Statements of the Group arising from said amendments are still under assessment.

NOTE 3 – Goodwill

Euro 21,230 thousand

(Euro 126,482 thousand at December 31, 2011)

Goodwill totaled Euro 21,230 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 2012 and 2011 are detailed below:

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**

YEAR 2012	Goodwill	Consolidation goodwill	Total
(in thousands of euro)			
Gross value at 12/31/2011	**86**	**126,396**	**126,482**
Investments			
Disposals			
Impairment		(105,252)	(105,252)
Gross value at 12/31/2012	**86**	**21,144**	**21,230**

During the second half of 2012, the company began to explore the interest of third parties in purchasing one or more of its businesses. In early 2013, the company continued to examine the bids received for the corporate assets. Due to the resulting uncertainty about the scope of corporate activities, Telecom Italia Media prepared two versions of the Plan respectively based on two possible scenarios: one based on an unchanged scope of business (called stand-alone plan) and the other based on the sale of 100% stake in La7 to Cairo Communication (called La7 out). Following the decision to carry on exclusive negotiation with Cairo Communication S.p.A. for the sale of the entire stake held by Telecom Italia Media in La7, the Board of Directors approved the Strategic Plan 2013-2015 & 2016-2017 Simulation - La7 out version.

The impairment test at December 31, 2012 was carried out using the same method as that used for the impairment test at December 31, 2011 and was conducted on two levels:

- Level I: individual CGUs;
- Level II: the Group as a whole.

In line with the impairment testing as of December 31, 2011, the impairment test at December 31, 2012 was carried out on the basis of only two units of valuation: MTV Group and "Network Operator TIMB + La7." TIMB value was estimated in terms of fair value in use. The value of La7 was obtained by difference from the total value of TIMB +La7.

In the valuations:

- for the purposes of estimating TIMB recoverable amount, reference has been made to the Plan (La7 out version) forecasts throughout the planning and simulation period, reduced to take into account the (negative) variances compared to the 2012 budget;
- the value of the unit of valuation "TIMB + La7" was estimated by drawing on a plan prepared prior to giving Cairo Communication exclusive right to negotiate for the acquisition of the stake in La7 (unchanged scope of business);

- the MTV CGU was evaluated on the basis of value in use in line with the method used in prior years. However, due to the significant differences between the previous plan and the new plan and the uncertainty weighing on the advertising market, a four year normalized plan was used.

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 financial debt + minority interests – non-consolidated equity investments) and consensus forecasts of equity analysts that follow the listed companies in relation to sales and gross profits from 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 reference universe was made up of the sample of European broadcasters included in the Factset data provider with the following activity codes: Media — Television Broadcasting Stations and Media — Cable and other Pay Television Services for which consensus estimates on revenues and EBITDA were available. The selected sample excluded Sky Deutschland whose value was affected by the takeover bid launched by BSkyB in fall 2012.
In line with the valuation process applied in the previous year, the use of this method was necessary due to both the absence of comparable pure players (La7 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, "La7" 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 fair value of TIMB on a "stand alone" basis was estimated by using the updated Plan 2013-2015 + 2016-2017 simulation (in the La7 out version), extrapolating flows for 2017 to 2032 based on a constant rate of change in variables, equal to -2% change in sales-price and +0.8% change in cost-price, taking into account the expected adverse effects of a redefinition of the market basic parameters in the medium to long term.
The estimate of the network operator's fair value on the basis of these assumptions was less than its carrying amount of Euro 70,000 thousand. Hence the need to recognize an impairment loss.

The value in use of the MTV CGU was determined on the basis of financial and earnings forecasts. These projections show negative results in terms of EBIT for 2013 and 2014 and a recovery in profitability as from 2015. The expected cash flows were discounted using an 11.78% cost of capital (WACC-g) corresponding to the inferred value of the weighted-average cost of capital, restated. This rate is higher than the discount rate used by the sole equity analyst who explicitly mentioned it (7.2%).
The resulting value in use shows a goodwill impairment loss of Euro 23,052 thousand.

The estimated fair value of La7 was negative both in relation to the fair value obtained by difference from the unit of valuation "TIMB + La7" and in relation to the expected losses for the period 2013-2015. The impairment loss amounted to Euro 12,200 thousand.

During 2012, Telecom Italia Media market capitalization fluctuated considerably, with volatility decreasing late in the year and settling at Euro 222.6 million at December 31, 2012, down approximately by 5% compared to the reference capitalization of last year impairment test (Euro 234 million). On the contrary, the target market cap showed a decreasing trend throughout 2012, ending the year at Euro 218.3 million, a value close to the capitalization amount but 25% less than the value at the beginning of the year.
In the early months of the year, the market capitalization was characterized by a return to volatility, although around an upward trend, closing the month of February on the rise since the end of December 2012 (Euro 245.7 million), while the target market cap decreased further (closing the month of February at Euro 189.0 million).

After the first- and second-level impairment tests, goodwill values attributed to each CGU were therefore as follows:

	Goodwill at 12/31/2011	Impairment 2012	Goodwill at 12/31/2012
MTV CGU	23,052	(23,052)	
La7 S.r.l. CGU	12,200	(12,200)	
Network Operator (TIMB) CGU	91,230	(70,000)	21,230
Total	126,482	(105,252)	21,230

NOTE 4 – Intangible assets with finite useful lives

Euro 133,008 thousand

(Euro 179,312 thousand at December 31, 2011)

The breakdown and changes in 2012 and 2011 are detailed below:

YEAR 2012	Industrial patents and intellectual property rights	Trademarks	TV concessions and frequencies	Licenses	Irrevocable rights of use	Work in process	Total
(in thousands of euro)							
Gross value at 12/31/2011	**107,063**	**10,819**	**190,386**	**2,377**	**31,089**	**2,935**	**344,669**
Investments	26,340			117		9,496	35,953
Disposals and other movements	(21,743)		23			(7,772)	(29,492)
Gross value at 12/31/2012	**111,660**	**10,819**	**190,409**	**2,494**	**31,089**	**4,659**	**351,130**
Amortization at 12/31/2011	**(62,560)**	**(10,334)**	**(74,632)**	**(2,356)**	**(15,475)**		**(165,357)**
Amortization for the year	(31,390)	(80)	(6,864)	(97)	(2,590)		(41,021)
Disposals and other movements	28,460						28,460
Amortization at 12/31/2012	**(65,490)**	**(10,414)**	**(81,496)**	**(2,453)**	**(18,065)**		**(177,918)**
Writedowns at 12/31/2011							
Writedowns for the year	(38,105)	(381)				(1,718)	(40,204)
Writedowns at 12/31/2012	**(38,105)**	**(381)**				**(1,718)**	**(40,204)**
Net value at 12/31/2011	**44,503**	**485**	**115,754**	**21**	**15,614**	**2,935**	**179,312**
Investments	26,340			117		9,496	35,953
Amortization	(31,390)	(80)	(6,864)	(97)	(2,590)		(41,021)
Writedowns	(38,105)	(381)				(1,718)	(40,204)
Disposals	(781)						(781)
Other movements	7,498		23			(7,772)	(251)
Net value at 12/31/2012	**8,065**	**24**	**108,913**	**41**	**13,024**	**2,941**	**133,008**

YEAR 2011	Industrial patents and intellectual property rights	Trademarks	TV concessions and frequencies	Licenses	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 12/31/2010	**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)**
Depreciation 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 2012, amounting to Euro 35,953 thousand, can be broken down as follows:

(in thousands of euro)	Industrial patents and intellectual property rights	Trademarks	Licenses	Irrevocable rights of use	Work in process	Advance payments for intangible assets	TOTAL INTANGIBLE ASSETS
TI MEDIA S.p.A.	14,742				1,227		15,969
LA7	4,847				5,760		10,607
NETWORK OPERATOR	197		117		188		502
MTV Italia S.r.l.	*6,554*				*2,321*		*8,875*
MTV Pubblicità S.r.l.							
MTV GROUP	6,554				2,321		8,875
GROUP TOTAL	**26,340**		**117**		**9,496**		**35,953**

Industrial patents and intellectual property rights Euro 8,065 thousand

This item included Euro 6,626 thousand for MTV Italia S.r.l.'s television rights for the use of and income-generation from films, sit-coms, 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.
It also included Euro 869 thousand for software owned by MTV Italia S.r.l., which was amortized based on its expected useful life.
The item "Writedowns for the year" amounting to Euro 38,105 thousand is fully attributable to La7 S.r.l. and arose from the impairment testing, which accounted also for the sale of La7 S.r.l.

Concessions, licenses, trademarks and similar rights Euro 108,978 thousand

These items decreased by Euro 7,282 thousand. Excluding the amortization for the year, the item referred primarily to expenses incurred to acquire television frequencies of Telecom Italia Media Broadcasting S.r.l. and amounting to Euro 108,913 thousand.

All frequency rights used for Digital Terrestrial broadcasting, including those acquired in 2005 as part of the Elefante TV network and those used for Digital Terrestrial experimentation, amounting to Euro 109,359 thousand, are being amortized for 20 years; other licenses (Euro 41 thousand) are amortized based on the period of availability, while trademarks and similar rights (Euro 24 thousand, mainly television programs) in 10 years.
The item "Writedowns for the year" amounting to Euro 381 thousand is fully attributable to La7 S.r.l. and arose from the impairment testing, which accounted also for the sale of La7 S.r.l.

Irrevocable rights of use Euro 13,024 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 74,768 thousand

(Euro 87,252 thousand at December 31, 2011)

Overall, tangible assets decreased by Euro 12,484 thousand compared to December 31, 2011 and are presented net of the relevant accumulated depreciation of Euro 183,251 thousand (Euro 166,141 thousand at December 31, 2011) and writedowns of Euro 11,251 thousand, fully attributable to La7 S.r.l. and carried out following the impairment test and accounting for the sale of La7 S.r.l.
The breakdown and changes in 2012 and 2011 are detailed below:

YEAR 2012	Industrial and civilian buildings	Plant and machinery	Manufacturing and distribution equipment	Other tangible assets	Work in process	Total
(in thousands of euro)						
Gross amount at 12/31/2011	**238**	**207,445**	**6,275**	**27,214**	**12,262**	**253,434**
Investments	98	18,626	129	998	1,137	20,988
Disposals and other movements	(1)	2,339	(209)	143	(7,400)	(5,128)
Gross amount at 12/31/2012	**335**	**228,410**	**6,195**	**28,355**	**5,999**	**269,294**
Depreciation at 12/31/2011	**(105)**	**(139,255)**	**(4,993)**	**(21,788)**		**(166,141)**
Depreciation for the year	(26)	(19,288)	(479)	(2,592)		(22,385)
Disposals and other movements	1	4,871	155	248		5,275
Depreciation at 12/31/2012	**(130)**	**(153,672)**	**(5,317)**	**(24,132)**		**(183,251)**
Writedowns at 12/31/2011		**(41)**				**(41)**
Writedowns	(10)	(8,846)	(3)	(2,289)	(103)	(11,251)
Other movements		17				17
Writedowns at 12/31/2012	**(10)**	**(8,870)**	**(3)**	**(2,289)**	**(103)**	**(11,275)**
Net amount at 12/31/2011	**133**	**68,149**	**1,282**	**5,426**	**12,262**	**87,252**
Investments	98	18,626	129	998	1,137	20,988
Depreciation	(26)	(19,288)	(479)	(2,592)		(22,385)
Writedowns	(10)	(8,846)	(3)	(2,289)	(103)	(11,251)
Disposals		(15)	(54)	(18)		(87)
Other movements		7,242		409	(7,400)	251
Net amount at 12/31/2012	**195**	**65,868**	**875**	**1,934**	**5,896**	**74,768**

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 amount 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 amount 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)**
Writedowns at 12/31/2010		**(41)**				**(41)**
Writedowns						
Other movements						
Writedowns at 12/31/2011		**(41)**				**(41)**
Net amount 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 amount at 12/31/2011	**133**	**68,149**	**1,282**	**5,426**	**12,262**	**87,252**

Plant and machinery

This item decreased by Euro 2,281 thousand compared to December 31, 2011 (Euro 68,149 thousand) and included 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 61,828 thousand.
The item "Writedowns" amounting to Euro 8,846 thousand is fully attributable to La7 S.r.l. and arose from the impairment test, also taking into account the possible sale of La7 S.r.l.

Other tangible assets

Other tangible assets included leasehold improvements of Telecom Italia Media Broadcasting amounting to Euro 195 thousand and Euro 170 thousand related to MTV Italia, furniture and furnishings of MTV Italia for Euro 421 thousand and basic hardware and software of Telecom Italia Media Broadcasting for Euro 411 thousand.
The item "Writedowns" amounting to Euro 2,289 thousand is fully attributable to La7 S.r.l. and arose from the impairment test; also taking into account the possible sale of La7 S.r.l.

Work in process

Compared to December 31, 2011 (Euro 12,262 thousand), this item decreased by Euro 6,366 thousand and mainly referred to work in process of Telecom Italia Media Broadcasting amounting to Euro 5,889 thousand.

The ratio of the accumulated depreciation and writedowns on the gross value of fixed assets was 72.2% (65.6% at December 31, 2011).

The accumulated depreciation (Euro 183,251 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 20,988 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.		2,182		299	193	2,674
LA7		658		292	111	1,061
NETWORK OPERATOR	98	15,729	65	301	833	17,026
MTV Italia S.r.l.		*56*	*64*	*106*		*226*
MTV Pubblicità S.r.l.		*1*				*1*
MTV GROUP		**57**	**64**	**106**		**227**
GROUP TOTAL	**98**	**18,626**	**129**	**998**	**1,137**	**20,988**

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 2012 and 2011:

	2012	2011
Industrial and civilian buildings	6.1% - 10.0%	9.0% - 25.0%
Plant and machinery	9.0% - 20.0%	9.0% - 33.3%
Manufacturing and distribution equipment	13.3% - 25.0%	20.0% - 25.0%
Other tangible assets	5.1% - 66.7%	10.0% - 50.0%

NOTE 6 – Other non-current assets

Euro 54,554 thousand

(Euro 35,511 thousand at December 31, 2011)

Other non-current assets increased by Euro 19,043 thousand compared to December 31, 2011, and included:

(in thousands of euro)	12/31/2012	*of which financial instruments (1)*	12/31/2011	*of which financial instruments (1)*	Change
Investments in:					
Associate companies valued using the equity method					
Other companies	1,513		1,129		384
	1,513		1,129		384
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	877	877	897	897	(20)
	877	877	897	897	(20)
Miscellaneous receivables and other non-current assets					
Non current receivables due to National Tax Consolidation	30,450		8,460		21,990
Other miscellaneous receivables	12,035	12,016	11,962	11,962	73
	42,485	12,016	20,422	11,962	22,063
Deferred tax assets	9,679		13,063		(3,384)
Total	**54,554**	**12,893**	**35,511**	**12,859**	**19,043**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 19.

Investments Euro 1,513 thousand

This item is made up as follows:

(in thousands of euro)	12/31/2011	Investments	Transfers of reimbursement of capital	Impairment	Reclassifications and other movements	12/31/2012
Other companies						
Auditel S.r.l.	46					46
Cons. Radiotel. Di Puglia Basilicata e Molise S.r.l.	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
Effe TV		600				600
Italbiz.com Inc.	1					1
Tiglio I S.r.l.	954			(203)		751
Tivù S.r.l.	35					35
Total	**1,129**	**600**		**(216)**		**1,513**

In 2012, the values of certain equity investments increased on the whole by Euro 384 thousand. Specifically:

- a Euro 203 thousand decrease regarding the writedown of the equity investment in Tiglio 1;
- a Euro 13 thousand decrease concerning the total write-off of the equity investment in Consorzio Sardegna Digitale, applied following its removal from the Companies Register;
- a Euro 600 thousand increase pertaining to the subscription by La7 S.r.l. of a 30% equity investment in Effe TV S.r.l., a recently incorporated company in which the remaining 70% interest is held by the Feltrinelli Group, which aims to create a new multi-platform television, Internet and mobile channel.

Securities and financial receivables

Euro 43,362 thousand

This item increased by Euro 22,043 thousand compared to December 31, 2011.
The item is made up as follows and showed the following variations:

(in thousands of euro)	12/31/2012	12/31/2011	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	877	897	(20)
Total securities and non-current financial receivables	**877**	**897**	**(20)**
Miscellaneous non-current receivables:			
Receivables from the Parent Company for National Tax Consolidation	30,450	8,460	21,990
Tax credits for advances on withholding employee termination indemnities taxes			
Deposits for third parties as collateral	616	534	82
Other miscellaneous receivables from third parties	11,419	11,428	(9)
Total non-current miscellaneous receivables	**42,485**	**20,422**	**22,063**
Total securities and receivables	**43,362**	**21,319**	**22,043**

Other non-current miscellaneous receivables

Euro 42,485 thousand

Other non-current miscellaneous receivables, which increased by Euro 22,063 thousand compared to December 31, 2011, mainly referred to the receivable from the Parent Company Telecom Italia S.p.A. recognized in relation to the National Tax Consolidation scheme for the tax losses in financial year 2012 of Telecom Italia Media S.p.A. for Euro 21,123 thousand (of which Euro 20,311 thousand relating to tax losses for 2012, Euro 817 thousand as extraordinary income for taxes relating to an IRES tax refund following the deductibility of IRAP tax on staff costs established by the entry into force of Decree Law No. 16/2012 whose settlement timing is undoubtedly in line with the repayment plans established by the Tax Authority and Euro -5 thousand as tax effect resulting from the application of IAS 19) and La7 S.r.l. for Euro 9,213 thousand (of which Euro 9,118 thousand relating to tax losses for 2012 and Euro 95 thousand as tax effect resulting from the application of IAS 19) towards the Parent Company Telecom Italia S.p.A.; the collection of the receivable for the portion relating to the tax losses for the year 2012 is expected in June 2014.
Starting with the 2004 tax period and the introduction of the National Tax Consolidation pursuant to Legislative Decree No. 344 of December 12, 2003, and renewed in 2007 for the period 2007/2009 and in 2010 for the period 2010/2012, the Parent Company Telecom Italia S.p.A. adhered to Group corporate income tax and exercised the joint option – which is binding for three years – also for Telecom Italia Media S.p.A. e Telecom Italia Media Broadcasting S.r.l. In 2012, the Parent Company exercised the joint option for La7 S.r.l. for the period 2012/2014.
The decision to apply the National Tax Consolidation allows the company to post and then transfer current taxes even in the event of negative tax, 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 acknowledgment of the sum equivalent to multiplication of the corporate income tax rate and the transferred tax losses or gains, including the consolidation changes.
Receivables also include Euro 931 thousand for IRES refund resulting from failure to deduct IRAP on costs for employees and similar staff for the tax years prior to the year ongoing as at December 31, 2012, provided that at December 28, 2011 the 48-month time limit required to request a refund was still pending, as provided for by Article 4, paragraph 12, of Decree Law No. 16/2012, converted into Law No. 44/2012.

The amount of other miscellaneous receivables from third parties at December 31, 2012 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 11,546 thousand

(Euro 9,485 thousand at December 31, 2011)

(in thousands of euro)	12/31/2012	12/31/2011	Change
Deferred tax assets	9,679	13,063	(3,384)
Deferred tax liabilities	21,225	22,548	(1,323)
Total	**(11,546)**	**(9,485)**	**(2,061)**

(in thousands of euro)	12/31/2012	12/31/2011	Change
Deferred tax assets:			
Writedowns of equity investments			
Provisions for future risks and charges	1,793	4,505	(2,712)
Provision for doubtful receivables	6,714	2,955	3,759
Tax losses			
Other prepaid taxes	1,172	5,603	(4,431)
	9,679	13,063	(3,384)
Reserve for deferred taxes:			
Acquisition of business units	21,162	22,485	(1,323)
Receivables for matured dividends			
Employee termination indemnity (actuarial value)			
Accelerated depreciation and amortization	63	63	
	21,225	22,548	(1,323)
Total deferred tax assets, net of deferred tax reserves	**(11,546)**	**(9,485)**	**(2,061)**

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 9,679 thousand at December 31, 2012 and Euro 13,063 thousand at December 31, 2011) were reduced by Euro 3,384 thousand at December 31, 2012.

Specifically, Deferred tax assets included Euro 6,714 thousand at December 31, 2012 (Euro 2,955 thousand at December 31, 2011) relating to the tax benefit associated with the writedown of receivables, which will be deducted over time. Deferred tax liabilities included Euro 21,162 thousand (Euro 22,485 thousand at December 31, 2011) 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 1,693 thousand

(Euro 1,544 thousand at December 31, 2011)

At year-end, this item included the following:

(in thousands of euro)	12/31/2012	12/31/2011	Change
Raw materials and supplies			
Work in progress and semifinished goods			
Finished goods	1,693	1,544	149
Advances on inventories			
Total	**1,693**	**1,544**	**149**

Specifically, finished goods and merchandise mainly included:

- TV productions amounting to Euro 1,353 thousand (Euro 1,225 thousand at December 31, 2011), of which Euro 1,004 thousand is attributable to La7 S.r.l. and Euro 349 thousand to MTV Italia;
- film rights belonging to La7 S.r.l. with a duration of less than twelve months amounting to Euro 330 thousand.

NOTE 9 - Trade and miscellaneous receivables, and other current assets (excluding income tax receivables)

Euro 134,883 thousand

(Euro 122,206 thousand at December 31, 2011)

This item increased by Euro 12,677 thousand compared to December 31, 2011.

(in thousands of euro)	12/31/2012	*of which financial instruments (1)*	12/31/2011	*of which financial instruments (1)*	Change
Receivables for contract works					
Trade receivables:					
- receivables from customers	114,296	114,296	91,233	91,233	23,063
- receivables from Group companies and other related parties	3,568	3,568	2,451	2,451	1,117
	117,864	**117,864**	**93,684**	**93,684**	**24,180**
Miscellaneous receivables and other current assets:					
- other receivables	14,788	2,162	26,903	1,383	(12,115)
- commercial and other prepaid expenses	2,231		1,619		612
	17,019	**2,162**	**28,522**	**1,383**	**(11,503)**
Total	**134,883**	**120,026**	**122,206**	**95,067**	**12,677**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 19.

Trade receivables

Euro 117,864 thousand

Trade receivables

Euro 114,296 thousand

Trade receivables, net of related writedowns, amounted to Euro 114,296 thousand and mainly included payables to La7 S.r.l. by its advertising agency Cairo Communications S.p.A. (Euro 66,239 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 19,803 thousand, MTV Italia S.r.l. of Euro 7,515 thousand and Telecom Italia Media Broadcasting S.r.l. of Euro 15,031 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 allowance for doubtful accounts amounted to Euro 24,732 thousand, thus decreasing by Euro 1,186 thousand. The evolution of the provisions for receivables was as follows:

(in thousands of euro)	12/31/2011	Increase	Decrease	Release to income statement	Other movements	12/31/2012
Provision for doubtful receivables	25,918	2,104	(1,112)	(2,178)		24,732

At December 31, 2012, this item included Euro 12,974 thousand in impairment losses associated with Dahlia TV (in liquidation) carried out by Telecom Italia Media Broadcasting.

Receivables from Group companies and other related parties — Euro 3,568 thousand

This item mainly included Euro 3,524 thousand from Telecom Italia S.p.A., of which Euro 1,195 thousand relating to La7 S.r.l., Euro 1,513 thousand relating to MTV Italia and Euro 567 thousand relating to Telecom Italia Media S.p.A.

Miscellaneous receivables and other current assets — Euro 17,019 thousand

Other receivables — Euro 14,788 thousand

This item decreased by Euro 12,115 thousand compared to December 31, 2011, and includes:

(in thousands of euro)	12/31/2012	12/31/2011	Change
Advances to suppliers	3,931	1,054	2,877
Receivables from employees	173	169	4
Advance payments for other taxes	150	412	(262)
Deposits for third parties as collateral	153	71	82
Current receivables from the Parent Company for National Tax Consolidation	8,665	23,493	(14,828)
Receivables from social security institutions	658	683	(25)
Other items	1,058	1,021	37
Total	**14,788**	**26,903**	**(12,115)**

Receivables from the Parent Company Telecom Italia S.p.A. amounted to Euro 8,665 thousand and referred to La7 S.r.l.; they related to tax losses recognized in 2011 by Telecom Italia Media S.p.A. following the participation in the National Tax Consolidation scheme and later transferred to La7 S.r.l. within the process of disposal of all television operations, for which pay-in is expected in June 2013.

In accordance with the disclosure requirements of IFRS 7, a breakdown by maturity of trade receivables, other receivables and other current and non-current assets is provided below:

(in thousands of euro)	12/31/2012	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	120,026	106,543	4,849	2,632	916	5,086

(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	95,067	82,101	6,917	1,061	573	4,415

NOTE 10 – Financial receivables and other current financial assets Euro 215 thousand

(Euro 269 thousand at December 31, 2011)

(in thousands of euro)	12/31/2012	12/31/2011	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	215	269	(54)
Hedging derivatives relating to hedged elements classified among current financial assets/liabilities			
Total	**215**	**269**	**(54)**

NOTE 11 – Cash and cash equivalents Euro 203 thousand

(Euro 5,345 thousand at December 31, 2011)

(in thousands of euro)	12/31/2012	12/31/2011	Change
Cash at bank, financial and postal institutes	24	23	1
Cheques			
Cash	179	135	44
Receivables and deposits for cash flexibility		5,187	(5,187)
Securities other than investments (with maturity not exceeding 90 days)			
Total	**203**	**5,345**	**(5,142)**

This item amounted to Euro 203 thousand and mainly includes Euro 24 thousand in bank and postal deposits and cash and cash equivalents amounting to Euro 179 thousand.

NOTE 12 – Equity

Euro -32,374 thousand

(Euro 216,312 thousand at December 31, 2011)

Equity decreased on the whole by Euro 248,686 thousand compared to December 31, 2011 and is made up as follows:

(in thousands of euro)	12/31/2012	12/31/2011	Change
Equity attributable to equity holders of the Parent			
Share capital	212,188	212,188	
Share premium account	22,027	82,786	(60,759)
Other reserves and retained earnings (accumulated losses), including profit for the year	(271,185)	(90,761)	(180,424)
Equity attributable to equity holders of the Parent	**(36,970)**	**204,213**	**(241,183)**
Equity attributable to Minority Interests	4,596	12,099	(7,503)
Total Equity	**(32,374)**	**216,312**	**(248,686)**

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 Bylaws attached hereunder

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 of 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.

***

At December 31, 2012, the **share premium account** amounted to Euro 22,027 thousand, down by Euro 60,759 thousand compared to December 31, 2011. This change was due to the replenishment of losses for previous years.

Other reserves and **Retained earnings (accumulated losses), including profit for the year** included 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 271,185 thousand at December 31, 2012, marking a Euro 248,439 thousand decrease mainly due to the loss for the reporting year and a Euro 60,759 thousand increase in premium share account used as hedge against losses of previous years.

Potential future changes in share capital

At December 31, 2012, 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 261,402 thousand

(Euro 145,190 thousand at December 31, 2011)

This item was broken down as follows:

(in thousands of euro)	12/31/2012	12/31/2011	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	26	(5)
Total medium/long-term financial liabilities (A)	**21**	**100,026**	**(100,005)**
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	261,372	45,155	216,217
	261,372	45,155	216,217
Short-term finance lease liabilities			
Other short-term financial liabilities	9	9	
Total short-term financial liabilities (B)	**261,381**	**45,164**	**216,217**
Total financial liabilities C= (A+B)	**261,402**	**145,190**	**116,212**

NOTE 14 – Net financial debt [1]

(in thousands of euro)		12/31/2012	12/31/2011	Change
Non-current financial liabilities:				
Financial payables		-	100,000	(100,000)
Finance lease liabilities		-	-	-
Non-current liabilities for hedging derivatives				-
Other financial liabilities		21	26	(5)
	(1)	21	100,026	(100,005)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(A)**	**21**	**100,026**	**(100,005)**
Current financial liabilities:				
Financial payables		261,372	45,155	216,217
Finance lease liabilities		-	-	-
Current liabilities for hedging and non-hedging derivatives				-
Other financial liabilities		9	9	-
	(2)	261,381	45,164	216,217
Deductions:				
Hedge derivatives - current assets		-	-	-
		-	-	-
TOTAL CURRENT FINANCIAL LIABILITIES	**(B)**	**261,381**	**45,164**	**216,217**
Financial liabilities relating to discontinued operations/assets held for sale	**(C) (3)**	**-**	**-**	**-**
TOTAL FINANCIAL DEBT	**(D=A+B+C)**	**261,402**	**145,190**	**116,212**
Current financial assets				
Securities				-
Financial receivables and other current financial assets		(215)	(269)	54
Cash and cash equivalents		(203)	(5,345)	5,142
	(4)	(418)	(5,614)	5,196
Deductions:				
Hedge derivatives - current assets			-	-
		-	-	-
	(E)	**(418)**	**(5,614)**	**5,196**
Financial assets relating to discontinued operations/assets held for sale	**(F) (5)**	**-**	**-**	**-**
TOTAL CURRENT FINANCIAL ASSETS	**(G=E+F)**	**(418)**	**(5,614)**	**5,196**
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION No.DEM/6064293/2006	**(H=D+G)**	**260,984**	**139,576**	**121,408**
Non-current financial assets				
Securities other than investments				-
Financial receivables and other non-current financial assets		(877)	(897)	20
	(6)	(877)	(897)	20
TOTAL NON-CURRENT FINANCIAL ASSETS	**(I)**	(877)	(897)	20
NET FINANCIAL DEBT	**(L=H+I)**	**260,107**	**138,679**	**121,428**
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial liabilities	(1)	21	100,026	(100,005)
Current gross financial liabilities	(2) + (3)	261,381	45,164	216,217
		261,402	**145,190**	**116,212**
Total gross financial assets:				-
Non-current gross financial assets	(6)	(877)	(897)	20
Current gross financial assets	(4) + (5)	(418)	(5,614)	5,196
		(1,295)	**(6,511)**	**5,216**
NET FINANCIAL DEBT		**260,107**	**138,679**	**121,428**

[1] As regards the effects of related party transactions on net financial debt, see the specific table in the Notes "Related Party Transactions."

At December 31, 2012, net financial debt was Euro 260,107 thousand, with an increase of Euro 121,428 thousand compared to Euro 138,679 thousand at December 31, 2011.

In further detail:

- **Current financial liabilities.** At December 31, 2012, this item amounted to Euro 261,372 thousand (Euro 45,155 thousand at December 31, 2011), up by Euro 216,217 thousand. The item mainly consists of the following:
  - Euro 100,000 thousand related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the establishment of a loan agreement of the same amount 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

    In 2011, the loan, set to mature in December 2013, had been recognized among non-current financial liabilities;
  - Euro 160,058 thousand for the debt relating to the current account with Telecom Italia, which includes the amount of Euro 60,000 thousand repaid to Telecom Italia Finance SA in December 2012 for the conclusion of the credit facility agreement.

- **Financial receivables and other current financial assets.** This item amounted to Euro 215 thousand and related primarily to the current share of loans to employees.

- **Cash and cash equivalents.** This item amounted to Euro 203 thousand and mainly includes Euro 24 thousand in bank and postal deposits and cash and cash equivalents amounting to Euro 179 thousand.

- **Financial receivables and other non-current financial assets.** The item amounted to Euro 877 thousand and related to loans to personnel.

NOTE 15 – Employee benefits

Euro 9,714 thousand

(Euro 9,814 thousand at December 31, 2011)

The following changes occurred during the year:

(in thousands of euro)	12/31/2011	Discounts	Increases	Decreases	Other movements	12/31/2012
Reserve for employee termination indemnities	9,814	489	448	(1,056)	19	9,714
Fund for pensions and similar obligations						
Funds for personnel outflow incentives (payable after 12 months)						
Total	**9,814**	**489**	**448**	**(1,056)**	**19**	**9,714**

The Provision for employee termination indemnities (TFR) decreased overall by Euro 100 thousand. The decrease of Euro 1,056 thousand recorded under "Decreases" refers to utilizations of the provision made during 2012 for indemnities paid to personnel no longer in office and advances. The increase of Euro 489 thousand recorded in the column "Discounting to present value" and the increase of Euro 448 thousand euro in the column "Increases" respectively represent the sum of the provision for interest accrued in the period and actuarial adjustments made at December 31, 2012, reflecting both the changes in the underlying financial assumptions (discount rate and inflation rate), and the new pension legislation (Law No. 214 of December 22, 2011) which resulted in a lengthening of the expected period of personnel service in the company.

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. As envisaged by IAS 19, this item was recognized as "Defined Contribution Plan" for the amounts matured 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 since 2007 must be paid to either the INPS Treasury Fund or a supplementary pension scheme and are considered "Defined Benefit Plans." However, reassessment of the provision as of December 31, 2006, which had 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 indemnities were determined through actuarial recalculation using the Projected Unit Credit Cost Method, as follows:

- on the basis of a series of financial assumptions (cost-of-living increases, interest rates, pay increases, etc.), the Group projected 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 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 according to the average current values of the future benefits to be generated by the provision as carried at the date of assessment, without considering any future allocation.

In detail, the Group adopted the following assumptions:

Economic forecasts	**Executives**	**Non-executives**
Inflation rate	2.0%	2.0%
Discount rate	4.5%	4.5%
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 15,805 thousand

(Euro 12,933 thousand at December 31, 2011)

The item consists of:

(in thousands of euro)	12/31/2011	Provisions	Direct use	Surplus	Other changes/ reclassifications	12/31/2012
Other provision for future risks and charges	335	37	(35)	(99)		238
Total provisions (non-current portion)	**335**	**37**	**(35)**	**(99)**		**238**
Provisions for taxes and tax risks						
Provisions for litigation risks	583		(35)	(500)		48
Provisions for litigation with personnel and social securities institutions	7,979	3,370	(586)		(672)	10,091
Other employee benefits	1,291	160				1,451
Provisions for commercial and contractual risks	1,051	6	(832)	(36)		189
Other provision for future risks and charges	1,694	2,746	(90)	(562)		3,788
Total provisions (current portion)	**12,598**	**6,282**	**(1,543)**	**(1,098)**	**(672)**	**15,567**
Total provisions	**12,933**	**6,319**	**(1,578)**	**(1,197)**	**(672)**	**15,805**

Total provisions (non-current portion), totaling Euro 238 thousand, consisted of Euro 209 thousand attributable to MTV Pubblicità and Euro 29 thousand attributable to MTV Italia.

Total provisions (current portion) amounted to Euro 15,567 thousand and include the following:

- the risk provision for litigation amounting to Euro 48 thousand; the change (Euro -535 thousand) was fully attributable to Telecom Italia Media S.p.A. and referred primarily to the resolution of some litigations;
- the Provision for litigation with personnel and social-securities institutions totaled Euro 10,091 thousand. The increase reported in 2012 and totaling Euro 3,370 thousand related to La7 S.r.l. for Euro 708 thousand, MTV Italia for Euro 36 thousand and Telecom Italia Media S.p.A. for Euro 2,626 thousand. They mainly included Euro 1,285 thousand for provisions for risks associated with the current process of sale and Euro 441 thousand for the previous disposal of pay-per-view operations, both of which performed by Telecom Italia Media S.p.A.. Moreover, this item included Euro 629 thousand attributable to the "Associated Work Act" (Euro 270 thousand for Telecom Italia Media S.p.A. and Euro 359 thousand for La7 S.r.l.);
- other personnel provisions of Euro 1,451 thousand referred primarily to risks associated with contractual stability clauses;
- the provision for commercial and contractual risks amounted to Euro 189 thousand, down by Euro 862 thousand compared to 2011 (Euro 1,051 thousand);
- other provisions amounted to Euro 3,788 thousand, with a net increase of Euro 2,094 thousand compared to December 31, 2011. The increase reported for the year (Euro 2,746 thousand) were attributable to Telecom Italia Media Broadcasting for Euro 1,271 thousand in relation to the AGCOM's request for reviewing the license fees for the years from 2007 to 2011, to Telecom Italia Media S.p.A. for Euro 1,280 thousand and to MTV Italia for Euro 195 thousand and referred to risks associated with litigations underway.

NOTE 17 - Miscellaneous accounts payable and other non-current liabilities

Euro 11,675 thousand

(Euro 11,456 thousand at December 31, 2011)

(in thousands of euro)	12/31/2012	*of which financial instruments (1)*	12/31/2011	*of which financial instruments (1)*	Change
Capital grants					
Medium/long-term deferred income					
Other medium/long-term debts	11,675	11,400	11,456	11,400	219
Total	**11,675**	**11,400**	**11,456**	**11,400**	**219**

(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. referring to the receivables claimed from Dahlia TV (in liquidation) and purchased in 2010 to subscribe the capital increase transaction of said company.

NOTE 18 – Trade and miscellaneous payables and other current liabilities (excluding income tax payables)

Euro 148,489 thousand

(Euro 153,525 thousand at December 31, 2011)

(in thousands of euro)	12/31/2012	*of which financial instruments (1)*	12/31/2011	*of which financial instruments (1)*	Change
Trade payables:					
- payables to suppliers	92,427	92,427	104,716	104,716	(12,289)
- payables to Group companies and other related parties	8,418	8,418	10,999	10,999	(2,581)
	100,845	**100,845**	**115,715**	**115,715**	**(14,870)**
Tax payables for other taxes	4,689		2,063		2,626
Payables for contract works					
Miscellaneous payables and other current liabilities:					
- amounts due for short-term pay to employees	8,098	8,098	8,785	8,785	(687)
- contributions to pension and social security institutions	5,516		5,373		143
- current payables to the Parent company for tax consolidation	3,448		217		3,231
- short-term commercial and other deferred income	802		45		757
- advances	82		41		41
- dividends approved, but not yet paid					
- other current liabilities	9,442	8,608	8,688	8,466	754
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	15,567		12,598		2,969
- employee benefits (other than employee termination indemnities) for the portions expected to be paid within 12 months					
	42,955	16,706	35,747	17,251	7,208
	47,644	**16,706**	**37,810**	**17,251**	**9,834**
Total	**148,489**	**117,551**	**153,525**	**132,966**	**(5,036)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 19.

TRADE PAYABLES Euro 100,845 thousand

Trade payables Euro 92,427 thousand

The item decreased by Euro 12,289 thousand compared to December 31, 2011 (Euro 104,716 thousand) and primarily included payables for the acquisition of rights and television programs, payables for television production, payables to the artists and professionals of La7 S.r.l. (Euro 51,903 thousand) and the MTV Group (Euro 25,121 thousand), and payables for the maintenance and development of the digital network of Telecom Italia Media Broadcasting S.r.l. (Euro 12,303 thousand) and Telecom Italia Media S.p.A. (Euro 3,093 thousand).

Trade payables due to Group companies and other related parties Euro 8,418 thousand

This item includes payables amounting to Euro 7,186 thousand due to the Parent Company Telecom Italia S.p.A. mainly for administrative service contracts, development of software, new DTT and telephone use systems. In detail, La7 S.r.l. owes Euro 2,839 thousand, while Telecom Italia Media Broadcasting S.r.l. owes Euro 3,371 thousand.

MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES Euro 47,644 thousand

Tax payables for other taxes Euro 4,689 thousand

This item decreased by Euro 2,626 thousand compared to December 31, 2011 (Euro 2,063 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 8,098 thousand

This item dropped by Euro 687 thousand compared to December 31, 2011 (Euro 8,785 thousand) and included accrued amounts payable, but not yet paid, mainly to employees of La7 S.r.l. amounting to Euro 5,381 thousand, MTV Italia S.r.l. amounting to Euro 742 thousand and Telecom Italia Media S.p.A. for Euro 959 thousand.

Contributions to pension and social security institutions Euro 5,516 thousand

This item refers to contributions to pension and social security institutions that have matured and have not yet been paid, mainly related to La7 S.r.l. for Euro 3,876 thousand, MTV Italia S.r.l. for Euro 620 thousand and Telecom Italia Media S.p.A. for Euro 431 thousand.

Current payables to the Parent Company for National Tax Consolidation Euro 3,448 thousand

This item refers to payables for the taxable income for 2012 of Telecom Italia Media Broadcasting.

Other current liabilities Euro 9,442 thousand

Other current liabilities increased by Euro 754 thousand and included Euro 3,560 thousand in miscellaneous payables to Group companies and other related parties – mainly the Parent Company, Telecom Italia S.p.A. (Euro 3,332 thousand) – and Euro 5,882 thousand in other amounts due to third parties, referring primarily to Telecom Italia Media (Euro 2,668 thousand), MTV Italia (Euro 1,633 thousand) and Telecom Italia Media Broadcasting S.r.l. (Euro 1,201 thousand).

A breakdown of Provisions for risks and charges 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 statement of financial position, as well as qualitative and quantitative information on the risks associated with such financial instruments.

A breakdown of the Company's financial instruments in 2012 and 2011 is provided below.

Accounting value for each class of financial assets/liabilities at 12/31/2012

(in thousands of euro)	Categories IAS 39 [2]	Book value at 12/31/2012	Book value as per IAS 39 Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the income statement	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	877	877				
of which securities	HtM						
Miscellaneous receivables and other non-current assets [1]							
of which loans and receivables	LaR	12,016	12,016				
of which non-hedging derivatives	FAHfT						
	(a)	**12,893**	**12,893**				
Current financial assets							
Trade and miscellaneous receivables and other current assets [1]							
of which loans and receivables	LaR	120,026	120,026				
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	215	215				
of which non-hedging derivatives	FAHfT						
Cash and cash equivalents	LaR	203	203				
	(b)	**120,444**	**120,444**				
Total	**(a+b)**	**133,337**	**133,337**				
LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC	21	21				
Miscellaneous payables and other non-current liabilities [1]							
of which liabilities at amortized cost	FLAC	11,400	11,400				
	(c)	**11,421**	**11,421**				
Current financial liabilities							
of which liabilities at amortized cost	FLAC	261,381	261,381				
of which non-hedging derivatives	FLHfT						
Trade and miscellaneous payables and other current liabilities [1]							
of which liabilities at amortized cost	FLAC	117,551	117,551				
	(d)	**378,932**	**378,932**				
Total	**(c+d)**	**390,353**	**390,353**				

[1] Share of assets or liabilities related to application of IFRS7.

[2] Cf. glossary – page 147

Comparison between accounting value and fair value for each class of financial assets/liabilities at 12/31/2012

(in thousands of euro)	Categories IAS 39 (2)	Book value at 12/31/2012	Book value as per IAS 39				Book value as per IAS 17	Fair value at 12/31/2012
			Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the income statement		
ASSETS								
Loans and receivables	LaR	133,337	133,337					133,337
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		**133,337**	**133,337**					**133,337**
Liabilities								
Liabilities at amortized cost	FLAC	390,353	390,353					390,353
Financial liabilities held for trading at fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**390,353**	**390,353**					**390,353**

(2) Cf. glossary — page 147

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 income statement	
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						
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						
of which non-hedging derivatives	FAHfT						
Cash and cash equivalents	LaR						
	(b)						
Total	**(a+b)**	**12,859**	**12,859**				
LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC						
Miscellaneous payables and other non-current liabilities [1]							
of which liabilities at amortized cost	FLAC	11,400	11,400				
	(c)	**11,400**	**11,400**				
Current financial liabilities							
of which liabilities at amortized cost	FLAC						
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)	**132,966**	**132,966**				
Total	**(c+d)**	**144,366**	**144,366**				

[1] Share of assets or liabilities related to application of IFRS7.

[2] Cf. glossary – page 147

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 income statement		
ASSETS							
Loans and receivables	LaR	12,859	12,859				12,859
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		**12,859**	**12,859**				**12,859**
Liabilities							
Liabilities at amortized cost	FLAC	144,366	144,366				144,366
Financial liabilities held for trading at fair value through profit or loss	FLHfT						
of which non-hedging derivatives	FLHfT						
Total		**144,366**	**144,366**				**144,366**

[2] Cf. glossary — page 147

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., deriving from the Telecom Italia Group's centralized treasury model, essentially referring to a loan granted by the European Investment Bank and an amount due in relation to a running-account agreement with Telecom Italia S.p.A. for the ordinary treasury activities. Moreover, the Group 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 2011 or 2012.

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. Specifically:

- a loan granted by the European Investment Bank (6-month EURIBOR) (Telecom Italia S.p.A.);
- a running-account agreement at an average monthly EURIBOR rate +3.70%, average spread for 2012 (Telecom Italia S.p.A.);

Exchange rate risk

In 2012, 97.9% of the revenues earned by the Telecom Italia Media Group companies were denominated in the functional currency of those companies.

Credit risk

The Group's companies deal only with known, reliable companies. 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, which also indicates that net receivables more than 365 days overdue account for approximately 4.2% 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 2,638 thousand, consisting of the following:

GUARANTEES PROVIDED Euro 1,781 thousand
(Euro 2,054 thousand at December 31, 2011)

This item refers to guarantees on behalf of other companies and included mainly Euro 500 thousand in guarantees issued by Banca Intesa to Elerto B.V. and the Ministry of Production Activities (Euro 564 thousand) relating to Telecom Italia Media S.p.A.

OTHER Euro 857 thousand
(Euro 70,922 thousand at December 31, 2011)

This item consists mainly of guarantees granted by Telecom Italia S.p.A. to Telecom Italia Media Broadcasting in favor of tax authorities and amounting to Euro 427 thousand in guarantee of receivables resulting from VAT returns for the year 2009 offset at Group VAT settlement, and Euro 150 thousand in guarantees to BBVA Autorenting (Euro 125 thousand of Telecom Italia Media S.p.A. and Euro 25 thousand of MTV Italia S.r.l.) to back the timing fulfillment of obligations assumed under the car rental agreement.

NOTE 21 - Litigation

1) 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 counterparty'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 has filed its appearance at the hearing of March 24, 2009.
The hearing for the submission of conclusions is scheduled for **June 25, 2013**.

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 former Italian Lire 1 million 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.

<u>A hearing has yet to be scheduled.</u>

****

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 S.r.l., 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 (0.20%);
- in its capacity as assignee of the receivership Benten S.r.l. 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. in liquidation ("**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.

2) 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, 2395, 2049 and 2476 of the Italian Civil Code.

Made was subsequently declared insolvent and the proceedings were resumed by the official receiver.

At the hearing on February 18, 2013 the Judge granted an extension of the time limit to several parties to complete their pleadings reserving his decision.

At present, taking also into account the existence of appropriate "Directors & Officers" (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, 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.

The documents filed by the plaintiff are currently under assessment by legal advisors who have forwarded requests to Dahlia's directors soliciting further information and documents clearly establishing the groundlessness of Made's claims.

NOTES – INCOME STATEMENT ITEMS

NOTE 22 – Operating revenues and income

Euro 227,819 thousand

(Euro 264,476 thousand in 2011)

Revenues and income decreased by Euro 36,657 thousand (-13.9%) compared to financial year 2011, and consist of the following:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Sales and service revenues	222,714	238,189	(15,475)	(6.5)
Other income	5,105	26,287	(21,182)	(80.6)
Total operating revenues and income	**227,819**	**264,476**	**(36,657)**	**(13.9)**

NOTE 23 - Revenues

Euro 222,714 thousand

(Euro 238,189 thousand in 2011)

Revenues decreased by Euro 15,475 thousand (6.5%) to Euro 222,714 thousand compared to 2011; the breakdown by business unit is as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Telecom Italia Media S.p.A.	79,367	139,017	(59,650)	(42.9)
La7 S.r.l.	44,101	-	44,101	100.0
MTV Italia	17,816	28,725	(10,909)	(38.0)
MTV Pubblicità	37,409	44,584	(7,175)	(16.1)
Telecom Italia Media Broadcasting	44,021	25,863	18,158	70.2
Total revenues	**222,714**	**238,189**	**(15,475)**	**(6.5)**

Telecom Italia Media S.p.A.'s revenues, which included 8-month television operations in 2012 and 12-month in 2011, as well as La7 S.r.l.'s revenues were mainly generated by the advertising agency Cairo Communications S.p.A. through the sale of advertising space within the program schedule, under a contract 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 Italia2 of RTI Group;
    - K2, Frisbee, Giallo and Focus of Switchover Media;
    - QVC of QVC Italia;
    - Real Time and D-MAX of the Discovery Networks Group;
    - HSE 24;
    - RTL 102.5;
    - Super! of De Agostini Editore;
    - Padre Pio TV;
    - SportItalia1, SportItalia2 and SportItalia24 of Interactive Group;
    - VeroCapri of Guido Veneziani Editore;
    - the new channel Arturo, which started broadcasting in November 2012.

The breakdown by country is set out in the table below:

REVENUES BY COUNTRY	Year 2012	Year 2011
ITALY	215,781	220,812
AUSTRIA	28	-
BELGIUM	413	1,437
SPAIN	77	840
FRANCE	8	132
UK	3,780	12,841
GERMANY	1,513	935
NETHERLANDS	-	93
IRELAND	301	165
LUXEMBOURG	269	234
Total EUROPEAN UNION	**222,170**	**237,489**
SWITZERLAND	400	64
Total EFTA COUNTRIES	**400**	**64**
RUSSIA	-	2
TURKEY	-	12
Total REST OF EUROPE		**14**
BRAZIL	-	58
MEXICO	-	117
Total LATIN AMERICA		**175**
JAPAN	3	3
TAIWAN	1	-
Total ASIA	**4**	**3**
USA	140	750
Total USA and CANADA	**140**	**750**
AUSTRALIA	-	2
Total NON-CODIFIED		**2**
Other adjustments	-	(308)
Total other movements		**(308)**
TOTAL REVENUES	**222,714**	**238,189**

NOTE 24 – Other income

Euro 5,105 thousand

(Euro 26,287 thousand in 2011)

Other income decreased by Euro 21,182 thousand and are broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Use of writedown provisions and provisions for miscellaneous risks	3,375	4,033	(658)	(16.3)
Recovery of personnel costs	455	24	431	1,795.8
Recovery and reimbursements of services, use of property not owned	923	1,115	(192)	(17.2)
Income from liabilities	1	49	(48)	(98.0)
Other reimbursements	11	20,507	(20,496)	(99.9)
Other income	340	559	(219)	(39.2)
Total other income	**5,105**	**26,287**	**(21,182)**	**(80.6)**

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 September 2011.

Specifically, in 2012 funds were released in excess of Euro 3,375 thousand, broken down as follows:

PROVISIONS FOR DOUBTFUL RECEIVABLES

(in thousands of euro)	YEAR 2012	YEAR 2011	Change
- LA7 S.r.l.	55	-	***55***
- Telecom Italia Media	1,380	1,390	***(10)***
- TIMB	743	232	***511***
Total	2,178	1,622	**556**

OTHER PROVISIONS

(in thousands of euro)	YEAR 2012	YEAR 2011	Change
- Telecom Italia Media	1,098	1,865	***(767)***
- MTV Italia	86	77	***9***
- MTV Pubblicita'	13	-	***13***
- TIMB	-	469	***(469)***
Total	1,197	2,411	***(1,214)***

NOTA 25 – Acquisition of goods and services

Euro 196,685 thousand

(Euro 167,150 thousand in 2011)

Acquisition of goods and services decreased by Euro 3,850 thousand (-2.3%) compared to 2011 and were broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Raw materials, supplies and merchandise	2,790	2,862	(72)	(2.5)
Services	140,891	119,265	21,626	18.1
Use of property not owned	53,004	45,023	7,981	17.7
Total acquisition of goods and services	**196,685**	**167,150**	**29,535**	**17.7**

The item consists of:

- ***Raw materials, supplies and merchandise*** — Euro 2,790 thousand
  (Euro 2,862 thousand in 2011)

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 72 thousand compared to 2011 (2.5%).

- ***Services*** — Euro 140,891 thousand
  (Euro 119,265 thousand in 2011)

Services amounted to Euro 140,891 thousand, up by Euro 21,626 thousand from Euro 119,265 thousand in 2011.

Changes by company were as follows:

(in thousands of euro)	Year 2012	Year 2011	Change
- La7 S.r.l.	32,702	-	***32,702***
- Telecom Italia Media	62,361	74,904	***(12,543)***
- MTV Italia	17,520	20,338	***(2,818)***
- MTV Pubblicità	14,370	10,917	***3,453***
- TIMB	13,931	13,101	***830***
- Other companies	7	5	***2***
Total	140,891	119,265	***21,626***

In detail, total services consisted in:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Professional services and consultancy	30,540	30,022	518	1.7
Television programs under contract	45,659	26,065	19,594	75.2
Costs of MTV advertising agency	9,431	6,372	3,059	48.0
Electricity	5,322	4,710	612	13.0
Travel and accommodation	2,495	2,979	(484)	(16.2)
Production services, location filming and troupes	10,786	9,242	1,544	16.7
Commissions, fees and other commercial expenses	2,941	3,392	(451)	(13.3)
Agencies and news and sport services	3,491	3,583	(92)	(2.6)
Advertising and promotion expenses	6,842	5,870	972	16.6
Signal conveyance, connections, inter-connections, telephone	7,228	6,223	1,005	16.1
Dubbing and editing	1,163	820	343	41.8
Editing of external operations	1,830	1,416	414	29.2
Outsourcing	2,820	2,706	114	4.2
Distribution and storage	1,161	1,432	(271)	(18.9)
Insurance	503	439	64	14.6
T&E services	324	385	(61)	(15.8)
Other costs for services	8,355	13,609	(5,254)	(38.6)
Total acquisition of services	**140,891**	**119,265**	**21,626**	**18.1**

- ***Use of property not owned*** Euro 53,004 thousand
  (Euro 45,023 thousand in 2011)

Costs for the use of property not owned amounted to Euro 53,004 thousand, an increase of Euro 7,981 thousand compared to Euro 45,023 in 2011, and were broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change
- La7 S.r.l.	12,362	-	***12,362***
- Telecom Italia Media	19,887	21,572	***(1,685)***
- MTV Italia	10,274	12,882	***(2,608)***
- MTV Pubblicità	142	144	***(2)***
- TIMB	10,331	10,417	***(86)***
- Other companies	8	8	***0***
Total	53,004	45,023	***7,981***

The breakdown by nature is as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Real estate rents	5,996	5,574	422	7.6
Rental fees	6,077	6,511	(434)	(6.7)
Royalties and other rights paid	30,815	22,742	8,073	35.5
Fees for the use of satellite and high-frequency systems	10,059	10,300	(241)	(2.3)
Other costs for the use of property not owned	57	(104)	161	(154.8)
Total costs for use of property not owned	**53,004**	**45,023**	**7,981**	**17.7**

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 67,432 thousand

(Euro 61,457 thousand in 2011)

This item breaks down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Gross wages and salaries	41,154	39,550	1,604	4.1
Social security contributions	14,310	13,256	1,054	8.0
Termination indemnities	105	132	(27)	(20.5)
Other employee costs	3,525	3,185	340	10.7
Costs for assigned stock options	-	10	(10)	(100.0)
Employee benefits	178	194	(16)	(8.2)
Costs for employees on payroll	**59,272**	**56,327**	**2,945**	**5.2**
Temporary work	**3,213**	**3,514**	**(301)**	**(8.6)**
Other charges for employees and other work services:				
- Fees to external personnel	3,081	1,639	1,442	88.0
- Costs for seconded personnel	267	215	52	24.2
- Charges for employee outflow incentives	1,737	426	1,311	307.7
- Provisions for employee outflow incentives	160		160	#DIV/0!
- Other employee expenses	(298)	(684)	386	(56.4)
- Costs for assigned stock options to external personnel	-	20	(20)	(100.0)
Total other charges	**4,947**	**1,616**	**3,331**	**206.1**
Total employee benefits expenses	**67,432**	**61,457**	**5,975**	**9.7**

Personnel costs amounted to Euro 67,432 thousand in 2012, up by Euro 5,975 thousand compared to 2011 (Euro 61,457 thousand), and included net expenses of Euro 2,751 thousand (Euro 2,461 thousand in 2011), primarily consisting of accruals to provisions for risks in relation to the definition of an incentive plan for personnel correlated to the successful completion of the process of selling La7, i.e., the equity investment of Telecom Italia Group in Telecom Italia Media. In addition, those expenses include accruals for the labor dispute (employees and social-security and insurance agencies), Euro 1,897 thousand in redundancy incentive costs (Euro 426 thousand in 2011) and minor miscellaneous personnel charges of Euro 298 thousand in 2012 (Euro 684 thousand in 2011).

Net of these items, the cost of labor was Euro 63,082 thousand, compared to Euro 59,254 thousand in 2011, an increase of Euro 3,828 thousand, due to: the final tranche of the renewal of the collective labor contract (for radio and television), realized on 16 February 2011, the normal dynamics generated by the accrual of automatic contractual mechanisms, the consequences caused by the salary increases paid in 2011, the remuneration granted to the Chairman of La7 S.r.l., Giovanni Stella, owing in part to his resignation from the positions filled within Telecom Italia Media Group companies and, finally, the performance of individual incentive systems.

Average workforce is broken down as follows:

	Year 2012	Year 2011
	Average employment [1]	**Average employment [1]**
Executives	32.2	30.1
Middle managers	115.0	117.1
Journalists	96.8	94.2
White collars	470.2	464.7
Blue collars	2.2	3.0
Total workforce	**716.4**	**709.1**

[1] The overall average workforce does not include temporary staff for a total of 54.9 units for 2012 and 70.8 units for 2011.

NOTE 27 – Other operating expenses

Euro 8,266 thousand

(Euro 8,575 thousand in 2011)

Operating costs amounted to Euro 8,266 thousand and are broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Writedowns and charges connected with receivables management	2,147	3,689	(1,542)	(41.8)
Provisions	2,594	518	2,076	400.8
Concession fees for the exercise of TLC activities	2,053	1,815	238	13.1
Indirect fees and taxes	205	202	3	1.5
Associations fees	260	321	(61)	(19.0)
Penalties for non-fulfilment of contracts	17	20	(3)	(15.0)
Other expenses and charges	990	2,010	(1,020)	(50.7)
Other operating expenses	**8,266**	**8,575**	**(309)**	**(3.6)**

Write-downs and charges connected with receivables management amounting to Euro 2,147 thousand, decreasing by Euro 1,542 thousand compared to the previous year.
In 2012, provisions included Euro 820 thousand regarding Telecom Italia Media S.p.A. (allocated during the first 8 months of 2012), Euro 555 thousand regarding La7 S.r.l., mainly for provisions to the allowance for trade receivables as set forth in the agreement with the advertising agency Cairo, and Euro 251 thousand related to Telecom Italia Media Broadcasting.
Other expenses and charges decreased by Euro 1,020 thousand.

Concession fees for the exercise of TLC activities amounted to Euro 2,053 thousand and referred primarily to Telecom Italia Media S.p.A. for Euro 857 thousand, La7 S.r.l. for Euro 445 thousand and MTV Italia for Euro 491 thousand.

PROVISIONS

(in thousands of euro)	Year 2012	Year 2011	Change
- Telecom Italia Media	1,280	365	*915*
- TIMB	1,277	6	*1,271*
- MTV Italia	15	105	*(90)*
- MTV Pubblicita'	22	42	*(20)*
Total	2,594	518	*2,076*

Provisions for 2012 pertained essentially to possible compensation for damages in disputes that originated during the production and broadcasting of television programs and related to Telecom Italia Media, whereas TIMB's provisions included mainly Euro 1,271 thousand regarding the AGCOM's request for reviewing the license fees for the years from 2007 to 2011.

NOTE 28 – Depreciation and amortization

Euro 63,406 thousand

(Euro 58,348 thousand in 2011)

Depreciation and amortization amounted to Euro 63,406 thousand (Euro 58,348 thousand in 2011), with an increase of Euro 5,058 thousand, and include:

- Euro 41,021 thousand in amortization, up by Euro 2,755 thousand from Euro 38,266 thousand recorded in 2011:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Development costs	-	-	-	-
Industrial patents and intellectual property rights	31,390	28,426	2,964	10.4
Trademarks	80	76	4	5.3
TV concessions and frequencies	6,864	7,106	(242)	(3.4)
Licenses	97	68	29	42.6
Irrevocable rights of use (IRUs)	2,590	2,590	-	-
Total amortization of intangible assets	**41,021**	**38,266**	**2,755**	**7.2**

Industrial patents and intellectual property rights referred essentially to amortization of rights on movies, TV movies, etc., which are 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.

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 22,385 thousand, compared to Euro 20,082 thousand in 2011, increasing by Euro 2,303 thousand, and was broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Industrial and civilian buildings	26	22	4	18.2
Plant and machinery	19,288	16,621	2,667	16.0
Manufacturing and distribution equipment	479	690	(211)	(30.6)
Other tangible assets	2,592	2,749	(157)	(5.7)
Total depreciation of tangible assets	**22,385**	**20,082**	**2,303**	**11.5**

NOTE 29 – Capital gains (losses) realized on disposals of non-current assets Euro 1,783 thousand

(Euro 47 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Gains on the disposal of tangible and intangible assets	83	47	36	76.6
Gains from the disposal of business lines	1,700	-	1,700	-
Gains on the sale of equity investments in consolidated subsidiaries	-	-	-	-
Total gains realized on disposals of non-current assets	**1,783**	**47**	**n.a.**	**n.a.**

Capital gains amounting to Euro 1,700 thousand were generated by the sale of the satellite channels Nickelodeon and Comedy Central to the minority shareholder Viacom following the conclusion of the agreement regulating the channels' creation.

NOTE 30 – Losses realized on disposals of non-current assets Euro 2 thousand

(Euro 424 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Losses on the disposal of tangible and intangible assets	2	424	(422)	(99.5)
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	**2**	**424**	**(422)**	**(99.5)**

NOTE 31– Reversals/(Impairment) of non-current assets Euro 156,707 thousand

(Euro 56,650 thousand in 2011)

In 2012, this item was negative at Euro 156,707 thousand and referred to impairment of non-current assets and the goodwill writedown, resulting from the impairment test as of December 31, 2012, which also took in account the possible sale of La7 S.r.l.

This item referred particularly to:

- the impairment of non-current assets for Euro 51,455 thousand and the goodwill writedown for Euro 12,200 thousand with regard to the La7 business unit, resulting from the impairment test and taking into account the prospective sale of La7 S.r.l.;
- a goodwill writedown amounting to Euro 23,052 thousand, regarding the MTV business unit and resulting from the impairment test;
- a goodwill writedown amounting to Euro 70,000 thousand, regarding the Network Operator business unit and resulting from the impairment test.

NOTE 32– Other Income (losses) from investments

Euro -188 thousand

(Euro -56 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Income from equity investments:				
gains on disposals of equity investments recognized among non-current assets	-	-	-	-
dividends	28	-	28	-
Expense from investments	(216)	(56)	(160)	-
Total income (expense) from equity investments	**(188)**	**(56)**	**(132)**	**-**

Other losses from investments related to the impairment loss on the equity investments in Consorzio Sardegna Digitale, applied following its removal from the Companies Register, and Tiglio 1 to bring its carrying amount into line with its fair value. These losses, of Euro 13 thousand and Euro 203 thousand, respectively, were only partially offset by the collection of dividends of Euro 28 thousand from the investee Tivù S.r.l.

NOTE 33 – Finance Income

Euro 494 thousand

(Euro 600 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Income from accounts receivable included in long-term investments	11	11	-	-
Interest earned from trade receivables	7	9	(2)	(22.2)
Income from discounting of non-current items	-	54	(54)	(100.0)
Other miscellaneous financial income	136	11	125	1,136.4
Foreign exchange gains	340	515	(175)	(34.0)
Positive adjustments to fair value relative to:				
Positive adjustments to fair value (derivatives and underlying assets)	-	-	-	-
Total finance income	**494**	**600**	**(106)**	**(17.7)**

Finance income amounted to Euro 494 thousand in 2012, down by Euro 106 thousand from Euro 600 thousand in 2011, mainly due to lower exchange gains.

NOTE 34 – Finance expenses

Euro 7,755 thousand

(Euro 5,326 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Interest expense paid and other finance expenses:				
Interest expense paid to suppliers	121	55	66	120.0
Interest paid for other financial payables	5,989	3,259	2,730	83.8
Interest expense paid for other payables	499	723	(224)	(31.0)
Financial fees paid	405	408	(3)	(0.7)
Expenses related to discounting of non-current liabilities	489	464	25	5.4
Other finance expenses	2	9	(7)	(77.8)
Exchange losses	250	408	(158)	(38.7)
Negative adjustments to fair value relative to:				
Negative adjustments to fair value (derivatives and underlying assets)	-	-	-	-
Total finance expenses	**7,755**	**5,326**	**2,429**	**45.6**

In detail, interest expenses on other financial payables amounted to Euro 5,989 thousand (Euro 3,259 thousand in 2011), essentially consisting of Euro 5,965 thousand of Telecom Italia Media S.p.A., and specifically: Euro 2,868 thousand in connection with the short-term financial payables to Telecom Italia Finance (maturity: December 2012), Euro 1,814 thousand for the current account with Telecom Italia S.p.A. and Euro 1,283 thousand for the medium-/long-term loan (EIB). The improvement in financial payables was mainly attributable both to the increase in debt reported during the year and the increase in rates related to the general widening of spreads in Italy. Charges related to the discounting of non-current items include interest expenses associated with the time value component in actuarial calculations, classified to this item following the early adoption of IAS 19R in the amount of Euro 489 thousand in 2012 and Euro 464 thousand in 2011.

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 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
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	1.254%	1.304%	1.008%	1.035%	1.667%	1.151%	0.930%	0.863%
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	60	EURIBOR 3m	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	60	EURIBOR 3m				(2) 5.982%	5.867%	4.996%	5.201%	4.771%
Running account extant with the parent company as part of the centralized treasury program of the Telecom Italia group		EURIBOR 1m	3.330%	3.678%	3.826%	3.634%	3.272%	4.033%	4.275%	3.229%

Notes: (1) rate prevailing through December 20, 2011
(2) rate prevailing through December 21, 2011

NOTE 35 – Income tax expense

Euro 21,756 thousand

(Euro 8,650 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
IRAP	1,202	1,024	178	17.4
IRES from participation in the National Tax Consolidation	(24,221)	(6,929)	(17,292)	(249.6)
Other IRES		(44)	44	100.0
Deferred taxes	2,070	(1,697)	3,767	222.0
Income taxes for previous financial years	271	33	238	721.2
Extraordinary income for taxes	(1,078)	(1,037)	(41)	(4.0)
Total taxes	**(21,756)**	**(8,650)**	**(13,106)**	**(151.5)**

Income tax expense for 2012 was Euro 21,756 thousand (Euro 8,650 thousand at December 31, 2011) and included:

These consisted mainly of the following:

- corporate income tax (IRES), arising from the participation in the National Tax Consolidation and totaling Euro 24,221 thousand, was recognized as income in connection with the tax loss incurred by the Group companies within said fiscal 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 determined at the consolidated level, which are calculated based on the algebraic sum of the taxable income and losses of the entities involved in the consolidated tax scheme. Consolidated IRES is therefore recorded as income to reflect the remuneration by the Parent Company of the tax losses at the Group level;
- extraordinary income for taxes mainly include Euro 805 thousand, of which Euro 693 thousand attributed to Telecom Italia Media SpA and Euro 112 thousand attributed to Telecom Italia Media Broadcasting, relating to IRES refund for IRAP deductibility on staff costs resulting from the entry into force of Decree Law No. 16/2012 which, together with the amount recognized in interest income (Euro 126 thousand, of which Telecom Italia Media S.p.A. for Euro 124 thousand and Telecom Italian Media Broadcasting for Euro 2 thousand) are added to the value described above in respect of the National Tax Consolidation scheme, making up the overall receivable for tax consolidation, recognized in other non-current miscellaneous receivables, due from the parent Telecom Italia SpA;
- deferred taxes of Euro 2,070 thousand reflect the use during the 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 2012	%	Year 2011	%
Profit (loss) before taxes	**270,195**		**92,854**	
Taxes calculated based on the current tax rate	**(74,304)**	**27.5%**	**(25,535)**	**27.5%**
Permanent differences:				
- Undeductible costs	566	0%	282	0%
- Undeductible goodwill writedowns	28,944	11%	15,579	(17%)
- Undeductible writedowns	14,150			
- Undeductible equity investments writedowns	(59)	(0%)	0	0%
- Other net changes	7,745	3%	0	0%
	51,346	**19%**	**15,861**	**17%**
IRAP	1,202	0%	1,024	1%
Total actual taxes recognized in the income statement from continuing operations	**(21,756)**	**(8%)**	**(8,650)**	**(9%)**

NOTE 36 – Profit (loss) from discontinued operations/ Non-current Assets held for sale

Euro 0 thousand

(Euro 26 thousand in 2011)

Profit (loss) from discontinued operations/non-current assets held for sale amounted to Euro 26 thousand in 2011 and was related to a lower outlay in 2011 relating to the provision made in 2010 year for charges for the sale of TM News.

NOTE 37 - Income (loss) for the year

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

Attributable to:	Year 2012	Year 2011
- Equity holders of the Parent		
> Profit (loss) from continuing operations	(240,944)	(83,853)
> Profit (loss) from discontinued operations/non-current assets held for sale	-	26
- Profit/(loss) for the year attributable to equity holders of the Parent	(240,944)	(83,827)
- Minority Interests		
> Profit (loss) from continuing operations	(7,495)	(351)
> Profit (loss) from discontinued operations/non-current assets held for sale		
- Profit (loss) for the period attributable to Minority Interests	(7,495)	(351)

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 principle of reference — led the Company to conduct an impairment test. In 2012, the results of the test yielded an impairment loss on the goodwill carried at the consolidated level of Euro 105,252 thousand, compared to Euro 56,650 thousand in 2011.

There were no other significant economic transactions that do not occur on a regular basis.

NOTE 39 – 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 related party transactions and the effects of these amounts on the corresponding separate consolidated income statement, the consolidated statement of financial position and the consolidated cash flow statements. In detail:

- the effects on the individual items of the Group's consolidated income statement and the investments for 2012 compared with 2011, page 253;
- the effects on individual items of the consolidated net financial debt as of December 31, 2012, compared to December 31, 2011, page 255;
- the effects on other consolidated statement of financial position items at December 31, 2012 compared to other balance sheet items at December 31, 2011, page 256;
- a description of transactions affecting the income statement and the financial position compared to the previous periods, pages 257- 261;
- amounts due to pension funds compared to the previous year are shown on page 262;
- a description of purchase and sale contracts with related parties, pages 262, 263 and 264.

INCOME STATEMENT	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	2012	2011	2012	2011	2012	2011
Revenues						
Of which attributable to relations with:						
- Parent Company	4,499	18,477				
- Subsidiaries and associates of the Parent Company	40	111				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**4,539**	**18,588**	**222,714**	**238,189**	**2.0**	**7.8**
Other operating income						
Of which attributable to relations with:						
- Parent Company	455	20,500				
- Subsidiaries and associates of the Parent Company	37	52				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**492**	**20,552**	**5,105**	**26,287**	**9.6**	**78.2**
Acquisition of goods and services						
Of which attributable to relations with:						
- Parent Company	(9,992)	(9,022)				
- Subsidiaries and associates of the Parent Company	(5,264)	(5,186)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**(15,256)**	**(14,208)**	**(196,685)**	**(167,150)**	**7.8**	**8.5**
Employee benefits expenses						
Of which attributable to relations with:						
- Parent Company	(358)	(381)				
- Subsidiaries and associates of the Parent Company		(12)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel		-				
- Compensation of the Company's Key Management Personnel	(385)	(428)				
- Pension funds	(1,373)	(1,185)				
Total	**(2,116)**	**(2,006)**	**(67,432)**	**(61,457)**	**3.1**	**3.3**
Other operating expenses						
Of which attributable to relations with:						
- Parent Company	(8)	(41)				
- Subsidiaries and associates of the Parent Company	(9)	(120)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**(17)**	**(161)**	**(8,266)**	**(8,575)**	**0.2**	**1.9**

INCOME STATEMENT (in thousands of euro)	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
	Year 2012	Year 2011	Year 2012	Year 2011	Year 2012	Year 2011
Finance income						
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	**-**		**494**	**600**	**-**	**-**
Finance expenses						
Of which attributable to relations with:						
- Parent Company	(3,931)	(2,767)				
- Subsidiaries and associates of the Parent Company	(2,868)	(1,645)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**(6,799)**	**(4,412)**	**(7,755)**	**(5,326)**	**87.7**	**82.8**
Income tax expense						
Of which attributable to relations with:						
- Parent Company	25,147	6,929				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
- Pension funds	-	-				
Total	**25,147**	**6,929**	**21,756**	**8,650**	**115.6**	**80.1**

Investments in intangible and tangible assets						
Of which attributable to relations with:						
- Parent Company	248	349				
- Subsidiaries and associates of the Parent Company	1,331	1,105				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**1,579**	**1,454**	**56,941**	**61,375**	**2.8**	**2.4**

(1) Breakdown on pages 257, 258 and 259.

NET FINANCIAL DEBT	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
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	**-**	**-**	**877**	**897**	**-**	**-**
Securities, financial receivables and other current financial						
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**	**215**	**269**	**-**	**8.2**
Cash and cash equivalents						
Of which attributable to relations with:						
- Parent Company	-	5,187				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**-**	**5,187**	**203**	**5,345**	**-**	**97.0**
Non-current financial liabilities						
Of which attributable to relations with:						
- Parent Company	-	100,000				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**-**	**100,000**	**21**	**100,026**	**-**	**100.0**
Current financial liabilities						
Of which attributable to relations with:						
- Parent Company	260,085	64				
- Subsidiaries and associates of the Parent Company	-	45,090				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**260,085**	**45,154**	**261,381**	**45,164**	**99.5**	**100.0**
Total net financial debt						
Of which attributable to relations with:						
- Parent Company	**260,085**	**94,855**				
- Subsidiaries and associates of the Parent Company	**-**	**45,090**				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	**-**	**-**				
Total	**260,085**	**139,945**	**260,107**	**138,679**	**100.0**	**100.9**

(1) Breakdown on pages 260 and 261.

OTHER BALANCE SHEET ITEMS	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Miscellaneous receivables and other non-current assets						
Of which attributable to relations with:						
- Parent Company	30,492	8,460				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**30,492**	**8,460**	**42,527**	**20,422**	**71.7**	**41.4**
Trade receivables						
Of which attributable to relations with:						
- Parent Company	3,524	2,366				
- Subsidiaries and associates of the Parent Company	44	85				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**3,568**	**2,451**	**117,864**	**93,684**	**3.0**	**2.6**
Miscellaneous receivables and other current assets						
Of which attributable to relations with:						
- Parent Company	8,673	24,516				
- Subsidiaries and associates of the Parent Company	-	143				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**8,673**	**24,659**	**17,019**	**28,522**	**51.0**	**86.5**
Miscellaneous payables and other non-current liabilities						
Of which attributable to relations with:						
- Parent Company	11,675	11,456				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**11,675**	**11,456**	**11,675**	**11,456**	**100.0**	**100.0**
Trade payables						
Of which attributable to relations with:						
- Parent Company	7,186	7,115				
- Subsidiaries and associates of the Parent Company	1,232	3,884				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	**8,418**	**10,999**	**100,845**	**115,715**	**8.3**	**9.5**
Miscellaneous payables and other current liabilities						
Of which attributable to relations with:						
- Parent Company	6,822	4,248				
- Subsidiaries and associates of the Parent Company	231	135				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
- Pension funds	344	959				
Total	**7,397**	**5,342**	**47,644**	**37,810**	**15.5**	**14.1**

(1) Breakdown on pages 260 and 261.

The following table shows the main items of the statements of income, balance sheets, and financial items pertaining to transactions between fully consolidated companies and between associates, affiliates and subsidiaries of the Parent Company, and companies under common control, and through directors of the Parent Company.

(in thousands of euro)	Year 2012	Year 2011	Type of transaction
Revenues	4,539	18,588	The balance at December 31, 2012, mainly referred to revenues from Telecom Italia S.p.A., and was broken down as follows: - MTV Italia Mobile revenues from Telecom Italia S.p.A., Domestic Market Operations division, amounting to Euro 277 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; - production of promos about contents of Telecom Italia SpA's service called "Cubovision" amounting to Euro 2,210 thousand. - Euro 333 thousand from MTV Italia for miscellaneous TV advertising income to the Domestic Market Operations division; - implementation and supply of Barker Channel service and related content for IPTV platforms totaling Euro 324 thousand; - events organization from MTV Italia to Domestic Market Operations division amounting to Euro 762 thousand; - satellite broadcasting services for TM News totaling Euro 40 thousand; - Euro 144 thousand for "Over the top TV" interactive services. At December 31, 2011, this item mainly referred to revenues from Telecom Italia S.p.A., and was 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 content 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.
Other operating income	492	20,552	The balance at December 31, 2012 referred to employee expenses recovery from Telecom Italia S.p.A. amounting to Euro 455 thousand and to cost recovery for provision of service from Tm News for Euro 37 thousand. The balance at December 31, 2011 referred to employee expenses recovery from Telecontact amounting to Euro 16 thousand and from Telecom Italia Sparkle for Euro 8 thousand. It also referred to recovery for services from Tm News amounting to Euro 28 thousand. The item also included 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.

(in thousands of euro)	Year 2012	Year 2011	Type of transaction
Acquisition of goods and services	15,256	14,208	At 31 December 2012, this item mainly referred to revenues from Telecom Italia S.p.A., and was broken down as follows: - acquisition of services related to signal conveyance amounting to Euro 1,552 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 3,230 thousand from the Domestic Market Operations division of Telecom Italia; - rental of High Frequency workstations from the Technology Operations division of Telecom Italia totalling Euro 391 thousand; - 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 2,837 thousand; - costs for insurance premiums, guarantee policies, administrative services and other services amounting to Euro 2,143 thousand, made up of insurance premiums and guarantee policies amounting to Euro 512 thousand, administrative services to Euro 1,229 thousand, promotion and accessory expenses for employees to Euro 32 thousand and other expenses to Euro 370 thousand; - rental fees for buildings, condominium expenses, cleaning services and rentals from the Parent Company Telecom Italia S.p.A. amounting to Euro 2,084 thousand; - purchases of the Technology Operations division of Telecom Italia amounting to Euro 140 thousand for rental of software licenses; - acquisition of professional services from Telecom Italia Information Technology, former subsidiary SSC, amounting to 329 thousand; - acquisition of services from the associate company Tm News, news agency, amounting to Euro 1,318 thousand; - acquisition of advertising, promotion and outsourced services for the management of Internet services from Matrix amounting to Euro 445 thousand. The balance at December 31, 2011 mainly referred to revenues from Telecom Italia S.p.A. and was 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 totalling 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 to Euro 903 thousand and other expenses 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.
Employee benefits expenses	358	393	The balance at December 31, 2012 and at December 31, 2011 included expenses for seconded personnel totaling Euro 196 thousand (Euro 215 thousand in 2011) and employee benefits amounting to Euro 36 thousand (Euro 58 thousand) to Telecom Italia S.p.A. This item also included other employee costs to Telecom Italia totaling Euro 126 thousand (Euro 108 thousand in 2011). At December 31, 2011 this item also included other charges for employees amounting to Euro 12 thousand from the company Matrix.
Other operating expenses	17	161	The balance at December 31, 2012 and December 31, 2011 refers to other miscellaneous costs.

(in thousands of euro)	Year 2012	Year 2011	Type of transaction
Net finance income (expense)	(6,799)	(4,412)	Amounts at December 31, 2012 and December 31, 2011 refer to interest paid to Telecom Italia S.p.A. amounting to Euro 3,097 thousand (Euro 1,831 thousand in 2011) and to Telecom Italia Finance SA. amounting to Euro 2,868 thousand (Euro 1,419 thousand compared with the same period of the previous year). They also include financial fees amounting to Euro 323 thousand (Euro 408 thousand in 2011) and other financial payables for supply debts to the Domestic Market Operations division of Telecom Italia amounting to Euro 10 thousand (Euro 22 thousand in 2011). Other financial expenses to Telecom Italia amounted to Euro 501 thousand (Euro 506 thousand in 2011). At December 31, 2011 this item also included finance expenses amounting to Euro 226 thousand to Intesa Group.
Income tax expense	25,147	6,929	The balance at December 31, 2012 referred to the receivable from Telecom Italia S.p.A. from the participation in Telecom Italia's National Tax Consolidation and included an income of Euro 21,128 thousand from Telecom Italia Media S.p.A., an expense of Euro 5,099 thousand from Telecom Italia Media Broadcasting and an income of Euro 9,118 thousand from La7 S.r.l. The balance at December 31, 2011 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 8,460 thousand from Telecom Italia Media S.p.A. and an expense of Euro 1,531 thousand from Telecom Italia Media Broadcasting.

Investments in tangible and intangible assets	1,579	1,454	The balance at December 31, 2012 referred to investments in intangible assets made by Telecom Italia Media S.p.A. for the acquisition of rights from A1 International amounting to Euro 617 thousand, from La7 S.r.l. totaling Euro 21 thousand and from Matrix and Telecom Italia Media S.p.A. amounting to Euro 83 thousand. Amounts relating to work in process referred to purchases from A1 International for Euro 463 thousand by MTV Italia and for Euro 69 thousand by Telecom Italia Media S.p.A., purchases from Telecom Italia Information Technology for Euro 30 thousand by MTV Italia and for Euro 48 thousand by Telecom Italia Media S.p.A. and purchases from Telecom Italia Technology Operations division for Euro 49 thousand by Telecom Italia Media Broadcasting. Purchase of tangible assets included investments in plant and machinery from Domestic Market Operations division amounting to Euro 5 thousand by La7 S.r.l., Euro 19 thousand by Telecom Italia Media Broadcasting and Euro 2 thousand by Telecom Italia Media. La7's acquisitions from Telecom Italia S.p.A. amounted to Euro 22 thousand. Moreover, investments in other intangible assets made by Telecom Italia Media amounted to Euro 150 thousand. Amounts relating to work in process totaling Euro 1 thousand referred to La7 S.r.l. from Telecom Italia Domestic Market Operations division. The balance at December 31, 2011 referred 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 totalling 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.

(in thousands of euro)	12/31/2012	12/31/2011	
Non-current financial assets	-	-	
Miscellaneous receivables and other non-current assets	30,450	8,460	The balance at December 31, 2012 of Euro 30,492 referred to amounts due to La 7 S.r.l. totaling Euro 9,255 thousand, Telecom Italia Media Broadcasting for Euro 114 thousand and from Telecom Italia Media S.p.A. for Euro 21,123 (Euro 8,460 thousand in the same period of the previous year) in relation to participation in the National Tax Consolidation, for the tax loss for 2012. The receivable is expected to be collected in June 2014.
Trade receivables (due within and after 12 months)	3,568	2,451	The balance at December 31, 2012 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 3,107 thousand and from Telecom Italia amounting to Euro 417 thousand. Moreover, they include trade receivables from TM News for Euro 44 thousand. The balance at December 31, 2011 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 2,349 thousand and from Telecom Italia amounting to Euro 17 thousand. Moreover, they included trade receivables from the following companies: Euro 5 thousand from H.R. Service, Euro 40 thousand from TM News, Euro 16 thousand from Telecontact, Euro 19 thousand from Olivetti and Euro 5 thousand from Intesa Group.
Miscellaneous receivables and other current assets	8,673	24,659	The balance at December 31, 2012 included a receivable of Euro 8,665 thousand due to Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation for the loss incurred in 2011 by La7 Srl. The amount was transferred following the spinoff of the business line made by Telecom Italia Media S.p.A. and should be collected in June 2013 Moreover, it includes an accrued income from Telecom Italia S.p.A. for Euro 8 thousand. 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 S.p.A., that should be collected in June 2012, as well as Euro 4,171 thousand from Telecom Italia Media Broadcasting. It also included 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.
Financial receivables and other current financial assets	-	22	The item referred to prepaid finance expense to Telecom Italia.
Cash and cash equivalents	-	5,187	The balance at December 31, 2011 referred to 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	The balance at December 31, 2011 referred to the financial debt payable 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)	12/31/2012	12/31/2011	
Miscellaneous payables and other non-current liabilities	11,675	11,456	The amounts at December 31, 2012 and December 31, 2011 of Euro 11,400 thousand referred 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. This item also included 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 275 thousand (Euro 56 thousand in the previous year).
Financial payables owed within 12 months	260,085	45,154	The balance at December 31, 2012 amounted to Euro 100,000 thousand and primarily referred to a debt towards the parent company Telecom Italia S.p.A. for a financing provided by the latter following the loan agreement between Telecom Italia S.p.A. 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. In 2011, the loan, which is set to expire on December 2013, was classified among non-current financial liabilities. The item also includes a payable of Euro 160,058 thousand to Telecom Italia related to the running account, as well as the reimbursement to Telecom Italia Finance SA in December 2012 following the termination of the credit facility agreement totaling Euro 60,000 thousand. The balance at December 31, 2011 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 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 and other financial payables included Euro 64 thousand to Telecom Italia S.p.A.
Trade payables	8,418	10,999	The balance at 12/31/2012 and 12/31/2011 included 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, 2012 trade payables referred to Telecom Italia for Euro 7,186 thousand (they amounted to Euro 7,115 at December 31, 2011), Telenergia for Euro -86 thousand relating to credit notes (Euro 1,768 thousand), TM News for Euro 361 thousand (Euro 376 thousand), Matrix for Euro 0 thousand (Euro 733 thousand), Telecom Italia Information Technology for Euro 288 thousand (Euro 212 thousand), to A1 International Investment for Euro 625 thousand (Euro 423 thousand), Intesa Group for Euro 0 (Euro 226 thousand) and other companies for Euro 44 thousand (Euro 146 thousand).
Miscellaneous payables and other current liabilities	7,053	4,383	The balance at December 31, 2012 and December 31, 2011 included miscellaneous operating and non-operating debts to the parent company Telecom Italia amounting to Euro 3,332 thousand (Euro 4,031 thousand), Matrix for Euro 0 (Euro 15 thousand at December 31, 2011), TM News for Euro 120 thousand (Euro 120 thousand) and Telecontact for Euro 108 thousand (Euro 0). The balance at December 31, 2012 included Euro 3,448 thousand (Euro 217 thousand), 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 gain. The item also included deferred income to the Domestic Market division of Telecom Italia totaling Euro 42 thousand and to TM News for Euro 3 thousand.

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 2012	Year 2011	Type of transaction
Employee benefits expenses	1,373	1,185	At December 31, 2012 contributions to Fontedir and INPS for Telecom Italia Media Group's employees and executives amounted to Euro 161 thousand and Euro 1,212 thousand, respectively. 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. It also included amounts paid to INPS totaling Euro 822 thousand.
	12/31/2012	12/31/2011	
Miscellaneous payables and other current liabilities	344	959	At December 31, 2012 payables to Fontedir and INPS amounted to Euro 149 thousand and Euro 195 thousand, respectively. At December 31, 2011, payables to Italian Pension Funds and Fontedir amounted to Euro 719 thousand and Euro 135 thousand, respectively. It also included payables to INPS amounting to Euro 105 thousand.

The most significant transactions for the year 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

- 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 spaces;
- 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;
- 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/content of theLa7 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 channelLa7's television studios.

Telecom Italia Finance S.A.

Liabilities

- A short-term variable-rate (based on EURIBOR) loan agreement with Telecom Italia Media S.p.A for a credit facility amounting to Euro 60,000 thousand (expired in December 2012).

As regards the impact of the cash flows and earnings of related parties on income tax expense, Telecom Italia Media S.p.A., La7 S.r.l. and Telecom Italia Media Broadcasting S.r.l. signed an agreement with Telecom Italia S.p.A. to participate in Telecom Italia S.p.A.'s National Tax Consolidation.

NOTE 40 - Stock options

At December 31, 2012, 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 2012 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:

- **La7**, the business unit which up to the previous Half-year Report was denominated TI Media –La7, includes the Company's operations relating to the television broadcastersLa7 and La7d and the Multimedia/Web area (La7.it andLa7.tv);
- **MTV Group** comprises activities carried out by MTV Italia and its subsidiary MTV Pubblicità concerning TV broadcasters MTV and MTV Music, production unit 360° Playmaker, the production of multimedia music platforms and satellite channels, as well as MTV Mobile and Digital (Web);
- **Network Operator (TIMB)** includes the operations of Telecom Italia Media Broadcasting relating to managing the digital broadcasting networks ofLa7 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.

	La7 S.r.l.		TI MEDIA S.p.A.		MTV GROUP		NETWORK OPERATOR		Other operations cancellations and adjustments		Group Total	
	Year		Year		Year		Year		Year		Year	
(in thousands of euro)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues from third parties	44,101	-	79,367	139,017	55,225	73,309	44,021	25,863			222,714	238,189
Intragroup revenues	83	-	847	850	-	510	31,063	29,078	(31,993)	(30,438)	-	-
TOTAL REVENUES	**44,184**	**-**	**80,214**	**139,867**	**55,225**	**73,819**	**75,084**	**54,941**	**(31,993)**	**(30,438)**	**222,714**	**238,189**
TOTAL OPERATING REVENUES AND OTHER INCOME	**44,662**	**-**	**85,783**	**166,275**	**56,216**	**74,747**	**76,015**	**55,849**	**(34,857)**	**(32,395)**	**227,819**	**264,476**
Acquisition of services and other operating costs	(53,711)	-	(102,414)	(122,902)	(54,016)	(56,009)	(29,486)	(29,012)	34,826	32,207	(204,801)	(175,716)
Employee benefits expenses	(14,032)	-	(37,214)	(45,542)	(12,925)	(12,194)	(3,302)	(3,892)	41	171	(67,432)	(61,457)
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(23,081)**	**-**	**(53,845)**	**(2,169)**	**(10,725)**	**6,544**	**43,227**	**22,945**	**10**	**(17)**	**(44,414)**	**27,303**
Depreciation and amortization	(10,818)	-	(19,371)	(27,487)	(6,161)	(6,216)	(27,037)	(24,622)	(19)	(23)	(63,406)	(58,348)
Gains/ (Losses) realized on disposals of non-current assets	33	-		1	1,700	(392)	48	14	-	-	1,781	(377)
Gains (losses) realized on disposals of non-current assets	(63,655)	-	(25,420)	(38,140)	(23,052)	(13,550)	(70,000)	(43,100)	25,420	38,140	(156,707)	(56,650)
OPERATING INCOME (EBIT)	**(97,521)**	**-**	**(98,636)**	**(67,795)**	**(38,238)**	**(13,614)**	**(53,762)**	**(44,763)**	**25,411**	**38,100**	**(262,746)**	**(88,072)**
Other financial income (expense) from investments		-	(81,468)	(56)	-	-	-	-	81,280	-	(188)	(56)
Other financial income (expense)	(224)	-	(4,182)	(2,096)	(41)	(4)	(2,814)	(2,626)	-	-	(7,261)	(4,726)
PROFIT (LOSS) BEFORE TAX	**(97,745)**	**-**	**(184,286)**	**(69,947)**	**(38,279)**	**(13,618)**	**(56,576)**	**(47,389)**	**106,691**	**38,100**	**(270,195)**	**(92,854)**
Income tax expense	5,565	-	21,111	8,472	(67)	(649)	(4,853)	827	-	-	21,756	8,650
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(92,180)**	**-**	**(163,175)**	**(61,475)**	**(38,346)**	**(14,267)**	**(61,429)**	**(46,562)**	**106,691**	**38,100**	**(248,439)**	**(84,204)**
Profit (loss) from discontinued operations/non-current assets held for sale	-	-	-	-	-	-	-	-		26		26
PROFIT (LOSS) FOR THE YEAR	**(92,180)**	**-**	**(163,175)**	**(61,475)**	**(38,346)**	**(14,267)**	**(61,429)**	**(46,562)**	**106,691**	**38,126**	**(248,439)**	**(84,178)**
Attributable to:												
equity holders of the Parent	(92,180)	-	(163,175)	(61,475)	(38,346)	(14,267)	(61,429)	(46,562)	25,098	38,477	(240,944)	(83,827)
Minority Interests	-	-	-	-	-	-	-	-	(7,495)	(351)	(7,495)	(351)

	La7		MTV GROUP		NETWORK OPERATOR		Other assets		Cancellations and adjustments		GROUP TOTAL	
(in thousands of euro)	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Intangible assets	40,204		9,960	29,090	144,278	223,790	-	52,914	(40,204)	-	154,238	305,794
Tangible assets	11,251		2,484	3,537	72,253	72,080	31	11,626	(11,251)	9	74,768	87,252
Other assets	19,351		2,199	2,203	5,673	5,322	211,878	212,513	(185,424)	(185,424)	53,677	34,614
TOTAL FIXED CAPITAL	70,806	-	14,643	34,830	222,204	301,192	211,909	277,053	(236,879)	(185,415)	282,683	427,660
Working capital	7,088		374	12,740	(7,226)	(20,072)	(27,009)	(35,640)	3,000	3,000	(23,773)	(39,972)
Employee termination indemnities	(7,587)		(1,054)	(1,451)	(22,095)	(23,524)	(441)	(7,722)	-	-	(31,177)	(32,697)
TOTAL INVESTED CAPITAL	70,307	-	13,963	46,119	192,883	257,596	184,459	233,691	(233,879)	(182,415)	227,733	354,991
TOTAL EQUITY											(32,374)	216,312
NET FINANCIAL POSITION											260,107	138,679
											-	-

	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
INVESTMENTS												
Industrial	11,668		9,102	4,489	17,713	25,786	18,643	31,100	(185)	-	56,941	61,375
Financial	600					36	-	-	-	-	600	36

EARNINGS PER SHARE - FINANCIAL YEAR 2012

Earnings per share in the financial year 2012 were as follows:

ORDINARY SHARES

Profit (loss) from continuing operations	**Net profit (loss) (in thousands of euro)**	**Number of shares**	**Earnings per Share (in euro)**
Profit (loss) from continuing operations	(248,439)		
Profit (loss) attributable to ordinary shares	(247,498)		
Average number of ordinary shares		1,446,317,896	
Basic and diluted earnings per ordinary share			**(0.1711)**
Profit (loss) from discontinued operations			
Profit (loss) from discontinued operations	0		
Profit (loss) attributable to ordinary shares	0		
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	(248,439)		
Profit (loss) attributable to ordinary shares	(247,498)		
Average number of ordinary shares		1,446,317,896	
Basic and diluted earnings per ordinary share			**(0.1711)**

SAVINGS SHARES

Profit (loss) from continuing operations	**Net profit (loss) (in thousands of euro)**	**Number of shares**	**Earnings per Share (in euro)**
Profit (loss) from continuing operations	(248,439)		
Profit (loss) attributable to savings shares	(941)		
Average number of savings shares		5,496,951	
Basic earnings per savings share			**(0.1711)**
Profit (loss) from discontinued operations			
Profit (loss) from discontinued operations	0		
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	(248,439)		
Profit (loss) attributable to savings shares	(941)		
Average number of savings shares		5,496,951	
Basic earnings per savings share			**(0.1711)**

ANNEX 1

LIST OF EQUITY INVESTMENTS INCLUDED IN THE CONSOLIDATION AREA

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.
LA7 S.r.l. *(Publishing and sale of published products, advertising sales and execution, management of all activities related to information processing and use)*	Rome	Euro	1,020,000	100.00	Telecom Italia Media S.p.A.
MTV ITALIA S.r.l. *(TV and radio services, production and marketing of TV, radio and film programs)*	Rome	Euro	12,151,928	51.00	LA7 S.r.l.
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					
EFFE TV *(Publishing and sale of published products, advertising sales and execution, management of all activities related to information processing and use)*	Milan	Euro	200,000	30.00	LA7 S.r.l.
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 2012 financial statements, in addition to the emoluments accrued in 2012 for all other auditing/verification 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 2012 in connection with those services.

	PricewaterhouseCoopers S.p.A.			Other entities 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	76,165	32,619	108,784	-	-	-	108,784
Control services involving the issue of an attestation	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-
Total costs accrued in 2011 for auditing and other services due to the PwC network	**76,165**	**32,619**	**108,784**	**-**	**-**	**-**	**108,784**
Out-of-pocket expenses							9,026
TOTAL							**117,810**

NOTE 43 – Events Subsequent to December 31, 2012

Sale of La7 S.r.l.

Following the restructuring process illustrated on page 15 of the Telecom Italia Media Group's Report on Operations, on February 18, 2013, the Board of Directors of Telecom Italia Media S.p.A. acknowledged the resolution passed by the Board of Directors of the Parent Company Telecom Italia S.p.A. during the meeting held on the same date, and, as a result of a thorough examination, resolved to grant Cairo Communication S.p.A. an exclusive to negotiate the sale of the whole equity investment in La7 S.r.l., excluding the 51% interest in MTV Italia S.r.l.

On March 4, 2013, the Board of Directors of Telecom Italia Media S.p.A. resolved to give mandate in order to finalize the agreement for the sale to Cairo Communication S.p.A. of the Company's entire stake in La7 S.r.l., with the exception of the 51% interest in MTV Italia S.r.l..

Under the agreement, Telecom Italia Media S.p.A. shall receive a consideration of Euro 1 million for the sale. Before transferring the shareholding,La7 S.r.l. will be recapitalized for an amount that will allow the Company to achieve, at that date, a positive net financial position of no less than Euro 88 million. Such recapitalization will also help the company to achieve the contractually agreed equity of Euro 138 million.

The agreements also envisage the signing of a multi-year agreement for the supply of broadcasting capacity betweenLa7 S.r.l. and Telecom Italia Media Broadcasting S.r.l..

As part of the transaction, Telecom Italia S.p.A. committed itself to waive its financial receivables from Telecom Italia Media S.p.A., for a total amount of Euro 100 million.

With reference to the announcement made on March 4, 2013, Telecom Italia Media and Cairo Communication signed, on March 6, 2013, an agreement on the sale of 100% interest inLa7 S.r.l. to Cairo Communication S.p.A., excluding the 51% interest in MTV Italia S.r.l.

Therefore, on the basis of the agreements described above and also taking into account the expected operating performance of the subsidiary until its disposal, an approximately Euro 130 million additional negative impact on results for the year 2013 is expected.

The completion of the transaction will be subject to the receipt of the necessary authorizations pursuant to applicable laws and regulations.

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 Severino Salvemini, in his capacity as Chairman, and Luigino Giannini, in his capacity as Executive in charge of Company's 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 Statement for 2012:

   - are appropriate in relation to the company's features; and
   - have been 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 as of December 31, 2012:

   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 situation of the issuer, as well as all the companies included in the consolidation area, along with a description of the primary risks and uncertainties to which they are exposed.

April 5, 2013

/signed/Severino Salvemini	/signed/Luigino Giannini
Severino Salvemini	Luigino Giannini
Chairman	Executive in Charge of the Company's 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 2012 which comprise the consolidated statement of financial position, separate consolidated 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 2 April 2012.

3. In our opinion, the consolidated financial statements of the Telecom Italia Media Group as of 31 December 2012 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.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **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 Tel. 0957532311 - **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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4. As informative disclosure, we point out:

- what the directors have reported in the paragraph "going concern" included in note 2 of the notes to the consolidated financial statements, about the reasons underlying the preparation of the financial statements on the basis of the going concern assumption;

- the fact that the agreement was signed on 6 March 2013 for the sale to Cairo Communication SpA of the entire equity investment held in LA7 Srl, excluding 51% of MTV Italia Srl. Paragraph "events subsequent to 31 December 2012" included in note 43 of the notes to the consolidated financial statements, describes the main aspects of the transaction as well as its related effects expected upon the finalization of the agreement.

5. 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 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 2012.

Turin, 15 March 2013

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:

Statement of Financial Position

ASSETS

(in euro)	Notes	12/31/2012	of which related parties	12/31/2011	of which related parties
NON-CURRENT ASSETS					
Intangible assets:					
Goodwill	3)	6,295,000		70,697,268	
Intangible assets with finite useful lives	4)	-		40,714,207	
		6,295,000		111,411,475	
Tangible assets:	5)				
Property, plant and equipment owned		8,571		11,592,526	
Assets held under finance leases					
		8,571		11,592,526	
Other non-current assets	6)				
Investments		173,715,216		183,443,061	
Non-current financial assets		233,866	-	725,522	-
Miscellaneous receivables and other non-current assets		35,522,817	21,123,000	22,899,462	8,460,000
Deferred tax assets	7)	2,639,300		6,170,879	
		212,111,199		213,238,924	
TOTAL NON-CURRENT ASSETS (A)		**218,414,770**		**336,242,925**	
CURRENT ASSETS					
Inventories	8)	-		1,371,350	
Trade and miscellaneous receivables and other current assets	9)	2,457,778	2,060,000	68,251,981	21,327,000
Current income tax receivables		121,660		26,608	
Current financial assets					
Securities other than shareholdings, financial receivables and other current financial assets	10)	70,070,923	70,000,000	70,192,037	70,022,000
Cash and cash equivalents	11)	55,386,908	55,382,000	18,127,793	18,014,000
TOTAL CURRENT ASSETS (B)		**128,037,269**		**157,969,769**	
TOTAL ASSETS (A+B)		**346,452,039**		**494,212,694**	

LIABILITIES

(in euro)	Notes	12/31/2012	of which related parties	12/31/2011	of which related parties
EQUITY	12)				
Share Capital		212,188,324		212,188,324	
- Share premium account		22,026,207		82,785,541	
Other reserves and retained earnings (accumulated losses), including profit for the year		(178,010,387)		(60,673,840)	
TOTAL EQUITY (A)		**56,204,144**		**234,300,025**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	13)	4,927	-	100,021,132	100,000,000
Employee Benefits	15)	441,500		7,722,450	
Deferred tax liabilities					
Provisions					
Miscellaneous payables and other non-current liabilities	16)	14,400,089	14,400,000	14,400,089	14,400,000
TOTAL NON-CURRENT LIABILITIES (B)		**14,846,516**		**122,143,671**	
CURRENT LIABILITIES					
Current financial liabilities	13)	260,210,886	260,209,000	46,892,758	46,885,000
Trade and miscellaneous payables and other current liabilities	17)	15,190,493	2,218,000	90,757,726	13,511,000
Current income tax payables		-		118,514	
TOTAL CURRENT LIABILITIES (C)		**275,401,379**		**137,768,998**	
TOTAL LIABILITIES (D=B+C)		**290,247,895**		**259,912,669**	
TOTAL EQUITY AND LIABILITIES (A+D)		**346,452,039**		**494,212,694**	

SEPARATE INCOME STATEMENT

(in euro)	Notes	Year 2012	of which related parties	Year 2011 (restated)	of which related parties
Revenues	21	80,214,102	2,639,000	139,866,717	15,146,000
Other income	22	5,569,317	2,962,000	26,407,717	22,312,000
Total operating revenues and other income	**20**	**85,783,419**		**166,274,434**	
Acquisition of goods and services	23	(99,361,619)	(21,751,000)	(118,486,055)	(28,012,000)
Employee benefits expenses	24	(37,214,535)	(1,980,000)	(45,542,335)	(1,959,000)
Other operating expenses	25	(3,587,093)	(13,000)	(4,619,941)	(150,000)
Changes in inventories	26	534,920		203,913	
Internally generated assets		-		-	
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EB		**(53,844,908)**		**(2,169,984)**	
Depreciation and amortization	27	(19,371,323)		(27,487,140)	
Gains (losses) realized on disposals of non-current assets	28	-		1,070	
Reversals /(Impairment losses) on non-current assets	29	(40,355,000)		(38,140,000)	
OPERATING INCOME (EBIT)		**(113,571,231)**		**(67,796,054)**	
Other income (expense) from investments	30	(81,468,005)		(55,835)	
Finance income	31	3,314,731	3,058,000	2,905,077	2,764,000
Finance expenses	32	(7,497,018)	(6,920,000)	(5,000,852)	(4,518,000)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(199,221,523)**		**(69,947,664)**	
Income tax expense	33	21,111,284	21,128,000	8,472,047	8,460,000
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(178,110,239)**		**(61,475,617)**	
Profit (loss) from discontinued operations/Non-current assets held for sale		-		-	
PROFIT (LOSS) FOR THE YEAR		**(178,110,239)**		**(61,475,617)**	

STATEMENT OF COMPREHENSIVE INCOME

Profit (loss) for the year	**(178,110,239)**	**(61,475,617)**
Other components of the statement of comprehensive income		
° Available-for-sale financial assets:		
° Profit (loss) from adjustment to *fair value*	(19,804)	987,976
° Profit (loss) transferred to separate income statement	5,446	(271,693)
Sub-total	(14,358)	716,283
Total profit (loss) for the year	**(178,124,597)**	**(60,759,334)**

Statement of Changes in equity from January 1 to December 31, 2012

(in euro)	Share Capital	Share premium account	Exchange gains from conversion of foreign operations	Reserves for redetermination of defined benefits retirement plans (IAS 19) (*)	Retained earnings (accumulated losses), including profit (loss) for the year	Total Equity
Balance at December 31, 2011 (Note 12)	**212,188,324**	**82,785,541**			**(60,673,840)**	**234,300,025**
Change in accounting standards (IAS19 (2011				831,054	(831,054)	
Adjusted balance at December 31, 2011	**212,188,324**	**82,785,541**		**831,054**	**(61,504,894)**	**234,300,025**
Change in equity for 2012						
Authorized dividends						
Total profit (loss) for the year					(178,110,239)	**(178,110,239)**
Capital increases						
Conversion of bonds						
Treasury shares						
Exercise of share options						
Other movements		(60,759,334)		14,358	60,759,334	**14,358**
Balance at December 31, 2012 (Note 12)	**212,188,324**	**22,026,207**		**845,412**	**(178,855,799)**	**56,204,144**

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	Reserves for redetermination of defined benefits retirement plans (IAS 19) (*)	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 accounting standards (IAS19 (2010))				114,771	(114,771)	
Adjusted balance at December 31, 2010	**212,188,324**	**235,994,862**		**114,771**	**(153,268,249)**	**295,029,708**
Change in equity for 2011						
Authorized dividends						
Comprehensive profit (loss) for the year					(61,475,617)	**(61,475,617)**
Capital increases						
Conversion of bonds						
Treasury shares						
Exercise of share options					29,651	**29,651**
Other movements		(153,209,321)		716,283	153,209,321	**716,283**
Balance at December 31, 2011 (Note 12)	**212,188,324**	**82,785,541**		**831,054**	**(61,504,894)**	**234,300,025**

Cash Flow Statements

(in thousands of euro)	Notes	Year 2012	Year 2011 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year		(178,110)	(61,475)
Adjustments for:		-	
Depreciation and amortization	27)	19,371	27,487
Impairment losses/reversals of non-current assets (including investments)	29)	121,851	38,196
Net change in deferred tax assets and liabilities		(89)	311
Gains/losses realized on disposals of non-current assets (including investments)	28)	-	(1)
Share of losses/gains of associates accounted for using the equity method		-	
Change in employee benefits	15)	(322)	(293)
Change in inventories	8)	(535)	(204)
Change in trade receivables and in net receivables for contract works		(6,067)	6,969
Change in trade payables		(16,806)	(3,335)
Net change in income tax receivables/payables		(214)	119
Net change in miscellaneous receivables/payables and other assets/liabilities		(6,263)	13,704
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**(67,184)**	**21,478**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of intangible assets on an accrual basis	4)	(15,969)	(26,701)
Purchase of tangible assets on an accrual basis	5)	(2,674)	(4,399)
Total acquisitions of intangible and tangible assets on an accrual basis (2)		(18,643)	(31,100)
Change in trade payables relating to investing activities		3,383	293
Total purchase of intangible and tangible assets on a cash basis		(15,260)	(30,807)
Acquisition of subsidiaries and businesses, net of cash acquired		(20)	-
Acquisition of other equity investments		-	-
Change in financial receivables and other financial assets		(1,637)	15
Proceeds from sale of subsidiaries, net of cash disposed of		-	-
Proceeds from sale/repayment of tangible, intangible and other non-current assets		-	501
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(16,917)**	**(30,291)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in current financial liabilities and other liabilities		(45,090)	25,088
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		(37)	9
Proceeds from equity instruments		-	-
Amount paid for instruments representing equity		-	
Dividends paid (2)		-	
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**(45,127)**	**25,097**
NET CASH AND CASH EQUIVALENTS TRASFERITE A LA7 S.r.l. (D)		**8,035**	**-**
AGGREGATE CASH FLOWS (E=A+B+C+D)		**(121,193)**	**16,284**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)		**16,397**	**113**
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)		**(104,796)**	**16,397**

(2) **OF WHICH TRANSACTIONS WITH RELATED PARTIES**		Year 2012	Year 2011
(in thousands of euro)			
Total acquisitions of intangible and tangible assets on an accrual basis	36)	(969)	(1,106)
Dividends paid to Minority Interests (including distribution of reserves)			

Additional cash flow information

(in thousands of euro)	Year 2012	Year 2011
Income tax expense (paid)/received	18,988	17,477
Interest expense	(6,101)	(3,197)
Interest income	3,062	2,775
Dividends received	28	

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2012	Year 2011
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE 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**
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR:		
Cash and cash equivalents - from continuing operations	55,387	18,128
Bank overdraft repayable on demand - from continuing operations	(160,183)	(1,731)
	(104,796)	**16,397**

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. In addition, it works as network operator for digital television broadcasting and manages satellite channels, as well.

The separate financial statements of Telecom Italia Media S.p.A. for the financial year ended December 31, 2012 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 "**IFRSs**"), in addition to the 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 2012 Telecom Italia Media applied accounting standards consistent with those followed in the previous year, with the exception of the following:

- the early adoption, in the first half of 2012, of the IAS 19 (revised) — *Employee Benefits*, whose effects are described in the note "Accounting Standards". Therefore, the early adoption of said amendments led to the reclassification of items of the separate income statement and statement of comprehensive income of 2011 ("Restated");
- the adoption of new Standards/Interpretations adopted by Telecom Italia Media as of January 1, 2012, which had no effects on the separate Financial Statements as of December 31, 2012.

The separate financial statements were prepared using the cost method, with the exception of financial assets available for sale, financial assets held for trading and financial derivatives, which 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 Telecom Italia Media S.p.A. for the year ended December 31, 2012 were authorized for publication with a resolution passed by the Board of Directors on March 4, 2013.
The Shareholders' 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:

- the statement of financial position was classified as "current" or "non-current";
- in the Separate Income statement, operating expenses are classified by nature, as such format is considered most appropriate for representing the Company's specific business. Furthermore, it conforms to the Company's internal reporting methods and is consistent with the industrial sector in which the Company operates.

  The separate income statement includes, in addition to EBIT (Operating Result) the alternative performance measure 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 operating performance of Telecom Italia Media. EBIT and EBITDA are as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Expense (Income) from 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 profit (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; goodwill impairment losses.

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 2012 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 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."

Furthermore, in line with all of the above and with reference to the sale process of La7 S.r.l., the Parent Company Telecom Italia S.p.A. issued a letter of equity and financial support whereby the Parent Company confirmed its intention and commitment to fund and financially support Telecom Italia Media S.p.A. in order to ensure that the latter discharges its obligations and continues to operate regularly as a going concern, avoiding any reduction in its capacity, at least with respect to financial years 2012 and 2013. Telecom Italia's irrevocable commitment will be fulfilled according to conditions to be agreed upon with the Board of Directors of Telecom Italia Media, within the terms deemed appropriate and/or necessary in the light of company needs.

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; it 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 costs relating to the business acquisition, which were previously included in the consideration paid, are 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 sale 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.

With the 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 this date was at the previous value determined according to Italian accounting standards, subject to verification that it can be recovered.

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.

These assets are recognized at the cost of acquisition or production and amortized on a straight-line basis over their estimated useful life; amortization rates are reviewed annually and adjusted if the current estimated useful life differs from the estimated useful life previously assigned to the asset. 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 subject 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 Decree Law 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).

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 leases

Assets owned through leasing contracts, through which all risks and rewards connected with the property of the item are effectively transferred to the Company, are recognized as assets at their fair value or, if less, at the current value of the minimum payments due for leasing, including the sum due for payment in the year of the buy option. The corresponding liability owed to the lessor is included in the financial statements under financial liabilities.
Lease payments are broken down into interest (recorded in the separate income statement) and principle (accounted for as reduction of the liability). The above breakdown is calculated so as to obtain a constant interest rate on the outstanding balance of the liability.
Furthermore, for transfer or leaseback of assets based on financial leasing contracts, the realized capital gains are deferred over the duration of the contracts.
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 or group of units that benefit from the acquisition.

If the carrying amount of the cash-generating unit (or group of units) 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 unit (or group of units) and then against the other assets within the unit in proportion to their carrying amount up to the recoverable amount of the assets with finite useful lives. The recoverable value of a cash-generating unit (or group of units) to which goodwill has been allocated is 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. Future cash flows consist of projected cash flows during an explicit period between three and five years, 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 unit (or group of units) is assumed not to exceed the average long-term growth rate of the industry or market in which the unit (or group of units) operates.
Future cash flows are estimated based on the cash-generating unit's (or group of units) current condition 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 cash-generating unit (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 indications 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, the market or laws, increases in market interest rates and the cost of capital used to evaluate investments, and, lastly, if the carrying amount of the Company's net assets are more than its 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 recorded 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 stated at cost adjusted for impairment. When the reasons that led to impairment cease to exist, the investment's carrying value is increased to reflect its original cost. The write-back is recognized in the separate income statement.

Other investments

Other investments (other than in subsidiaries, associates and companies under common control) are recorded in non-current assets unless the disposal occurs within 12 months (in which case they are recorded 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, charged to components of the statement of comprehensive income ("*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 of Other investments classified among “AFS financial assets” cannot be subsequently reversed.
Changes in the value of Other investments classified as financial assets carried 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.
Other cash equivalents represent short-term financial commitments and high liquidity readily convertible into cash and subject to negligible risk of change in value, whose original maturity or 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.

Assignment of receivables

Telecom Italia Media S.p.A. undertakes sales of 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 valued at the lesser of purchase cost and estimated market value; cost is determined according to the weighted average cost method by individual movement.
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 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.
A reversal is 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

The Employee Termination Indemnities Fund, which is mandatory under Article 2120 of the Italian Civil Code, is considered a defined benefit plan and, as such, is based on the service life of employees and the wages 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.
Following the early adoption, in the first half of 2012, of the IAS 19 (revised) — *Employee Benefits*, changes in actuarial gains/losses (“remeasurements”) are to be recognized among the other components of the statement of comprehensive income. The cost of employment services rendered to Italian companies with less than 50 staff and interest expenses relating to the time value component in actuarial calculations (the latter reclassified among finance expenses) are to be recognized in the separate income statement.

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 other Group companies through share-based payment plans (stock option plans, long-term incentive plans). The aforementioned plans are valued in accordance with IFRS 2 (*Share-based payment*).
Pursuant to IFRS 2, such plans represent a component of the beneficiaries’ compensation. Accordingly, the cost of plans that involve compensation based on equity instruments 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 "Equity investments” in the case of subsidiaries’ 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 expiration is updated at the end of each year. The change in the estimate is deducted from the item "Other instruments representing equity” with a contra-entry respectively in item “Employee benefits expenses” and “Equity investments”.
The part of plans that involves the payment of cash compensation is recognized among liabilities through “Employee expenses”, in the case of Company’s employees, and among "Equity investments” in the case of subsidiaries’ employees, and the liability concerned is measured at its fair value at the end of each year.

Provisions

The Company sets aside reserves for risks and charges when, in the presence of a current, legal or implicit obligation versus third parties, 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 value of treasury shares is recognized in reduction of issued share capital, while the excess of the acquisition value over the nominal value 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 entity 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 determined; 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 companies in which TI Media owns equity interests.

Dividends payable are represented by changes in equity in the fiscal 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 balance sheet, 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 compliance of the IFRS standards, management is required to make estimates based also on management's 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 6,295 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 109 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 19,371 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 4,142 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, especially the provision for employee termination indemnities, are calculated on the basis of actuarial assumptions. Changes in such assumptions could have a material impact on such provisions.
Income tax expense (Euro 21,111 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 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 values drawn from regulated markets or bids provided by financial counterparties, as well as through the use of measurement models that also take account of subjective assessments, such as, for example, cash flow estimates, expected price volatility, etc.

As provided for in IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors*, paragraph 10, 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 a statement of financial position 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 in force since January 1, 2012

Pursuant to IAS 8, it should be noted that amendments to IAS 12 — *Income Taxes* and IFRS 7 — *Financial Instruments: Disclosures*, in force since January 1, 2012, had no effects on the Separate Financial Statements of Telecom Italia Media S.p.A.

New Standards and Interpretations acknowledged by the EU, not yet in force but early adopted

IAS 19 (2011) (*Employee Benefits*)

In June 2012, Regulation (EC) No. 475-2012 was issued, endorsing at the Community level the revised version of the standard IAS 19 — *Employee Benefits* (IAS 19R 2011) , which is to be applied effective January 1, 2013 according to the retrospective method, as provided for in IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors*. As permitted, Telecom Italia Media has decided to apply such amendments early, as of the first half of 2012, in order to reduce the volatility of the figures recognized in the separate income statement.
In particular, IAS 19 (2011) provides that, for defined-benefit plans (such as termination indemnities), changes in actuarial gains/losses ("remeasurements") are to be recognized among the other components of the statement of comprehensive income and thus directly through equity, thereby eliminating the other previously allowed options (including that adopted by the Telecom Italia Media, which recognized such components among personnel costs in the separate income statement). The cost of employment services rendered and interest expenses relating to the time value component in actuarial calculations (the latter reclassified among finance expenses) are to continue to be recognized in the separate income statement.
The early adoption of said amendments led to the reclassification of items of the separate income statement and statement of comprehensive income of 2011 ("Restated").

Separate Income Statement

(in thousands of euro)	Historical	Year 2011 IAS 19 impact	Restated
Employee expenses	(44,922)	(620)	(45,542)
EBITDA	**(1,549)**	**(620)**	**(2,169)**
EBIT	**(67,175)**	**(620)**	**(67,795)**
Income/ (expenses) from investments	(56)		(56)
Finance income	2,904		2,904
Finance expenses	(4,632)	(368)	(5,000)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(68,959)**	**(988)**	**(69,947)**
Income tax expense	8,200	272	8,472
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(60,759)**	**(716)**	**(61,475)**
PROFIT (LOSS) FOR THE YEAR	**(60,759)**	**(716)**	**(61,475)**

Statement of Comprehensive Income

(in thousands of euro)	Historical	2011 IAS 19 impact	Restated
PROFIT (LOSS) FOR THE YEAR	**(60,759)**		**(60,759)**
Other components of the statement of comprehensive income:			
Redetermination of defined benefits retirement plans			
Actuarial gains (losses)		(988)	(988)
Tax effects		272	272
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR	**(60,759)**	**(716)**	**(61,475)**

Cash Flow Statements

The early application of the revised version of IAS 19 did not entail effects on the “Aggregate cash flows” presented in the cash flow statement and in particular on “Cash flow from (used in) operating activities.”

New Standards and Interpretations acknowledged by the EU, not yet in force

In 2012, the following amendments were adopted at the Community level:

	Compulsory adoption since
Amendments to IAS 1 — *Presentation of Financial Statements*	1/1/2013
Amendments to IFRS 7 — *Financial Instruments*: Disclosures — Offsetting Financial Assets and Financial Liabilities	1/1/2013
IFRS 13 — *Fair Value Measurement*	1/1/2013
IAS 27 — Separate Financial Statements	1/1/2014
IAS 28 — Investments in Associates	1/1/2014
IFRS 11 — *Joint Arrangements*	1/1/2014
IFRS 12 — *Disclosure of Interests in Other Entities*	1/1/2014
Amendments to IAS 32 — *Financial Instruments*: Presentation — Offsetting Financial Assets and Financial Liabilities	1/1/2014

The effects on the Separate Financial Statements of Telecom Italia Media arising from said amendments are still under assessment.

NOTE 3 – Goodwill

Euro 6,295 thousand

(Euro 70,697 thousand at December 31, 2011)

The item amounted to Euro 6,295 thousand, down by Euro 64,402 thousand compared to December 31, 2011 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 2012 and 2011 are detailed below:

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**

YEAR 2012	Goodwill
(in thousands of euro)	
Gross value at 12/31/2011	**70,697**
Investments	
Mergers, demergers, spinoffs	(24,047)
Other movements (Impairment loss)	(40,355)
Gross value at 12/31/2012	**6,295**

During the second half of 2012, the company began to explore the interest of third parties in purchasing one or more of its businesses. In early 2013, the company continued to examine the bids received for the corporate assets. Due to the resulting uncertainty about the scope of corporate activities, Telecom Italia Media prepared two versions of the Plan respectively based on two possible scenarios: one based on an unchanged scope of business (called stand-alone plan) and the other based on the sale of 100% stake in La7 to Cairo Communication (called La7 out). Following the decision to carry on exclusive negotiation with Cairo Communication S.p.A. for the sale of the entire stake held by Telecom Italia Media in La7, the Board of Directors approved the Strategic Plan 2013-2015 & 2016-2017 Simulation - La7 out version.

The impairment test at December 31, 2012 was carried out using the same method as that used for the impairment test at December 31, 2011 and was conducted on two levels:

- Level I: individual CGUs;
- Level II: the Group as a whole.

In line with the impairment testing as of December 31, 2011, the impairment test at December 31, 2012 was carried out on the basis of only two units of valuation: MTV Group and "Network Operator TIMB + La7." TIMB value was estimated in terms of fair value in use. The value of La7 was obtained by difference from the total value of TIMB +La7.
In the valuations:

- for the purposes of estimating TIMB recoverable amount, reference has been made to the Plan (La7 out version) forecasts throughout the planning and simulation period, reduced to take into account the (negative) variances compared to the 2012 budget;

- the value of the unit of valuation "TIMB + La7" was estimated by drawing on a plan prepared prior to giving Cairo Communication exclusive right to negotiate for the acquisition of the stake in La7 (unchanged scope of business);
- the MTV CGU was evaluated on the basis of value in use in line with the method used in prior years. However, due to the significant differences between the previous plan and the new plan and the uncertainty weighing on the advertising market, a four year normalized plan was used.

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 financial debt + minority interests – non-consolidated equity investments) and consensus forecasts of equity analysts that follow the listed companies in relation to sales and gross profits from 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 reference universe was made up of the sample of European broadcasters included in the Factset data provider with the following activity codes: Media — Television Broadcasting Stations and Media — Cable and other Pay Television Services for which consensus estimates on revenues and EBITDA were available. The selected sample excluded Sky Deutschland whose value was affected by the takeover bid launched by BSkyB in fall 2012.
In line with the valuation process applied in the previous year, the use of this method was necessary due to both the absence of comparable pure players (La7 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, “La7” 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 fair value of TIMB on a "stand alone" basis was estimated by using the updated Plan 2013-2015 + 2016-2017 simulation (in the La7 out version), extrapolating flows for 2017 to 2032 based on a constant rate of change in variables, equal to -2% change in sales-price and +0.8% change in cost-price, taking into account the expected adverse effects of a redefinition of the market basic parameters in the medium to long term.
The estimate of the network operator’s fair value on the basis of these assumptions was less than its carrying amount of Euro 70,000 thousand. Therefore, the impairment loss was Euro 40,355 thousand.

The value in use of the MTV CGU was determined on the basis of financial and earnings forecasts. These projections show negative results in terms of EBIT for 2013 and 2014 and a recovery in profitability as from 2015. The expected cash flows were discounted using an 11.78% cost of capital (WACC-g), corresponding to the inferred value of the weighted-average cost of capital, restated. This rate is higher than the discount rate used by the sole equity analyst who explicitly mentioned it (7.2%).

The estimated fair value of La7 was negative both in relation to the fair value obtained by difference from the unit of valuation "TIMB + La7" and in relation to the expected losses for the period 2013-2015.

During 2012, Telecom Italia Media market capitalization fluctuated considerably, with volatility decreasing late in the year and settling at Euro 222.6 million at December 31, 2012, down approximately by 5% compared to the reference capitalization of last year impairment test (Euro 234 million). On the contrary, the target market cap showed a decreasing trend throughout 2012, ending the year at Euro 218.3 million, a value close to the capitalization amount but 25% less than the value at the beginning of the year.
In the early months of the year, the market capitalization was characterized by a return to volatility, although around an upward trend, closing the month of February on the rise since the end of December 2012 (Euro 245.7 million), while the target market cap decreased further (closing the month of February at Euro 189.0 million).

After the impairment test and the transfer to La7 S.r.l., goodwill values attributed to each CGU were therefore as follows:

	Goodwill 12/31/2011 a	Transfer to LA7 S.r.l. b	Impairment 2012 c	Goodwill 12/31/2012 a-b-c
MTV CGU	16,550	(16,550)		0
Telecom Italia Media S.p.A. CGU	7,497	(7,497)		0
Network Operator (TIMB) CGU	46,650		(40,355)	6,295
Total	**70,697**	**(24,047)**	**(40,355)**	**6,295**

NOTE 4 – Intangible assets with finite useful lives

Euro 0 thousand

(Euro 40,714 thousand at December 31, 2011)

This item decreased from Euro 40,714 thousand in 2011 to Euro 0 thousand in 2012 due to the disposal of all operations to La7 S.r.l., and is broken down as follows:

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
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**

Year 2012	**Industrial patents and intellectual property rights**	**Trademarks**	**Licences**	**Work in process**	**Total**
(in thousands of euro)					
Gross value at 12/31/2011	**84,699**	**757**	**1,305**	**2,038**	**88,799**
Investments	14,742			1,227	15,969
Mergers, demergers, spinoffs	(101,144)	(757)	(1,305)	(1,541)	(104,747)
Disposals and other movements	1,703			(1,724)	(21)
Gross value at 12/31/2012					
Amortization at 12/31/2011	**(46,489)**	**(308)**	**(1,288)**		**(48,085)**
Amortization for the year	(16,688)	(45)	(11)		(16,744)
Mergers, demergers, spin-offs	63,177	353	1,299		64,829
Disposals and other movements					
Amortization at 12/31/2012					
Net value at 12/31/2011	**38,210**	**449**	**17**	**2,038**	**40,714**
Investments	14,742			1,227	15,969
Amortization	(16,688)	(45)	(11)		(16,744)
Mergers, demergers, spinoffs	(37,967)	(404)	(6)	(1,541)	(39,918)
Disposals and other movements	1,703	-	-	(1,724)	(21)
Net value at 12/31/2012					

NOTE 5 - Tangible assets

Euro 8 thousand

(Euro 11,593 thousand at December 31, 2011)

Overall, tangible assets decreased by Euro 11,585 thousand as a result of the disposal of operations to La7 S.r.l.

The compositions and variations in 2011 and 2012 are detailed below:

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**

Year 2012	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 12/31/2011	**14**	**26,135**	**106**	**241**	**18,506**	**45,002**
Investments		2,182		193	299	2,674
Mergers, demergers, spinoffs	(14)	(28,325)	(106)	(231)	(19,012)	(47,688)
Disposals and other movements		8		(197)	210	21
Gross value at 12/31/2012				**6**	**3**	**9**
Depreciation at 12/31/2011	**(4)**	**(17,965)**	**(101)**		**(15,339)**	**(33,409)**
Depreciation for the year	(1)	(1,516)	(1)		(1,109)	(2,627)
Mergers, demergers, spinoffs	5	19,481	102		16,447	36,035
Disposals and other movements						-
Depreciation at 12/31/2012				**-**	**(1)**	**(1)**
Net value at 12/31/2011	**10**	**8,170**	**5**	**241**	**3,167**	**11,593**
Investments	-	2,182	-	193	299	2,674
Depreciation	(1)	(1,516)	(1)		(1,109)	(2,627)
Mergers, demergers, spinoffs	(9)	(8,844)	(4)	(231)	(2,565)	(11,653)
Disposals and other movements	-	8	-	(197)	210	**21**
Net value at 12/31/2012				**6**	**2**	**8**

At December 31, 2012, Euro 8 thousand related to leasehold improvements of the premises at the Rome office, acquired in December 2012.

The minimum and maximum depreciation rates (reformulation of useful lives in %) for 2012 and 2011 are set out below:

	2012	2011
Industrial and civilian buildings	6.1% - 6.1%	9.1% - 9.1%
Plant and machinery	9.1% - 19.0%	9.1% - 33.3%
Manufacturing and distribution equipment	13.3% - 16.7%	20.0% - 25.0%
Other tangible assets	10.0% - 40.0%	10.0% - 40.0%

NOTE 6 – Other non-current assets

Euro 212,112 thousand

(Euro 213,239 thousand at December 31, 2011)

This item decreased by Euro 1,127 thousand compared to December 31, 2011.

The changes in the main items comprising non-current assets are detailed on the following pages.

(in thousands of euro)	**12/31/2012**	*of which financial instruments (1)*	**12/31/2011**	*of which financial instruments (1)*	**Change**
Investments in:					
Subsidiaries	162,922		172,124	-	9,202
Other companies	794		1,061		(267)
Payments for future capital increases	10,000		10,258	-	258
	173,716		183,443		(9,727)
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	234	234	726	726	(492)
	234	234	726	726	(492)
Miscellaneous receivables and other non-current assets					
Non current receivables due to National Tax Consolidation	21,123		8,460		12,663
Other miscellaneous receivables	14,400	14,400	14,439	14,439	(39)
	35,523	14,400	22,899	14,439	12,624
Deferred tax assets	2,639		6,171		(3,532)
Total	**212,112**	**14,634**	**213,239**	**15,165**	**(1,127)**

(1)Qualified instruments for the purposes of IFRS 7 disclosure in Note 18.

- **Investments** Euro 173,716 thousand

This item is made up as follows:

(in thousands of euro)	12/31/2011	Investments	Transfers / reimbursement of capital	Impairment	Demergers/ spinoffs	Reclassifications and other movements	12/31/2012
Investments in:							
Subsidiaries	**172,124**	**20**		**(81,280)**	**72,058**		**162,922**
MTV Italia S.r.l.	9,202				(9,202)		
Telecom Italia Media Broadcasting S.r.l.	162,922						162,922
LA7 S.r.l.		20		(81,280)	81,260		
Other companies	**1,061**			**(216)**			**794**
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
Tiglio I S.r.l.	954			(203)			751
TIVU' S.r.l.	35						35
Total investments	**173,185**	**20**		**(81,496)**	**72,058**		**163,716**
Payments for future capital increases	**10,258**						**10,000**
MTV Italia S.r.l.	258				(258)		
Telecom Italia Media Broadcasting S.r.l.	10,000						10,000
Total	**183,443**	**20**		**(81,496)**	**72,058**		**173,716**

Investments at December 31, 2012 amounted to Euro 173,716 thousand, a decrease of Euro 9,727 thousand over December 31, 2011 (Euro 183,443 thousand).

In further detail:

– Investments: Euro 20 thousand related to the incorporation of La7 S.r.l. on May 23, 2012, following the commencement of a process aimed at the possible sale of Telecom Italia Media;

– Impairment: this item included the total write-off of the equity investment in La7 S.r.l., performed due to both the loss reported in the period September 1 – December 31, 2012 (Euro 52,572 thousand) and the effect of the impairment test.
  It also included the writedown of the equity investment in Tiglio 1 (Euro 203 thousand), applied to bring its carrying amount into line with its fair value, and in Consorzio Sardegna Digitale (Euro 13 thousand), applied following its removal from the Companies Register;

– Demergers/spinoffs: this item related to the aforementioned process which led to the incorporation of La7 S.r.l., fully operational effective September 1. Moreover, this generated the transfer of Telecom Italia Media's equity investments in MTV Italia S.r.l., Auditel S.r.l. and Consorzio per Distribuzione Audiovisivi and ITC to La7 S.r.l.

- **Securities and financial receivables** Euro 35,757 thousand

This item increased by Euro 12,132 thousand compared to December 31, 2011.

The composition of this entry is shown in the following table:

(in thousands of euro)	12/31/2012	12/31/2011	Change
Loans to employees	234	726	(492)
Total securities and non-current financial receivables	**234**	**726**	**(492)**
Miscellaneous non-current receivables:			
Receivables from the Parent Company for National Tax Consolidation	21,123	8,460	12,663
Deposits for third parties as collateral		11	(11)
Other miscellaneous receivables from third parties	14,400	14,428	(28)
Total non-current miscellaneous receivables	**35,523**	**22,899**	**12,624**
Total securities and receivables	**35,757**	**23,625**	**12,132**

- **Other non-current miscellaneous receivables** Euro 35,523 thousand

This item increased by Euro 12,624 thousand compared to December 31, 2011.
Receivables from the Parent Company associated with tax consolidation amounted to Euro 21,123 thousand and included Euro 20,305 thousand (of which Euro 20,311 thousand for the tax losses in 2012 and Euro -5 thousand for the tax effect resulting from the application of IAS 19), for which paid-in is expected in June 2014, and Euro 817 thousand as extraordinary income for taxes relating to an IRES tax refund following the deductibility of IRAP tax on staff costs established by the entry into force of Decree Law No. 16/2012, whose settlement timing is undoubtedly in line with the repayment plans established by the Tax Authority.
Starting with the 2004 tax period and the introduction of the National Tax Consolidation pursuant to Legislative Decree No. 344 of December 12, 2003, as following amended in 2007 for the period 2007/2009 and in 2010 for the period 2010/2012, 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 post and then transfer current taxes even in the event of negative tax, 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 acknowledgment of the sum equivalent to multiplication of the corporate income tax rate and the transferred tax losses or gains, including the consolidation changes.
The amount of other miscellaneous receivables from third parties at December 31, 2012 included Euro 14,400 thousand deriving from a transaction aimed at improving the financial solidity of the investee Dahlia TV S.p.A. (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 has 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 2,639 thousand

(Euro 6,171 thousand at December 31, 2011)

This item decreased by Euro 3,532 thousand compared to December 31, 2011.

The composition of this entry is shown in the following table:

(in thousands of euro)	12/31/2012	12/31/2011	Change
Deferred tax assets:			
Provisions for future risks and charges	1,781	3,750	(1,969)
Provision for doubtful receivables	795	2,156	(1,361)
Tax losses			
Other deferred taxes	63	265	(202)
Total deferred tax assets, net of deferred tax reserves	**2,639**	**6,171**	**(3,532)**

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 2,639 thousand at December 31, 2012 and Euro 6,171 thousand at December 31, 2011) were reduced by Euro 3,532 thousand at December 31, 2012
Specifically, deferred tax assets included Euro 1,781 thousand at December 31, 2012 (Euro 3,750 thousand at December 31, 2011) in relation to provisions.

There are no tax loss carry forwards.

NOTE 8 – Inventories

Euro 0 thousand

(Euro 1,371 thousand at December 31, 2011)

At December 31, 2012, inventories were Euro 0 thousand; the change was attributable to the disposal of all inventories to La7 S.r.l.

(in thousands of euro)	12/31/2012	12/31/2011	Change
Raw materials and supplies			
Work in progress and semifinished goods			
Finished goods		1,371	(1,371)
Advances on inventories			
Total		**1,371**	**(1,371)**

NOTE 9 - Trade and miscellaneous receivables, and other current assets (excluding income tax receivables)

Euro 2,457 thousand

(Euro 68,252 thousand at December 31, 2011)

This item decreased by Euro 65,795 thousand compared to December 31, 2011, and includes:

(in thousands of euro)	12/31/2012	*of which financial instruments (1)*	12/31/2011	*of which financial instruments (1)*	Change
Receivable for contract works					
Trade receivables:					
- receivables from customers	12	12	45,098	45,098	(45,086)
- receivables from Parent Companies	567	567	1,187	1,187	(620)
- receivables from subsidiaries	1,098	1,098	598	598	500
- receivables from other related parties			69	69	(69)
	1,677	**1,677**	**46,952**	**46,952**	**(45,275)**
Miscellaneous receivables and other current assets:					
- other receivables	773	430	21,039	125	(20,266)
- commercial and other prepaid expenses	7		261		(254)
	780	**430**	**21,300**	**125**	**(20,520)**
Total	**2,457**	**2,107**	**68,252**	**47,077**	**(65,795)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 18.

Trade receivables

Euro 1,677 thousand

Trade receivables

Euro 12 thousand

At December 31, 2012, they amounted to Euro 12 thousand, down by Euro 45,086 thousand compared to December 31, 2011 (Euro 45,098 thousand), as a result of the disposal of almost all trade receivables to La7 S.r.l.

The evolution of the provisions for receivables was as follows:

(in thousands of euro)	12/31/2011	Increase	Decrease	Release to income statement	Other movements	12/31/2012
Provision for doubtful receivables	4,917	803	(44)	(1,380)	(4,187)	109

Other movements decreased by Euro 4,187 thousand and referred to allowance for doubtful accounts transferred to La7 S.r.l.

Receivables from parent companies

Euro 567 thousand

Receivables from parent companies amounted to Euro 567 thousand, entirely from the Parent Company Telecom Italia, and mainly referred to cost recoveries.

Receivables from subsidiaries

Euro 1,098 thousand

This item refers for Euro 1,053 thousand to receivables from Telecom Italia Media Broadcasting and for Euro 44 thousand to receivables from La7 S.r.l.

Miscellaneous receivables and other current assets

Euro 780 thousand

Other receivables

Euro 773 thousand

This item decreased by Euro 20,266 thousand compared to December 31, 2011, and includes:

(in thousands of euro)	12/31/2012	12/31/2011	Change
Advances to suppliers	254	1,052	(798)
Receivables from employees	17	109	(92)
Advance payments for other taxes	100	114	(14)
Current receivables from the Parent Company for National Tax Consolidation		19,321	(19,321)
Other items	402	443	(41)
Total	**773**	**21,039**	**(20,266)**

In accordance with the disclosure requirements of IFRS 7, a breakdown by maturity of trade receivables, other receivables and other current and non-current assets is provided below:

(in thousands of euro)	12/31/2012	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	16,507	16,507				

(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	

NOTE 10 – Financial receivables and other current financial assets

Euro 70,071 thousand

(Euro 70,192 thousand at December 31, 2011)

This item decreased by Euro 121 thousand compared to December 31, 2011 (Euro 70,192 thousand) and included mainly Euro 70,000 thousand for the short-term loan to Telecom Italia Media Broadcasting S.r.l. (Euro 70,000 thousand at December 31, 2011) and loans to personnel amounting to Euro 71 thousand.

(in thousands of euro)	12/31/2012	12/31/2011	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	70,071	70,192	(121)
Hedging derivatives relating to hedged elements classified among current financial assets/liabilities			
Total	**70,071**	**70,192**	**(121)**

NOTE 11 – Cash and cash equivalents

Euro 55,387 thousand

(Euro 18,128 thousand at December 31, 2011)

(in thousands of euro)	12/31/2012	12/31/2011	Change
Cash at bank, financial and postal institutes			
Cheques			
Cash	5	114	(109)
Receivable and deposits for cash flexibility	55,382	18,014	37,368
Securities other than investments (with maturity not exceeding 90 days)			
Total	**55,387**	**18,128**	**37,259**

Cash and cash equivalents were Euro 55,387 thousand, increasing by Euro 37,259 thousand compared to Euro 18,128 thousand at December 31, 2011. This increase is primarily attributable to the recognition of receivables from La7 S.r.l. for Euro 45,899 thousand, only partially offset by the reduction in receivables from Telecom Italia Media Broadcasting S.r.l., which amounted to Euro 9,483 thousand at December 31, 2012 (Euro 12,827 thousand at December 31, 2011), and the zeroing of receivables from Telecom Italia S.p.A., which amounted to Euro 5,187 thousand at December 31, 2011.

Receivables and deposits for cash flexibility, which amounted to Euro 55,382 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.

NOTE 12 – Equity

Euro 56,204 thousand

(Euro 234,300 thousand at December 31, 2011)

Changes for the year are shown in the following table:

(in thousands of euro)	12/31/2012	12/31/2011	Change
Capital issued	**212,188**	**212,188**	-
Less treasury shares			
Share capital	**212,188**	**212,188**	-
Share premium account	22,027	82,786	(60,759)
Other reserves:			
. Other	99	85	14
Total other reserves	99	85	14
Retained earnings (accumulated losses), including profit for the year	(178,110)	(60,759)	(117,351)
Total	**56,204**	**234,300**	**(178,096)**

During 2012, 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 Bylaws attached hereunder

Privileges of Savings Shares

An extract of article 6 of the Telecom Italia Media S.p.A.'s By-Laws, that describe 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 22,027 thousand as of December 31, 2012, down by Euro 60,759 thousand compared to December 31, 2011 (Euro 82,786 thousand). This change was due to the coverage of prior-year losses (Euro 60,759 thousand).

Other reserves totaled Euro 99 thousand (Euro 85 thousand at December 31, 2011), showing an increase of Euro 14 thousand. The 2012 figure of Euro 99 thousand included Euro 14 thousand related to reserves for redetermination of defined benefits retirement plans created following the early adoption of IAS 19 – *Employee Benefits*, Euro 25 thousand associated with 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 for Euro 178,110 thousand compared to December 31, 2012 and included the loss for 2012.

To complete the report on equity, the following table is provided as per Art. 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	Summary of uses made in the previous three accounting years: for other reasons
Share capital	**212,188**				
Capital reserves:					
Share premium account	22,027	A,B,C	22,027	246,292	
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 No. 413/91		A,B,C			
Euro reserve		A			
Other reserves	959	B	959	204	
Retained earnings:					
Legal reserve		A,B,C			
Total			22,986		
Non-distributable portion			(22,986)		
Remaining distributable portion			0		

A: for capital increase
B: to replenish losses
C: for distribution to shareholders

At December 31, 2012, 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 260,217 thousand

(Euro 146,914 thousand at December 31, 2011)

Financial liabilities increased by Euro 113,303 thousand compared to the previous year, and can be broken down as follows:

(in thousands of euro)	12/31/2012	12/31/2011	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	5	21	(16)
Total medium/long-term financial liabilities (A)	**5**	**100,021**	**(100,016)**
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	260,209	46,885	213,324
	260,209	46,885	213,324
Short-term finance lease liabilities			
Other short-term financial liabilities	3	8	(5)
Total short-term financial liabilities (B)	**260,212**	**46,893**	**213,319**
Total financial liabilities C= (A+B)	**260,217**	**146,914**	**113,303**

NOTE 14 – Net financial debt

TELECOM ITALIA MEDIA S.p.A. - BREAKDOWN OF NET FINANCIAL DEBT [1]

(in thousands of euro)		12/31/2012	12/31/2011	Change
Non-current financial liabilities [2]:				
Financial payables		-	100,000	(100,000)
Finance lease liabilities				-
Non-current liabilities for hedging derivatives				-
Other financial liabilities		5	21	(16)
	(1)	5	100,021	(100,016)
TOTAL NON-CURRENT FINANCIAL LIABILITIES [2]	**(A)**	**5**	**100,021**	**(100,016)**
Current financial liabilities [2]:				
Financial payables		260,209	46,885	213,324
Finance lease liabilities				-
Current liabilities for hedging and non-hedging derivatives				-
Other financial liabilities		3	8	(5)
	(2)	260,212	46,893	213,319
TOTAL CURRENT FINANCIAL LIABILITIES [2]	**(B)**	**260,212**	**46,893**	**213,319**
TOTAL FINANCIAL DEBT [2]	**(C=A+B)**	**260,217**	**146,914**	**113,303**
Current financial assets [2]				
Securities		-	-	-
Financial receivables and other current financial assets		(70,071)	(70,192)	121
Cash and cash equivalents		(55,387)	(18,128)	(37,259)
	(3)	(125,458)	(88,320)	(37,138)
		(125,458)	**(88,320)**	**(37,138)**
TOTAL CURRENT FINANCIAL ASSETS [2]	**(D)**	**(125,458)**	**(88,320)**	**(37,138)**
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION No.DEM/6064293/2006	**(E=C+D)**	**134,759**	**58,594**	**76,165**
Non-current financial assets [2]				
Securities other than investments		-	-	-
Financial receivables and other non-current financial assets		(234)	(726)	492
	(4)	(234)	(726)	492
TOTAL NON-CURRENT FINANCIAL ASSETS [2]	**(F)**	(234)	(726)	492
NET FINANCIAL DEBT	**(G=E+F)**	**134,525**	**57,868**	**76,657**
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial liabilities	(1)	5	100,021	(100,016)
Current gross financial liabilities	(2)	260,212	46,893	213,319
		260,217	**146,914**	**113,303**
Total gross financial assets:				-
Non-current gross financial assets	(4)	(234)	(726)	492
Current gross financial assets	(3)	(125,458)	(88,320)	(37,138)
		(125,692)	**(89,046)**	**(36,646)**
		134,525	**57,868**	**76,657**

[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, 2012, net financial debt was Euro 134,525 thousand, with an increase of Euro 76,657 thousand compared to Euro 57,868 thousand at December 31, 2011.

In detail, figures for 2012 refer to:

- **Current financial liabilities.** At December 31, 2012, this item amounted to Euro 260,209 thousand (Euro 46,885 thousand at December 31, 2011), up by Euro 213,324 thousand. The item mainly consists of the following:
  - Euro 100,000 thousand related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the establishment of a loan agreement of the same amount 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

    In 2011, the loan, set to mature in December 2013, had been recognized among non-current financial liabilities;
  - Euro 160,058 thousand for the debt relating to the current account with Telecom Italia, which includes the amount of Euro 60,000 thousand repaid to Telecom Italia Finance SA in December 2012 for the conclusion of the credit facility agreement.

- **Financial receivables and other non-current financial assets.** They amounted to Euro 234 thousand, marking a decrease of Euro 492 thousand compared to Euro 726 thousand at December 31, 2011, also because they were partially transferred to La7 S.r.l. They related to loans to employees.

- **Financial receivables and other current financial assets.** The item amounted to Euro 70,071 thousand, down by Euro 121 thousand compared to December 31, 2011 (Euro 70,192 thousand) and included a loan of Euro 70,000 thousand to Telecom Italia Media Broadcasting and loans of Euro 71 thousand to employees.

- **Cash and cash equivalents.** Cash and cash equivalents amounted to Euro 55,387 thousand, a Euro 37,359 thousand increase compared to Euro 18,128 thousand reported at December 31, 2011. This performance was mainly attributable to the Euro 3,344 thousand receivable from the subsidiary La7 S.r.l. (Euro 45,899 thousand), which was not present at December 31, 2011, and the Euro 5,187 thousand reduction in receivables from Telecom Italia Media Broadcasting and Telecom Italia S.p.A. associated with current accounts used in centralized treasury management program.

NOTE 15 – Employee benefits

Euro 441 thousand

(Euro 7,722 thousand at December 31, 2011)

The following changes occurred during the year:

(in thousands of euro)	12/31/2011	Mergers, demergers, spinoffs	Discounts/Provisions	Decreases	Withholdings on revaluation of employee indemnities	Other movements	12/31/2012
Reserve for employee termination indemnities	7,722	(7,455)	236	(346)	(40)	324	441
Fund for pensions and similar obligations							
Funds for personnel outflow incentives (payable after 12 months)							
Total	**7,722**	**(7,455)**	**236**	**(346)**	**(40)**	**324**	**441**

The Provision for employee termination indemnities (TFR) decreased overall by Euro 7,281 thousand, due mainly to the transfer of television operation to La7 S.r.l. The decrease of Euro 346 thousand recorded under "Decreases" refers to utilizations of the provision made during 2012 for indemnities paid to personnel no longer in office and advances. The increase of Euro 236 thousand recorded in the column "Discounting/Provisions" represents the sum of the provision for interest accrued in the year and actuarial adjustments made at December 31, 2012, reflecting both the changes in the underlying financial assumptions (discount rate and inflation rate), and the new pension legislation (Law No. 214 of December 22, 2011) which resulted in a lengthening of the expected period of personnel service in the company.
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. As envisaged by IAS 19, this item was recognized as "Defined Contribution Plan" for the amounts matured 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 since 2007 must be paid to either the INPS Treasury Fund or a supplementary pension scheme and are considered "Defined Benefit Plans." However, reassessment of the provision as of December 31, 2006, which had 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 indemnities were determined through actuarial recalculation using the Projected Unit Credit Cost Method, as follows:

- on the basis of a series of financial assumptions (cost-of-living increases, interest rates, pay increases, etc.), the Group projects 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 Company 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 Company defined the liability according to the average current values of the future benefits to be generated by the provision as carried at the date of assessment, without considering any future allocation.

More in detail, the Group adopted the following assumptions:

Economic forecasts	**Executives**	**Non-executives**
Inflation rate	2.0%	2.0%
Discount rate	4.5%	4.5%
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 - Miscellaneous accounts payable and other non-current liabilities Euro 14,400 thousand

(Euro 14,400 thousand at December 31, 2011)

(in thousands of euro)	12/31/2012	*of which financial instruments (1)*	12/31/2011	*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 referred to trade receivables acquired in 2010 by Telecom Italia S.p.A. and by 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 15,190 thousand

(Euro 90,758 thousand at December 31, 2011)

This item decreased by Euro 75,568 thousand compared to the previous year, mainly as a result of the transfer to La7 S.r.l., and is broken down as follows:

(in thousands of euro)	12/31/2012	*of which financial instruments (1)*	12/31/2011	*of which financial instruments (1)*	Change
Trade payables:					
- payables to suppliers	3,093	3,093	50,517	50,517	(47,424)
- payables to parent companies	559	559	2,795	2,795	(2,236)
- payables to subsidiaries	341	341	4,094	4,094	(3,753)
- payables to other related parties	10	10	2,198	2,198	(2,188)
	4,003	**4,003**	**59,604**	**59,604**	**(55,601)**
Tax payables for other taxes	1,038		1,513		(475)
Miscellaneous payables and other current liabilities:					
- amounts due for short-term pay to employees	959	959	6,505	6,505	(5,546)
- contributions to pension and social security institutions	431		4,121		(3,690)
- short-term commercial and other deferred income					
- advances					
- dividends approved, but not yet paid					
- other current liabilities	3,835	3,835	6,691	6,469	(2,856)
- 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	4,924		12,324		(7,400)
- employee benefits (other than employee termination indemnities) for the portions expected to be paid within 12 months					
	10,149	4,794	29,641	12,974	(19,492)
	11,187	**4,794**	**31,154**	**12,974**	**(19,967)**
Total	**15,190**	**8,797**	**90,758**	**72,578**	**(75,568)**

(1) Qualified instruments for the purposes of IFRS 7 disclosure in Note 18.

TRADE PAYABLES — Euro 4,003 thousand

- **Trade payables** — Euro 3,093 thousand

Trade payables decreased by Euro 47,424 thousand compared to December 31, 2011 (Euro 50,517 thousand), essentially following the transfer to La7 S.r.l., and included above all payables for outsourced services and programming costs incurred in previous years.

- **Trade payables to parent companies** — Euro 559 thousand

They related mainly to administrative service and audit service contracts.

- **Trade payables to subsidiaries** — Euro 341 thousand

This item referred to payables to La7 S.r.l. and related particularly to the rebilling of miscellaneous services (security, information technology, human resources, administration and control, external relations) and real estate rental costs.

MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES — Euro 10,149 thousand

- **Amounts due for short-term pay to employees** — Euro 959 thousand

This item fell by Euro 5,546 thousand from December 31, 2011 (Euro 6,505 thousand), mainly due to the transfer of television operations to La7 S.r.l. It includes accrued but unpaid employee compensation.

- **Contributions to pension and social security institutions** — Euro 431 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 3,835 thousand

Other current liabilities dropped by Euro 2,865 thousand, mainly due to the transfer of television operations to La7 S.r.l., and included Euro 1,168 thousand in miscellaneous payables to Group companies and other related parties, mainly the Parent Company Telecom Italia S.p.A. (Euro 631 thousand), of which Euro 119 thousand in Group's VAT and other miscellaneous payables to third parties for Euro 2,667 thousand.

- **Provisions (current amount)** Euro 4,924 thousand

The composition of this entry is shown in the following table:

(in thousands of euro)	12/31/2011	Mergers, demergers, spinoffs	Provisions	Direct use	Surplus	Other changes/ reclassifications	12/31/2012
Provisions for taxes and tax risks							
Provisions for litigation risks	580	(20)		(35)	(500)	20	45
Provisions for commercial and contractual risks	956	(88)		(832)	(36)		
Provisions for risks and future charges on equity investments and corporate transactior							
Provisions for litigation with personnel and social securities institutions	7,803	(7,820)	2,626	(278)		(605)	1,726
Other employee benefits	1,291	(265)					1,026
Other provision for future risks and charges	1,694	(427)	1,280	(90)	(562)	232	2,127
Total provisions (current portion)	**12,324**	**(8,620)**	**3,906**	**(1,235)**	**(1,098)**	**(353)**	**4,924**

The **Provision for litigation with personnel and social-securities institutions** totaled Euro 1,726 thousand. They included provisions allocated in 2012 amounting to Euro 2,626 thousand, regarding above all risks associated with the current process of sale for Euro 1,285 thousand and Euro 441 thousand for the previous disposal of pay-per-view operations. Further provisions of Euro 270 thousand attributable to the "Associated Work Act" are included".

Other personnel provisions of Euro 1,026 thousand referred to risks associated with contractual stability clauses.

Other provisions amounted to Euro 2,127 thousand, increasing by Euro 433 thousand compared to December 31, 2011. The allocations for the reporting year (Euro 1,280 thousand) pertained 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 statement of financial position, as well as qualitative and quantitative information on the risks associated with such financial instruments.

A breakdown of the Company's financial instruments in 2012 and 2011 is provided below.

Accounting value for each class of financial assets/liabilities at 12/31/2012

(in millions of euro)	Categories IAS 39 [2]	Book value at 12/31/2012	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 income statement	
ASSETS							
Non-current financial assets							
Other investments	AFS						
Securities, financial receivables and other non-current financial assets							
of which loans and receivables	LaR	234	234				
of which securities	HtM						
Miscellaneous receivables and other non-current assets [1]							
of which loans and receivables	LaR	14,400	14,400				
of which non-hedging derivatives	FAHfT						
	(a)	**14,634**	**14,634**				
Current financial assets							
Trade and miscellaneous receivables and other current assets [1]							
of which loans and receivables	LaR	2,107	2,107				
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	70,071	70,071				
of which non-hedging derivatives	FAHfT						
Cash and cash equivalents	LaR	55,387	55,387				
	(b)	**127,565**	**127,565**				
Total	**(a+b)**	**142,199**	**142,199**				
LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC	5	5				
Miscellaneous payables and other non-current liabilities [1]							
of which liabilities at amortized cost	FLAC	14,400	14,400				
	(c)	**14,405**	**14,405**				
Current financial liabilities							
of which liabilities at amortized cost	FLAC	260,212	260,212				
of which non-hedging derivatives	FLHfT						
Trade and miscellaneous payables and other current liabilities [1]							
of which liabilities at amortized cost	FLAC	8,797	8,797				
	(d)	**269,009**	**269,009**				
Total	**(c+d)**	**283,414**	**283,414**				

[1] Share of assets or liabilities related to application of IFRS7.

[2] Cf. glossary – page 147

Comparison between accounting value and fair value for each class of financial assets/liabilities at 12/31/2012

(in thousands of euro)	Categories IAS 39 (2)	Book value at 12/31/2012	Book value as per IAS 39 Amortized cost	Cost	Fair value accounted for at equity	Fair value recognized in the income statement	Book value as per IAS 17	Fair value at 12/31/2012
ASSETS								
Loans and receivables	LaR	142,199	142,199					142,199
Available-for-sale financial assets	AFS							
Financial assets held for trading	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**142,199**	**142,199**					**142,199**
Liabilities								
Liabilities at amortized cost	FLAC	283,414	283,414					283,414
Financial liabilities held for trading at fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**283,414**	**283,414**					**283,414**

(2) Cf. glossary — page 147

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			Book value as per IAS 17
			Amortized cost	Cost	Fair value accounted for at equity	Fair Value recognized in the income statement	
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 147

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 income statement		
ASSETS							
Loans and receivables	LaR	150,562	150,562				150,562
Available-for-sale financial assets	AFS						
Financial assets held for trading	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 fair value through profit or loss	FLHfT						
of which non-hedging derivatives	FLHfT						
Total		**233,892**	**233,892**				**233,892**

[2] Cf. glossary – page 147

Management of financial risk: objectives and criteria

The Telecom Italia Media S.p.A.'s main financial liabilities consist of outstanding debts with the Parent Company, Telecom Italia S.p.A., deriving from the Telecom Italia Group's centralized treasury model, mainly concerning the loan granted by the European Investment Bank and the running-account agreement with Telecom Italia S.p.A. for the normal treasury account transactions. 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 2011 or 2012.

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 (6-month EURIBOR) (Telecom Italia S.p.A.);
- a running-account agreement at an average monthly EURIBOR rate +3.70%, average spread for 2012 (Telecom Italia S.p.A.).

Exchange rate risk

In 2011, 100% of the revenues earned by Telecom Italia Media S.p.A. were denominated in Euro.

Credit risk

Revenues and other income of Telecom Italia Media S.p.A., following the transfer of television operations to La7 S.r.l., referred mainly to cost recoveries from companies of the Telecom Italia Media Group and Telecom Italia S.p.A. Furthermore, the balance of receivables is monitored during the financial year to ensure that the amount of exposure to losses is not material, as they are intra-group items. The maximum exposure to credit risk is specified in Note 9, which also indicates that net receivables more than 365 days overdue and not impaired amounted to 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 1,453 thousand, consisting of the following:

GUARANTEES PROVIDED Euro 1,064 thousand
(Euro 1,064 thousand at December 31, 2011)

This item refers to guarantees on behalf of other companies, specifically for guarantees issued by Banca Intesa to Elerto B.V. (Euro 500 thousand) and the Ministry of Production Activities (Euro 564 thousand).

OTHER Euro 389 thousand
(Euro 61,683 thousand at December 31, 2011)

The item included primarily guarantees granted by Telecom Italia S.p.A. to back the timing fulfillment of obligations assumed under the car rental agreement (Euro 125 thousand) and Banco di Sardegna and Banca Popolare di Novara to guarantee some leasing contracts (Euro 214 thousand).

NOTES – INCOME STATEMENT ITEMS

NOTE 20 – Operating revenues and income

Euro 85,783 thousand

(Euro 166,275 thousand in 2011)

Revenues and income decreased by Euro 80,492 thousand compared to financial year 2011, and consist of the following:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Sales and service revenues	80,214	139,867	(59,653)	(42.6)
Total revenues	**80,214**	**139,867**	**(59,653)**	**(42.6)**
Other income	5,569	26,408	(20,839)	(78.9)
Total operating revenues and other income	**85,783**	**166,275**	**(80,492)**	**(48.4)**

NOTE 21 - Revenues

Euro 80,214 thousand

(Euro 139,867 thousand in 2011)

Revenues amounted to Euro 80,214 thousand in 2012, decreasing by Euro 59,653 thousand compared to December 31, 2011 (Euro 139,867 thousand). They were broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Revenues from advertising sales	74,642	120,969	(46,327)	(38.3)
Revenues from DTT TV broadcasting services	96	296	(200)	(67.6)
Other revenues for TV activities	4,451	4,906	(455)	(9.3)
Other revenues	1,026	13,696	(12,671)	(92.5)
Total revenues	**80,214**	**139,867**	**(59,653)**	**(42.6)**

Revenues from advertising sales amounted to Euro 74,642 thousand and, with reference to the first 8 months, were mainly related to the agreement in force with Cairo Communications S.p.A., later transferred to La7 S.r.l. within the process of disposal of television operations.

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 167 thousand, Euro 746 thousand for the sale of programming spaces to third parties and Euro 1,333 thousand from Telecom Italia S.p.A., Euro 392 thousand for technical services involving digital radio-television broadcasting and transmission, Euro 210 thousand for the sale ofLa7 programs to Viacom Group and Euro 697 thousand from third parties.

The breakdown by country is set out in the table below:

REVENUES BY COUNTRY	Year 2012	Year 2011
☐ITALY	79,765	139,346
GERMANY		4
UK	211	311
FRANCE	3	12
BELGIUM		-
GREECE		-
POLAND		-
IRELAND	206	148
SPAIN		1
DENMARK		-
SWEDEN		-
AUSTRIA	28	-
NETHERLANDS		2
Total EUROPEAN UNION	**80,213**	**139,824**
SWITZERLAND		30
RUSSIA		2
Total REST OF EUROPE	**-**	**32**
U.S.A		6
ARGENTINA		-
AUSTRALIA		2
SOUTH AFRICA		-
JAPAN	1	3
Total OTHER COUNTRIES	**1**	**11**
TOTAL REVENUES	**80,214**	**139,867**

NOTE 22 – Other income

Euro 5,569 thousand

(Euro 26,408 thousand in 2011)

Other income decreased by Euro 20,839 thousand compared to Euro 26,408 thousand in 2011, which included 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 2,052 thousand, use of other funds for Euro 1,098 thousand and use of provision for doubtful receivables for Euro 1,380 thousand.

An analysis is provided below:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Use of provisions	2,478	3,281	(803)	(24.5)
Recovery and reimbursements of personnel costs, purchases, services and use of property not owned	962	307	655	213.4
Other revenue and income	2,129	22,820	(20,691)	(90.7)
Total other income	**5,569**	**26,408**	**(20,839)**	**(78.9)**

NOTE 23 – Acquisition of goods and services

Euro 99,362 thousand

(Euro 118,486 thousand in 2011)

Acquisitions of goods and services decreased by Euro 19,124 thousand compared to 2011, and are broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Raw materials, supplies and merchandise	957	1,935	(978)	(50.5)
Sub-total	**957**	**1,935**	**(978)**	**(50.5)**
Services	77,826	93,918	(16,092)	(17.1)
Use of property not owned	20,579	22,633	(2,054)	(9.1)
Sub-total	**98,405**	**116,551**	**(18,146)**	**(15.6)**
Total acquisition of goods and services	**99,362**	**118,486**	**(19,124)**	**(16.1)**

The item consists of:

- **Raw materials, supplies and merchandise** — Euro 957 thousand
  (Euro 1,935 thousand in 2011)

This item decreased by Euro 978 thousand compared to 2011 and includes:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Set-design materials	401	1,122	(721)	(64.3)
RVM Materials	112	187	(75)	(40.1)
Consumables used in the management of corporate assets, materials for TV production and other generic materials	226	243	(17)	(7.0)
Books, newspapers, magazines and subscription	218	383	(165)	(43.1)
Total acquisition of raw materials, supplies and merchandise	**957**	**1,935**	**(978)**	**(50.5)**

- **Services** — Euro 77,826 thousand
  (Euro 93,918 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Professional services and consultancy	13,874	18,197	(4,323)	(23.8)
Television programs under contract	31,068	26,065	5,003	19.2
Electricity	544	680	(136)	(20.0)
Travel and accommodation	1,195	1,439	(244)	(17.0)
Commissions, fees and other commercial expenses	158	392	(234)	(59.7)
Location filming and troupes	4,041	4,899	(858)	(17.5)
Agencies and news and sport services	2,325	3,583	(1,258)	(35.1)
Advertising and promotion expenses	1,479	3,067	(1,588)	(51.8)
Signal conveyance, connections, inter-connections, telephone	2,814	3,105	(291)	(9.4)
Editing of external operations	830	790	40	5.1
Outsourcing	1,637	2,571	(934)	(36.3)
Distribution and storage	641	889	(248)	(27.9)
Insurance	163	153	10	6.5
T&E services	73	100	(27)	(27.0)
Other costs for services	16,984	27,988	(11,004)	(39.3)
Total acquisition of services	**77,826**	**93,918**	**(16,092)**	**(17.1)**

Purchase costs for services amounted to Euro 77,826 thousand, down by Euro 16,092 thousand from Euro 93,918 thousand in 2011. The item referred to services for operations, mostly regarding television operations for the first 8 months, transferred to La7 S.r.l.

- **Use of property not owned** Euro 20,579 thousand
  (Euro 22,633 thousand in 2011)

Costs for use of property not owned amounted to Euro 20,759 thousand, a decrease of Euro 2,054 thousand from Euro 22,633 thousand in 2011.
The change was mainly attributable to the transfer of television operations to La7 S.r.l.

The breakdown by nature is as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Real estate rents	2,756	3,688	(932)	(25.3)
Rental fees	3,129	4,495	(1,366)	(30.4)
Rights, programs and other royalties				
sport rights	2,716	3,017	(301)	(10.0)
television rights and copyright	8,292	7,474	818	11.0
other royalties paid and other rights	3,030	2,805	225	8.0
Fees for the use of satellite and high-frequency systems	637	1,061	(425)	(40.1)
Other costs for the use of property not owned	19	93	(74)	(79.6)
Total costs for use of property not owned	**20,579**	**22,633**	**(2,054)**	**(9.1)**

The costs of television rights and copyrights comprised mainly the costs of purchasing content to be included inLa7's programming related to television operations for the first 8 moths, subsequently transferred to La7 S.r.l.

NOTE 24 – Employee benefits expenses

Euro 37,214 thousand

(Euro 45,542 thousand in 2011)

This item breaks down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Gross wages and salaries	22,226	28,823	(6,597)	(22.9)
Social security contributions	7,765	9,547	(1,782)	(18.7)
Termination indemnities				
Other employee costs	2,407	2,774	(367)	(13.2)
Employee benefits	117	158	(41)	(25.9)
Costs for assigned stock options		9	(9)	(100.0)
Costs for employees on payroll	**32,515**	**41,311**	**(8,796)**	**(21.3)**
Temporary work	**1,722**	**3,199**	**(1,477)**	**(46.2)**
Other charges for employees and other work services:				
- Fees to external personnel	2,466	986	1,480	150.1
- Costs for seconded personnel	175	386	(211)	(54.7)
- Provisions for employee outflow incentives	275		275	100.0
- Other employee expenses	61	(340)	401	(117.9)
Sub-total other charges	**2,977**	**1,032**	**1,945**	**188.5**
Total employee benefits expenses	**37,214**	**45,542**	**(8,328)**	**(18.3)**

Personnel costs totaled Euro 37,214 thousand in 2012, decreasing by Euro 8,328 thousand compared to Euro 45,542 thousand in 2011 (-18.3%). The item includes Euro 1,951 thousand (Euro 2,207 thousand in 2011), primarily consisting of accruals to provisions for risks in relation to the definition of an incentive plan for personnel correlated to the successful completion of the process of selling La7, i.e., Telecom Italia Group's equity investment in Telecom Italia Media. In addition, those expenses include accruals for the labor dispute with employees and redundancy incentive costs amounting to Euro 275 thousand, not present in 2011. Excluding these items, personnel costs dropped by Euro 8,347 thousand as a result of a change in the consolidation area following the transfer of the business unit corresponding to the Television Department of Telecom Italia Media S.p.A. to La7 S.r.l..

Average workforce, which included 8 moths of television operations for 2012, was broken down by category as follows:

	Year 2012	Year 2011
	Average employment [(1)]	Average employment [(1)]
Executives	16.9	19.0
Middle managers	56.2	73.7
Journalists	65.0	93.2
White collars	218.3	293.5
Blue collars	0.9	2.0
Total workforce	**357.3**	**481.4**

[(1)] The overall figure of workforce does not include temporary personnel for a total of 31.1 units at December 31, 2012 and 63.4 units at December 31, 2011.

NOTE 25 – Other operating expenses

Euro 3,587 thousand

(Euro 4,620 thousand in 2011)

Other operating costs amounted to Euro 3,587 thousand and are broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Writedowns and charges connected with receivables management	820	1,367	(547)	(40.0)
Provisions	1,280	365	915	250.7
Concession fees for the exercise of TLC activities	857	1,101	(244)	(22.2)
Indirect fees and taxes	70	104	(34)	(32.7)
Associations fees	164	225	(61)	(27.1)
Other expenses and charges	396	1,458	(1,062)	(72.8)
Other operating expenses	**3,587**	**4,620**	**(1,033)**	**(22.4)**

Other operating expenses decreased by Euro 1,033 thousand, from Euro 4,620 thousand in 2011 to Euro 3,587 thousand in 2012. The change was mainly attributable to the transfer of television operations to La7 S.r.l. and included an increase in provisions (Euro 915 thousand) and a reduction in other expenses and charges (Euro 1,062 thousand). The 2012 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 820 thousand decreased by Euro 547 thousand compared to the previous year and included writedowns of receivables from the advertising agency Cairo Communication (first 8 months), 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.

NOTE 26 – Change in inventories

Euro 535 thousand

(Euro 204 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Films, series and documentaries	164	(182)	346	n.a.
Finished goods, merchandise, TV productions	371	386	(15)	n.a.
Total	**535**	**204**	**331**	**n.a.**

NOTE 27 – Depreciation and amortization

Euro 19,371 thousand

(Euro 27,487 thousand in 2011)

This item amounted to Euro 19,371 thousand, with regard to the first 8 months which included the television operations transferred to La7 S.r.l. (Euro 27,487 thousand in 2011), showing a decrease of Euro 8,116 thousand. It included:

- Euro 16,744 thousand in amortization, down by Euro 6,957 thousand compared to 2011:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Development costs		-	-	-
Industrial patents and intellectual property rights	16,688	23,579	(6,891)	(29.2)
Concessions, licenses, trademarks and similar rights	56	122	(66)	(54.1)
Other intangible assets				
Total amortization of intangible assets	**16,744**	**23,701**	**(6,957)**	**(29)**

Amortization of rights on movies, TV movies, series, cartoons and other programs, which is indicated under the item "Industrial patents and intellectual property rights", totaled Euro 16,010 thousand, while amortization of software licenses acquired for an indefinite time period totaled Euro 678 thousand.
Amortization of licenses acquired for a definite time period is indicated under the item "Concessions, licenses, trademarks and similar rights" and totaled Euro 11 thousand.

- Depreciation amounted to Euro 2,627 thousand, compared to Euro 3,786 thousand for 2011, for a decrease of Euro 1,159 thousand. Depreciation can be broken down as follows:

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Industrial and civilian buildings	1	1	-	-
Plant and machinery	1,516	2,110	(594)	(28.2)
Manufacturing and distribution equipment	1	2	(1)	(50.0)
Other tangible assets	1,109	1,673	(564)	(33.7)
Leased assets			-	-
Total depreciation of tangible assets	**2,627**	**3,786**	**(1,159)**	**(30.6)**

NOTE 28 – Capital gains (losses) realized on disposals of non-current assets

Euro 0 thousand

(Euro 1 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011
Gains on the disposal of tangible and intangible assets		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**

NOTE 29 – Impairment reversal/(losses) on non-current assets

Euro -40,355 thousand

(Euro -38,140 thousand in 2011)

In 2012, this item reported Euro -40,355 thousand (Euro -38,140 thousand in 2011) and related to the goodwill writedown, following the results of the impairment test on December 31, 2012.

NOTE 30 – Income and expense from equity investments

Euro -81,468 thousand

(Euro -56 thousand in 2011)

This item amounted to Euro -81,468 thousand in 2012, up by Euro 81,412 thousand compared to 2011 (Euro -56 thousand).

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	Change %
Income from equity investments:		-		
gains on disposals of equity investments recognized among non-current assets				
dividends	28		28	100.0
Expense from investments				
assets				
other expenses from equity investments				
allowance for doubtful account	(81,496)	(56)	(81,440)	n.a.
provision for charges on subsidiaries and affiliated companies				
Net income (expense) from equity investments	**(81,468)**	**(56)**	**(81,412)**	**n.a.**

This item included the total write-off of the equity investment in La7 S.r.l., performed due to both the loss reported in the period September 1 – December 31, 2012 (Euro 52,572 thousand) and the effect of the impairment test.

It also included the writedown of the equity investment in Tiglio 1 for Euro 203 thousand, to bring its carrying amount into line with its fair value, and in Consorzio Sardegna Digitale for Euro 13 thousand, applied following its removal from the Company Register, partially offset by the collection of dividends of Euro 28 thousand from the investee Tivù S.r.l.

NOTE 31 – Finance income

Euro 3,315 thousand

(Euro 2,904 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Income from receivables included in long-term investments	7	9	(2)	(22.2)
Income from other receivables included in long-term investments				
Interest income received from parent companies				
Interest income received from subsidiaries	3,058	2,764	294	10.6
Interest income received from third parties	128	8	120	1,500.0
Interest income received from bank and postal accounts		-		
Interest income received on current receivables		-		
Other finance income	2	2	-	-
Exchange gains	120	121	(1)	(0.8)
Total finance income	**3,315**	**2,904**	**411**	**14.2**

Finance income amounted to Euro 3,315 thousand in 2012, compared to Euro 2,904 thousand in 2011. The Euro 411 thousand increase was mainly attributable to interest income received from subsidiaries (Euro 294 thousand) and interest income from third parties (Euro 120 thousand). Interest income from subsidiaries included above all interest income from Telecom Italia Media Broadcasting amounting to Euro 2,892 thousand and from La7 S.r.l. for Euro 154 thousand. Interest income from third parties related primarily to Euro 124 thousand determined based on an IRES tax refund following the deductibility of IRAP tax on staff costs established by the entry into force of Decree Law No. 16/2012.

NOTE 32 – Finance expenses

Euro 7,497 thousand

(Euro 5,000 thousand in 2011)

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
Interest expense paid to parent companies	6,464	4,145	2,319	55.9
Interest expense paid to subsidiaries	134	131	3	2.3
Interest expense paid to third parties	-	226	(226)	-
Interest expense paid to suppliers	109	32	77	n.a.
Financial fees paid	400	-	400	100.0
Expenses related to discounting of non-current liabilities	256	368	(112)	-
Exchange losses	134	98	36	36.7
Total finance expenses	**7,497**	**5,000**	**2,497**	**49.9**

Finance expenses totaled Euro 7,497 thousand in 2012, increasing by Euro 2,497 thousand compared to 2011 (Euro 5,000 thousand) and regarding mainly the short-term financial payables to Telecom Italia Finance S.A. for Euro 2,868 thousand, matured in December 2012, the interest expense for the running account held with the Parent Company Telecom Italia S.p.A. for Euro 1,814 thousand and the medium-/long-term loan (EIB) for Euro 1,283 thousand. Charges related to the discounting of non-current items include interest expenses associated with the "time value" component in actuarial calculations, classified to this item following the early adoption of the revised version of IAS 19.

The following table shows interest rate performance by primary loan agreement type:

Type of transaction	Amount (in million of euro)	Rate parameter	Quarterly evolution of rates Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
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	1.254%	1.304%	1.008%	1.035%	1.667%	1.151%	0.930%	0.863%
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia group	60	EURIBOR 3m	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	60	EURIBOR 3m				(2) 5.982%	5.867%	4.996%	5.201%	4.771%
Running account extant with the parent company as part of the centralized treasury program of the Telecom Italia group		EURIBOR 1m	3.330%	3.678%	3.826%	3.634%	3.272%	4.033%	4.275%	3.229%

Notes: (1) rate prevailing through December 20, 2011
(2) rate prevailing through December 21, 2011

NOTE 33 – Income taxes

Euro 21,111 thousand

(Euro 8,472 thousand in 2011)

Income taxes for 2012 were positive at Euro 21,111 thousand (Euro 8,472 thousand in 2011) and included:

- corporate income tax (IRES) associated with participation in the National Tax Consolidation amounting to Euro 20,311 thousand, which is recorded as income in connection with the tax loss incurred by the companies participating in Telecom Italia S.p.A.'s national tax consolidation (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 determined at the consolidated level, which are calculated based on the algebraic sum of the taxable income and losses of the entities involved in the tax consolidation scheme;
  IRES is therefore recorded as income to reflect the remuneration by the Parent Company of the tax losses at the Group level.
- extraordinary income for taxes, mainly including Euro 693 thousand relating to an IRES tax refund following the deductibility of IRAP tax on staff costs established by the entry into force of Decree Law No. 16/2012 which, together with the amount recognized in interest income (Euro 124 thousand), is added to the value described above in respect of the National Tax Consolidation, making up the overall receivable for tax consolidation from the Parent Company Telecom Italia S.p.A., as described in other non-current assets;
- deferred taxes amounting to Euro -20 thousand for the use in 2012 of the receivable for deferred tax assets extant at year-end 2011.

(in thousands of euro)	Year 2012	Year 2011	Change Abs.	%
IRAP		119	(119)	100.0
Deferred taxes	(20)	311	331	106.4
Income taxes for previous financial years	119		(119)	
Extraordinary income for taxes	(899)	(442)	457	103.4
Substitute tax				
IRES from participation in the National Fiscal Consolidation	(20,311)	(8,460)	11,851	140.1
Total taxes	**(21,111)**	**(8,472)**	**12,401**	**146.4**

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 2012		Year 2011	
		%		%
Profit (loss) before taxes	**199,221**		**69,948**	
Taxes calculated based on the current tax rate	**(54,786)**	**27.5%**	**(19,236)**	**27.5%**
- Undeductible writedowns and capital loss related to equity investments	22,352	11%	0	0%
- Undeductible goodwill writedown	11,098	6%	10,489	5%
- Undeductible costs	1,029	1%	173	0%
- Tax adjustment and other	(804)	(0%)	(17)	(0%)
IRAP	0	0%	119	0%
Total actual taxes recognized in the income statement	**(21,111)**	**(11%)**	**(8,472)**	**(12%)**

NOTE 34 – Significant non-recurring events and transactions

In light of the changed Company's plans and considering the principles set forth in the relevant accounting standards, the Company's assets were tested for impairment on December 31, 2012. The results of the test yielded a goodwill writedown of Euro 40,355 thousand attributable to the Network Operator TIMB CGU.
There were no other significant economic transactions that do not occur on a regular basis.

NOTE 35 – Events Subsequent to December 31, 2012

Sale of La7 S.r.l.

Following the restructuring process illustrated on page 15 of the Telecom Italia Media Group's Report on Operations, on February 18, 2013, the Board of Directors of Telecom Italia Media S.p.A. acknowledged the resolution passed by the Board of Directors of the Parent Company Telecom Italia S.p.A. during the meeting held on the same date, and, as a result of a thorough examination, resolved to grant Cairo Communication S.p.A. an exclusive to negotiate the sale of the entire equity investment in La7 S.r.l., excluding the 51% interest in MTV Italia S.r.l.

On March 4, 2013, the Board of Directors of Telecom Italia Media S.p.A. resolved to give mandate in order to finalize the agreement for the sale to Cairo Communication S.p.A. of the Company's entire equity investment in La7 S.r.l., with the exception of the 51% interest in MTV Italia S.r.l..

Under the agreement, Telecom Italia Media S.p.A. shall receive a consideration of Euro 1 million for the sale. Before transferring the shareholding,La7 S.r.l. will be recapitalized for an amount that will allow the Company to achieve, at that date, a positive net financial position of no less than Euro 88 million. Such recapitalization will also help the company to achieve the contractually agreed equity of Euro 138 million.
The agreements also envisage the signing of a multi-year agreement for the supply of broadcasting capacity betweenLa7 S.r.l. and Telecom Italia Media Broadcasting S.r.l.

As part of the transaction, Telecom Italia S.p.A. committed itself to waive its financial receivables from Telecom Italia Media S.p.A., for a total amount of Euro 100 million.

With reference to the announcement made on March 4, 2013, Telecom Italia Media and Cairo Communication signed, on March 6, 2013, an agreement on the sale of 100% interest inLa7 S.r.l. to Cairo Communication S.p.A., excluding the 51% interest in MTV Italia S.r.l.

Therefore, on the basis of the agreements described above and also taking into account the expected operating performance of the subsidiary until the date of its disposal, in 2013 a 152 million euro loss related to the sale of La7 S.r.l. is expected.

The completion of the transaction will be subject to the receipt of the necessary authorizations pursuant to applicable laws and regulations.

NOTE 36 – 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 statement of financial position and the cash flow statements. In detail:

- the effects on the individual items of Telecom Italia Media S.p.A.'s statements of income for 2012 compared with 2011 are illustrated on pages 351 and 352;
- the effects on individual items of the cash flow statements at December 31, 2012, compared to the position at December 31, 2011, are illustrated on page 353;
- the effects on other balance sheet items at December 31, 2012 compared to other items of the statement of financial position at December 31, 2011, are described on page 354;
- a description of transactions affecting the statements of income and balance sheet of the previous year is given on pages 355, 356, 357, 358 and 359;
- amounts due to pension funds compared to the previous year are shown on page 360;
- a description of purchase and sale contracts with related parties, pages 360, 361 and 362.

STATEMENTS OF INCOME	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	2012	2011	2012	2011	2012	2011
Revenues						
Of which attributable to relations with:						
- Parent Company	1,792	14,280				
- Subsidiaries and associates of the Parent Company	-	16				
- Subsidiaries and associates of TI Media S.p.A.	847	850				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**2,639**	**15,146**	**80,214**	**139,867**	**3.3**	**10.8**
Other operating income						
Of which attributable to relations with:						
- Parent Company	455	20,500				
- Subsidiaries and associates of the Parent Company	-	24				
- Subsidiaries and associates of TI Media S.p.A.	2,507	1,788				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**2,962**	**22,312**	**5,569**	**26,408**	**53.2**	**84.5**
Acquisition of goods and services						
Of which attributable to relations with:						
- Parent Company	(3,971)	(5,040)				
- Subsidiaries and associates of the Parent Company	(746)	(1,592)				
- Subsidiaries and associates of TI Media S.p.A.	(17,034)	(21,380)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**(21,751)**	**(28,012)**	**(99,362)**	**(118,486)**	**21.9**	**23.6**
Employee benefits expenses						
Of which attributable to relations with:						
- Parent Company	(261)	(374)				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	(41)	(171)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
- Compensation of the Company's Key Management Personnel	(385)	(445)				
- Pension funds	(1,293)	(969)				
Total	**(1,980)**	**(1,959)**	**(37,215)**	**(45,542)**	**5.3**	**4.3**
Other operating expenses						
Of which attributable to relations with:						
- Parent Company	(4)	(20)				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	(9)	(130)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**(13)**	**(150)**	**(3,587)**	**(4,620)**	**0.4**	**3.2**

STATEMENTS OF INCOME	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	2012	2011	2012	2011	2012	2011
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.	3,058	2,764				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**3,058**	**2,764**	**3,315**	**2,905**	**92.3**	**95.1**
Finance expenses						
Of which attributable to relations with:						
- Parent Company	(3,918)	(2,742)				
- Subsidiaries and associates of the Parent Company	(2,868)	(1,645)				
- Subsidiaries and associates of TI Media S.p.A.	(134)	(131)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**(6,920)**	**(4,518)**	**(7,497)**	**(5,001)**	**92.3**	**90.3**
Income tax expense						
Of which attributable to relations with:						
- Parent Company	21,128	8,460				
- 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	**21,128**	**8,460**	**21,111**	**8,472**	**100.1**	**99.9**

Investments						
Of which attributable to relations with:						
- Parent Company	48	-				
- Subsidiaries and associates of the Parent Company	769	861				
- Subsidiaries and associates of TI Media S.p.A.	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**817**	**861**	**18,643**	**31,100**	**4.4**	**2.8**

(1) Breakdown on pages 355, 356 and 357.

NET FINANCIAL DEBT	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
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	**-**	**-**	**234**	**726**	**-**	**-**
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	**70,000**	**70,022**	**70,071**	**70,192**	**99.9**	**99.8**
Cash and cash equivalents						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	-	5,187				
- Subsidiaries and associates of TI Media S.p.A.	55,382	12,827				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**55,382**	**18,014**	**55,387**	**18,128**	**100.0**	**99.4**
Non-current financial liabilities						
Of which attributable to relations with:						
- Parent Company	-	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**	**5**	**100,021**	**-**	**100.0**
Current financial liabilities						
Of which attributable to relations with:						
- Parent Company	260,084	64				
- Subsidiaries and associates of the Parent Company	-	45,090				
- Subsidiaries and associates of TI Media S.p.A.	125	1,731				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**260,209**	**46,885**	**260,211**	**46,893**	**100.0**	**100.0**
Total net financial debt						
Of which attributable to relations with:						
- Parent Company	**260,084**	**100,042**				
- Subsidiaries and associates of the Parent Company	**-**	**39,903**				
- Subsidiaries and associates of TI Media S.p.A.	**(125,257)**	**(81,096)**				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**134,827**	**58,849**	**134,524**	**57,869**	**100.2**	**101.7**

(1) Breakdown on pages 358 and 359.

OTHER BALANCE SHEET ITEMS	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Miscellaneous receivables and other non-current assets						
Of which attributable to relations with:						
- Parent Company	21,123	8,460				
- 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	**21,123**	**8,460**	**35,523**	**22,899**	**59.5**	**36.9**
Trade receivables						
Of which attributable to relations with:						
- Parent Company	567	1,187				
- Subsidiaries and associates of the Parent Company	-	40				
- Subsidiaries and associates of TI Media S.p.A.	1,098	627				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**1,665**	**1,854**	**1,677**	**46,952**	**99.3**	**3.9**
Miscellaneous receivables and other current assets						
Of which attributable to relations with:						
- Parent Company	-	19,330				
- Subsidiaries and associates of the Parent Company	-	137				
- Subsidiaries and associates of TI Media S.p.A.	395	6				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**395**	**19,473**	**781**	**21,300**	**50.6**	**91.4**
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	559	2,795				
- Subsidiaries and associates of the Parent Company	10	1,822				
- Subsidiaries and associates of TI Media S.p.A.	341	4,470				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	**910**	**9,087**	**4,003**	**59,604**	**22.7**	**15.2**
Miscellaneous payables and other current liabilities						
Of which attributable to relations with:						
- Parent Company	631	3,222				
- Subsidiaries and associates of the Parent Company	108	15				
- Subsidiaries and associates of TI Media S.p.A.	429	356				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
- Pension funds	140	831				
Total	**1,308**	**4,424**	**11,188**	**31,154**	**11.7**	**14.2**

(1) Breakdown on pages 358 and 359.

The following table shows the main items of the statements of income, balance sheets, and financial items pertaining to transactions between fully consolidated companies and between associates, affiliates and subsidiaries of the Parent Company, and companies under common control, and through directors of the Parent Company.

(in thousands of euro)	**2012**	**2011**	
Revenues	2,639	15,146	For 2012 this item referred to revenues generated by Telecom Italia Media S.p.A. from Telecom Italia S.p.A. and other subsidiaries, broken down as follows: - production and broadcasting of promos about contents of Telecom Italia SpA's service called "Cubovision" amounting to Euro 1,333 thousand; - rendering of journalistic services to MTV and other revenues from TV operations amounting to Euro 167 thousand; - rebilling of management fee to the subsidiary Telecom Italia Media Broadcasting amounting to Euro 680 thousand; implementation and supply of Barker Channel service and related contents for IPTV platforms totaling Euro 200 thousand; - supply of interactive services for accessing the Telecom Italia Group content pertaining to "Over- the-top" TV totaling Euro 96 thousand. For 2011 this item referred 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 - 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 S.p.A. 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 SpA's service called "Cubovision" amounting to Euro 500 thousand.
Other operating income	2,962	22,312	For 2012 this item mainly referred to administrative and other services rendered to the subsidiary Telecom Italia Media Broadcasting totaling Euro 2,054 thousand (Euro 1,757 thousand for 2011), to Beigua totaling Euro 2 thousand (Euro 3 thousand for 2011) and to cost recoveries for personnel amounting to Euro 135 thousand from La7 S.r.l. and to Euro 455 thousand from Telecom Italia S.p.A. (Euro 0 in 2011); in the previous year they amounted to Euro 8 thousand to Telecom Italia Sparkle and Euro 16 thousand from Telecontact. Cost recoveries for provision of services from La7 S.r.l. amounted to Euro 39 thousand, from Telecom Italia Media Broadcasting to Euro 227 thousand and from Tm News to Euro 25 thousand (Euro 28 thousand for 2011). The balance also included other income from other companies for Euro 25 thousand. In the previous year the item also included 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

(in thousands of euro)	2012	2011	
Acquisition of goods and services	21,751	28,012	For 2012, this item referred 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 11,474 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 4,343 thousand; - costs for administrative services from Telecom Italia S.p.A. totaling Euro 421 thousand; - telephone expenses, data transmission and rental of phone devices amounting to Euro 1,332 thousand from Telecom Italia S.p.A.; - rental fees, real estate management and cleaning of the buildings amounting to Euro 1,460 thousand from Telecom Italia S.p.A.; - insurance costs amounting to Euro 163 thousand from Telecom Italia S.p.A.; - audit service amounting to Euro 352 thousand from Telecom Italia S.p.A. and other costs for Euro 90 thousand; - acquisition of journalistic and sports news from subsidiary TM News amounting to Euro 877 thousand; - acquisition of electricity amounting to Euro 251 thousand from Telenergia; - purchase of software licenses and professional services from the Technology Operation division of Telecom Italia totaling Euro 153 thousand; - purchase of web management and maintenance services from the company Matrix amounting to Euro 362 thousand. For 2011, this item referred 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 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.

(in thousands of euro)	2012	2011	
Employee benefits expenses	302	545	The balance for 2012 included expenses for seconded personnel amounting to Euro 134 thousand to Telecom Italia (Euro 215 thousand in 2011) and to Euro 41 thousand to Telecom Italia Media Broadcasting (Euro 171 thousand in 2011). The item also included employee benefits totaling Euro 36 thousand (Euro 58 thousand in 2011) and other personnel expenses due to Telecom Italia totaling Euro 91 thousand (Euro 101 thousand in 2011).
Other operating expenses	13	150	This item for 2012 and 2011 referred to other expenses and charges.
Net finance income (expense)	(3,862)	(1,754)	This item for 2012 mainly referred to : - Interest income related to current account and borrowing account of Telecom Italia Media Broadcasting amounting to Euro 2,892 thousand, MTV Italia amounting to Euro 12 thousand and La7 S.r.l. totaling Euro 154 thousand; - interest paid for supply debts totaling Euro 3 thousand due to Telecom Italia S.p.A.; - Interest paid to Telecom Italia for Euro 3,097 thousand, to Telecom Italia Finance for Euro 2,868 thousand, to MTV Italia for Euro 2 thousand and to La7 S.r.l. for Euro 1 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 131 thousand and to Telecom Italia totaling Euro 499 thousand. This item for 2011 mainly referred 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 Gruppo Intesa totaling Euro 226 thousand.
Income tax expense	21,128	8,460	For 2012, Euro 21,128 thousand to Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation, for the tax loss for 2012. It was Euro 8,460 thousand for the tax loss for 2011.
Investments in tangible and intangible assets	969	1,106	The amount at December 31, 2012 referred to investments made by Telecom Italia Media mainly for the purchase of tangible assets from Telecom Italia S.p.A. amounting to Euro 152 thousand, investments in plant and machinery and tangible assets in process. Investments for intangible assets, rights from A1 International totaling Euro 617 thousand and from Matrix totaling Euro 83 thousand. Purchases from Telecom Italia Information Technology totaling Euro 48 thousand and from A1 International totaling Euro 69 thousand. The amount at December 31, 2011 referred 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, from the subsidiary Ssc amounting to Euro 52 thousand.

(in thousands of euro)	12/31/2012	12/31/2011	
Miscellaneous receivables and other non-current assets	21,123	8,460	The balance at December 31, 2012 was Euro 21,123 thousand due from Telecom Italia for the National Tax Consolidation scheme in connection with the tax loss for 2012. The receivable is expected to be collected in June 2014. The amount at December 31, 2011 of Euro 8,460 thousand was due from Telecom Italia in relation to the participation to the National Tax Consolidation for the 2011 tax loss. The receivable is expected to be collected in June 2013.
Trade receivables (due within and after 12 months)	1,665	1,854	The amount at December 31, 2012 mainly included receivables from the parent company Telecom Italia S.p.A. for revenues previously recognized amounting to Euro 567 thousand (Euro 1,187 thousand in 2011), of which Euro 400 thousand from the Domestic Market division (Euro 1,176 thousand), from Telecom Italia Media Broadcasting for Euro 1,053 thousand (Euro 537 thousand), from La7 S.r.l. for Euro 44 thousand and from other companies for Euro 1 thousand (Euro 130 thousand).
Miscellaneous receivables and other current assets	395	19,473	The balance at December 31, 2012 referred to miscellaneous operating receivables for Euro 395 thousand related to La7 S.r.l. 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 9 thousand.
Financial receivables and other current financial assets	70,000	70,022	The balance at December 31, 2012 included financial receivables from Telecom Italia Media Broadcasting for the short-term loan (1 year) granted on September 30, 2008 and extended till September 30, 2013 in the amount of Euro 70,000 thousand. The balance at December 31, 2011 included 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.

(in thousands of euro)	12/31/2012	12/31/2011	
Cash and cash equivalents	55,382	18,014	The balance at December 31, 2012 of Euro 55,382 thousand referred to a receivable for Euro 9,483 thousand due from Telecom Italia Media Broadcasting and to a receivable for Euro 45,899 thousand due from La7 S.r.l. The balance at December 31, 2011 of Euro 18,014 thousand referred to a 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.
Financial payables owed after 12 months	-	100,000	The balance at December 31, 2011 referred 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 intra-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 balance at December 31, 2012 and December 31, 2011 of Euro 11,400 thousand referred 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	260,209	46,885	The amount at December 31, 2012 referred to short-term financial payables for Euro 260,067 owed to Telecom Italia, other payables to Telecom Italia S.p.A. for Euro 17 thousand and to Beigua for Euro 125 thousand. The amount at December 31, 2011 referred 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.
Trade payables	910	9,087	This item at December 31, 2012 consisted of trade accounts payable mainly to Telecom Italia S.p.A. for services rendered and telephone charges for Euro 559 thousand, to La7 S.r.l. for Euro 341 thousand, to Olivetti for Euro 2 thousand and to Telecontact for Euro 8 thousand. 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 Gruppo Intesa 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.
Miscellaneous payables and other current liabilities	1,168	3,593	The balance at December 31, 2012 and at December 31, 2011 included miscellaneous operating payables arising from operations owed to Telecom Italia S.p.A. and Telecom Italia Media Group companies totaling respectively Euro 631 thousand (Euro 3,222 thousand in 2011) and Euro 429 thousand (Euro 356 thousand in 2011). The amount due to the subsidiaries of Telecom Italia totaled Euro 108 thousand (Euro 15 thousand in 2011).

Amounts due to pension funds

The following table shows the main items in the statements of income, balance sheet, and financial items pertaining to transactions with employee pension funds of Telecom Italia Media S.p.A.

(in thousands of euro)	Year 2012	Year 2011	Type of transaction
Employee benefits expenses	1,293	969	This item refers to social contributions to Fontedir and INPS for 2012 amounting to Euro 99 thousand and Euro 1,194 thousand, respectively, for Telecom Italia Media S.p.A.'s employees and executives. This item referred to social contributions to Italian Pension Funds and Fontedir for 2011 amounting to Euro 73 thousand and Euro 91 thousand, respectively for Telecom Italia Media S.p.A.'s employees and executives. Payables to INPS amounted to Euro 805 thousand.
	12/31/2012	**12/31/2011**	
Miscellaneous payables and other current liabilities	140	831	At December 31, 2012, payables to Fontedir and INPS amounted to Euro 62 thousand and Euro 78 thousand, respectively. 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.

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

- agreement with Telecom Italia regulating the supply of services aimed at promoting products/content 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” of Telecom Italia, transferred to La7 S.r.l. together with television operations.

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.

<u>Assets</u>

- 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.

<u>Liabilities</u>

- bandwidth lease agreement for television broadcasting, transferred to La7 S.r.l. with television operations.

MTV Italia S.r.l.

<u>Assets</u>

- loan for the running account held in connection with the Group's centralized treasury program, transfered to La7 S.r.l. with television operations;
- a short-term loan, transferred to La7 S.r.l. with television operations.

Telecom Italia Finance S.A.

<u>Liabilities</u>

- a short-term variable-rate (based on EURIBOR) loan agreement with Telecom Italia Media S.p.A for a credit facility amounting to Euro 60,000 thousand (expired in December 2012).

Telenergia

<u>Liabilities</u>

- electricity supplied to Telecom Italia Media S.p.A. for buildings used as office space or La7 television studios.

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 37 - Stock options

At December 31, 2012, Telecom Italia Media S.p.A. did not have any more authorized capital increases for stock option plans.

NOTE 38 – 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 2012 the Company did not undertake any atypical or unusual transactions, as defined in said notice.

NOTE 39 – 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 (1)	Chairman	01/01/2012-12/31/2012	2013 financial statements approval	330,000	29,500					359,500		
STELLA GIOVANNI (2)	Director	01/01/2012-12/31/2012	13/12/2012	555,000		408,000		3,215		966,215		1,283,191.53
GHIGLIANI MARCO (3)	General Manager	01/01/2012-12/31/2012	2013 financial statements approval	293,357		84,000		7,595		384,951		
BIGNARDI IRENE	Director	01/01/2012-12/31/2012	2013 financial statements approval	60,000						60,000		
MANGONI ANDREA (4)	Director	01/01/2012-10/05/2012	05/10/2012	45,863						45,863		
PELUSO PIERGIORGIO (4)	Director	10/5/2012-12/31/2012	2013 financial statements approval	15,000						15,000		
DE MAIO ADRIANO (5)	Director	01/01/2012-12/31/2012	2013 financial statements approval	60,000	33,000					93,000		
GIUSTO MAURO	Director	01/01/2012-12/31/2012	2013 financial statements approval	60,000						60,000		
RAMPELLO DAVIDE	Director	01/01/2012-12/31/2012	2013 financial statements approval	60,000						60,000		
ZANONE POMA MARIO	Director	01/01/2012-06/28/2012	28/06/2012	30,000						30,000		
GORGONI LORENZO (6)	Director	01/01/2012-12/31/2012	2013 financial statements approval	60,000	46,000					106,000		
ROVERSI MONACO F.ALBERTO (7)	Director	01/01/2012-12/31/2012	2013 financial statements approval	60,000	26,000					86,000		
FOIS CANDIDO	Director	01/01/2012-12/31/2012	2013 financial statements approval	60,000						60,000		
OVI ALESSANDRO	Director	01/01/2012-06/28/2012	28/06/2012	30,000						30,000		
RISTUCCIA SERGIO (8)	Director	01/01/2012-12/31/2012	2013 financial statements approval	70,000	42,500					112,500		
SPINIELLO SALVATORE	Chairman of the Board of Statutory Auditors	01/01/2012-12/31/2012	2012 financial statements approval	43,000						43,000		
DE NIGRO ALBERTO	Auditor	01/01/2012-12/31/2012	2012 financial statements approval	32,000						32,000		
ZEME MICHELA (9)	Auditor	01/01/2012-12/31/2012	2012 financial statements approval	42,000						42,000		
(I) Remuneration in the company preparing the financial statements				1,906,220	177,000	492,000		10,810		2,586,030		1,283,192
(II) Remuneration from subsidiaries and affiliates				45.000 (10)						45,000		
(III) Total				1,951,220	177,000	492,000		10,810		2,631,030		1,283,192

NOTES

(1) "Fixed remuneration" includes: Euro 60,000 for serving as Chairman of the Board of Directors from January 1, 2012 to June 28, 2012, pursuant to Article No. 2389 paragraph 1; Euro 30,000 for serving as a member of the Board of Directors from June 28, 2012 to December 31, 2012, pursuant to Article No. 2389 paragraph 1; Euro 240,000 for serving as Executive Chairman from June 28, 2012 to December 31, 2012, pursuant to Article No. 2389 paragraph 3.
"Committee membership remuneration" includes: Euro 13,000 for serving as a member of the Remuneration and Nomination Committee from January 1, 2012 to June 28, 2012; Euro 16,500 for serving as a member of the Internal Control and Corporate Governance from January 1, 2012 to June 28, 2012.

(2) "Fixed remuneration" includes: Euro 400,000 for serving as Executive Deputy Chairman, Managing Director and Delegated Director from January 1, 2012 to August 31, 2012; Euro 20,000 for serving as a member of TI Media Board of Directors from September 1, 2012 to December 31, 2012; Euro 135,000 for serving as Chairman of La7 S.r.l. from September 1, 2012 to November 30, 2012 (such amount was transferred to La7 S.r.l.).
"Severance indemnities for end of office or termination of employment" include: a Euro 800,000 indemnity as amount not received related to the position of Vice Chairman and Managing Director in 2013 and until the 2013 financial statements approval; Euro 83,191.53 for the costs incurred by Giovanni Stella for the redemption of the car assigned for mixed use; Euro 400,000 gross for the contribution granted in the disposal process until the termination date (amount invoiced toTelecom Italia)

(3) "Fixed remuneration" does not include the increase effective December 31, 2012, approved by the TI Media Board of Directors on January 15, 2013 and paid in January 2013

(4) "Fixed remuneration" is paid to Telecom Italia and not directly to the person concerned.

(5) Euro 33,000 for serving as a member of the Internal Control and Corporate Governance Committee from January 1, 2012 to December 31, 2012.

(6) Euro 33,000 for serving as a member of the Internal Control and Corporate Governance Committee from January 1, 2012 to December 31, 2012 and Euro 13,000 for serving as member of Remuneration and Nomination Committee from June 28, 2012 to December 31, 2012.

(7) Euro 26,000 for serving as a member of the Remuneration and Nomination Committee from January 1, 2012 to December 31, 2012.

(8) "Fixed remuneration" includes Euro 10,000 for serving as member of Supervisory Body from January 1, 2012 to December 31, 2012.
"Committee membership remuneration" includes: Euro 16,500 for serving as a member of the Internal Control and Corporate Governance Committee from June 28, 2012 to December 31, 2012; Euro 26,000 for serving as a member of the Remuneration and Nomination Committee January 1, 2012 to December 31, 2012.

(9) "Fixed remuneration" includes Euro 10,000 for serving as a member of the Supervisory Body from January 1, 2012 to December 31, 2012 (in office until the approval of the 2013 financial statements).

(10) Fixed remuneration received by Giovanni Stella for the position of Chairman of the subsidiary La7 S.r.l. from December 1, 2012 to December 13, 2012.

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 2012 Financial Statements, in addition to the emoluments accrued in 2012 for all other auditing/controlling services rendered to Telecom Italia Media and other companies belonging to its network. The table also includes the out-of-pocket expenses incurred in 2012 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 the separate financial statements	54,101	-	54,101
- Legal audit of consolidated financial statements	11,572	-	11,572
- Limited auditing of the consolidated condensed half-year financial statements	10,492	-	10,492
- Other	-	-	0
Control services involving the issue of an attestation	-	-	-
Other services	-	-	-
Total 2011 costs for auditing and other services due to the PwC network	**76,165**	**-**	**76,165**
Out-of-pocket expenses	5,816		2,713
TOTAL	**81,981**		**78,878**

ANNEX 1

LONG-TERM INVESTMENTS

	Initial value			Changes during the year					Final value		
(in thousands of euro)	Cost	Provision	Net value	Purchases / increase in share capital	Spinoff	Write-downs	Disposals and other	Write-ups	Cost	Provision	Net value (1)
a) Subsidiaries	**180,087**	**(7,963)**	**172,124**	**20**		**(81,280)**	**(9,202)**		**244,202**	**(81,280)**	**162,922**
MTV ITALIA S.r.l.	17,165	(7,963)	9,202				(9,202)				
LA7 S.r.l.				20	81,260	(81,280)			81,280	(81,280)	
TELECOM ITALIA MEDIA BROADCASTING S.r.l.	162,922		162,922						162,922		162,922
b) Associate companies	**10,030**	**(10,030)**							**10,030**	**(10,030)**	
TM NEWS S.p.A.	10,030	(10,030)							10,030	(10,030)	
c) Other companies	**13,918**	**(12,857)**	**1,061**			**(216)**	**(51)**		**13,854**	**(13,060)**	**794**
AREE URBANE S.r.l. (in liquidation)	240	(240)							240	(240)	
AUDITEL S.r.l.	46		46				(46)				
CONSORZIO PER DISTRIBUZIONE AUDIOVISIVO E ITC	5		5				(5)				
CONSORZIO SARDEGNA DIGITALE	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.											
TIGLIO 1 S.r.l.	3,731	(2,777)	954			(203)			3,731	(2,980)	751
TIVU' S.r.l.	35		35						35		35
Total investments	**204,035**	**(30,850)**	**173,185**	**20**		**(81,496)**	**(9,253)**		**268,086**	**(104,370)**	**163,716**

(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) (loss)	% held	Investment value	Book value
(in thousands of euro)			(2)	(2)	(2)	%		
AREE URBANE S.r.l. (in liquidation)	Milan	Euro	100,000.00	(40,470)	(18,082)	0.97	(393)	
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	n.a.	n.a.	n.a.	n.a.	n.a.	
ITALBIZ.COM INC.	Dover-Delaware (USA)	US$	4,720.496	n.a.	n.a.	19.5	n.a.	1
LA7 S.r.l.	Rome	Euro	1,020,000.00	28,346	(52,877)	100	28,346	-
TELECOM ITALIA MEDIA BROADCASTING	Rome	Euro	15,000,000.00	36,564	12,058	100	36,564	172,922 (1)
TM NEWS S.p.A.	Rome	Euro	1,120,000.00	6,327	(612)	40	2,531	-
TIGLIO 1 S.r.l.	Milan	Euro	5,255,704.00	38,306	(10,376)	2.1	804	751
TIVU' S.r.l.	Rome	Euro	1,001,886.00	3,852	1,655	3.5	135	35

(1) Including payments for future capital increases.

(2) Taken from the most recent financial statements approved.

(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 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, 2011. 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, 2011, 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 thousand of euro)		**31/12/2011**
STATEMENTS OF FINANCIAL POSITION		
Intangible assets		39,492,330
Tangible assets		10,817,005
Other non-current assets		13,734,133
Total non-current assets		64,043,468
Current assets		8,109,831
Discontinued operations/non-current assets held for sale		-
TOTAL ASSETS		**72,153,299**
EQUITY		20,536,920
Share capital	*10,672,908*	
Other reserves	*6,936,440*	
Retained earnings (accumulated losses) for the year	*2,927,572*	
Non-current financial liabilities		34,941,183
Employee benefits		741,117
Deferred tax liabilities		800
Provisions		467,984
Miscellaneous payables and other non-current liabilities		584,707
Total non-current liabilities		36,735,791
Current liabilities		14,880,588
TOTAL LIABILITIES		51,616,379
TOTAL EQUITY AND LIABILITIES		**72,153,299**
INCOME STATEMENT		
Revenues		18,044,995
Operating income before depreciation and amortization, gains/losses, and write-ups/write-downs of non-current assets (EBITDA)		**9,000,387**
OPERATING PROFIT (EBIT)		**(181,615)**
Income/ (expenses) from investments		(147,672)
Finance income		2,537,918
Finance expenses		(4,586,882)
Profit before taxes		(2,378,251)
Income tax expense		(1,193,006)
Profit (loss) for the year		**(3,571,257)**

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 Severino Salvemini, in his capacity as Chairman, and Luigino Giannini, in his capacity as Executive in charge of Company's 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 2012 Financial Statements:

   - 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 Financial Statements at December 31, 2012:

   a) have been prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted on July 19, 2002 by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council 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 financial situation of the issuer, along with a description of the primary risks and uncertainties to which it is exposed.

April 5, 2013

/signed/Severino Salvemini
Severino Salvemini
Chairman

/signed/Luigino Giannini
Luigino Giannini
Executive in Charge of
the Company's 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 separate financial statements of Telecom Italia Media SpA as of 31 December 2012 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 2 April 2012.

3. In our opinion, the separate financial statements of Telecom Italia Media SpA as of 31 December 2012 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.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **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 Tel. 0957532311 - **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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4. As informative disclosure, we point out:

   - what the directors have reported in the paragraph "going concern" included in note 2 of the notes to the financial statements, about the reasons underlying the preparation of the financial statements on the basis of the going concern assumption;

   - the fact that the agreement was signed on 6 March 2013 for the sale to Cairo Communication SpA of the entire equity investment held in LA7 Srl, excluding 51% of MTV Italia Srl. Paragraph "events subsequent to 31 December 2012" included in note 35 of the notes to the financial statements, describes the main aspects of the transaction as well as its related effects expected upon the finalization of the agreement.

5. 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 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 2012.

Turin, 15 March 2013

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 No. 58/1998

Shareholders,

During the course of the year ended December 31, 2012, 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 Control and Risk Committee (formerly, Internal Control and Corporate Governance Committee) and the Nomination and Remuneration Committee (formerly, 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 2012, also through companies in which the Company directly or indirectly holds an equity interest, are basically the following:

- in April, Telecom Italia Media S.p.A. and Viacom Networks Europe Inc. - New York renewed, for a further year, the shareholders' loan of up to no more than Euro 20,000,000.00, granted on March 12, 2009, to their subsidiary MTV Italia S.r.l., each to the extent to its participating interest in the said subsidiary, so as to cover the latter's operating costs, it being understood that the shareholders' loan in question has since been duly renewed on a yearly basis;
- in May, the Company proceeded with the incorporation of La7 S.r.l. with a share capital of Euro 20,000.00, on which, effective September 1, 2012, TI Media conferred, by way of capital contribution, its Television business unit comprising the broadcasting operations of the La7 and La7d television channels, its 51% equity investments in MTV Italia S.r.l., as well as its participating interests in other minor companies. To cover the aforesaid capital contribution, La7 S.r.l. resolved to increase its share capital from Euro 20,000.00 to Euro 1,020,000.00, with a share premium of Euro 80,260,029.00. The business unit was valued and appraised, within the meaning of Article 2465 of the Italian Civil Code, by the accounting firm Reconta Ernst & Young S.p.A. Further details are provided in the chapter "General Information – TI Media Group" of the "Annual Financial Report at December 31, 2012". On March 6, 2013, an agreement was reached for full transfer of La7 S.r.l., excluding the 51% interest in MTV Italia S.r.l., to Cairo Communication S.p.A., although the sale may proceed only after all requisite regulatory authorizations have been obtained;
- in September, the loan agreement underway with Telecom Italia Media Broadcasting S.r.l., under which Euro 70 million have so far been drawn, was renewed for a further year, with the result that it is now due to expire on September 30, 2013. Renewal entailed an adjustment to the interest rate payable by the subsidiary to TI Media on the loan in question, which is henceforth established at 4.6253% above the 3-month EURIBOR rate prevailing during the period.

The Board of Statutory Auditors have checked that the transactions described above are in accordance with the law, the 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. As far as the transactions with related parties are concerned, the controlling body further verified compliance with all applicable CONSOB regulations, as well as the Group's specific procedure for the conclusion of related party transactions of such nature (see point 2).

2. During the course of 2012 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 have 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 statement items; please refer to these sections for information, including a description of the transactions and their effects on the Financial Statements.

As regards related party transactions, the Company adopted a specific procedure for the classification of said transactions into different categories, pursuant to the regulations set forth in CONSOB Resolution No. 17221 of March 12, 2010 (as further amended and extended). Within each operation, a specific assessment and approval plan was identified, which calls for the application of a structured process illustrated in detail in the “Corporate Governance and Company Ownership of Telecom Italia Media S.p.A. for Financial Year 2012” to which the reader is referred for further information regarding the management and coordination activities performed by the Parent Company Telecom Italia S.p.A.

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. On March 15, 2013, the independent auditors PricewaterhouseCoopers S.p.A. 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 as of December 31, 2012 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 TI Media Group.

5. In 2012, the Board of Statutory Auditors filed no briefs pursuant to Article 2408 of the Italian Civil Code.

6. In 2012, the Board of Statutory Auditors received only one "complaint". The Board of Statutory Auditors looked into the matter with appropriate input from the relevant corporate functions, and verified there were no legal grounds for the said complaint.

7. In 2012, the Company did not assign any tasks to PricewaterhouseCoopers S.p.A., other than statutory auditing tasks.

8. In 2012, the Company did not assign any tasks to any parties involved in ongoing working relationships with the independent auditors PricewaterhouseCoopers S.p.A.

9. In 2012, the Board of Statutory Auditors:

- in accordance with Article 2389, paragraph 3, of the Italian Civil Code, expressed its option to the Board of Directors on the follows: (i) the remuneration granted to the Chairman, Severino Salvemini; (ii) the remuneration granted to Vice Chairman and Managing Director, Giovanni Stella; (iii) the remuneration granted to Director Giovanni Stella for termination of office regarding the management of TI Media Group companies; (iv) the remuneration to be paid to the Chairman, Severino Salvemini, as extraordinary incentive aimed at guaranteeing the success of the sale ofLa7 S.r.l. or the sale of the equity investment that Telecom Italia S.p.A. holds in TI Media;
- pursuant to Article 2386, paragraph 1, of the Italian Civil Code, approved the decision taken by the Board of Directors in its meeting of October 5, 2012 on the co-option of Director Piergiorgio Peluso;
- in accordance with Article 154-*bis*, paragraph 1, of Legislative Decree No. 58/98, expressed its favorable opinion on the appointment of Luigino Giannini as Executive in charge of the company's financial reports.

10. In 2012, the Board of Directors held eight meetings, the Control and Risk Committee held six, and the Nomination and Remuneration Committee held four. In the reporting year, the Board of Statutory Auditors held eleven meetings (six of which at the presence of the Control and Risk Committee); moreover, it attended: (i) the General Shareholders' Meeting to approve the Financial Statements as of December 31, 2011; (ii) the Special Meeting of the savings shareholders held on May 31, 2012; (iii) all the meetings of the Board of Directors; (iv) all the meetings held in 2012 by the Control and Risk Committee and (through its Chairman or a representative of the latter) the Nomination and Remuneration Committee.

11. The Board of Statutory Auditors has acquired knowledge of 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 corporate functions and the Executive in charge of company's financial reports, and through meetings with the Heads of Audit, Compliance and IT & Security Compliance Departments of Telecom Italia S.p.A. 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 outside 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 contribution to La7 S.r.l. of the Television business unit the company's organizational structure was set up as follows:

- the TI Media Group General Management, headed by Marco Ghigliani, reports to the Chairman, Severino Salvemini, who is also granted with signing power and legal representation of the Company, in compliance with law and Bylaws, and with the responsibility for the strategic management and overall governance of the TI Media Group.

Marco Ghigliani is entrusted with the task of ensuring implementation of the Group's strategic guidelines, overall guidance and control, and the coordination of business support activities. The following central functions report to the General Manager: Administration, Control and Investor Relations; Group Legal; Human Resources, Facility & Security; Regulatory Affairs; External Relations; Purchasing; as well as the company TI Media Broadcasting.

13. The Board of Statutory Auditors has monitored the Company's internal control system, evaluating its adequacy through: (i) meetings with the Control and Risk Committee; (ii) periodic meetings with the Heads of Audit, Compliance and IT & Security Compliance Departments of Telecom Italia S.p.A. and the Executive in charge of Company's financial reports; 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 S.p.A.

The Board of Statutory Auditors acknowledged the statements issued by the Chairman and the Executive in charge of Company's financial reports on the appropriateness — in light of the features of the company — and the effective implementation in 2012 of the administrative and accounting procedures to be followed in preparing the annual Separate and Consolidated Financial Statements. The goodwill writedown recognized as a result of impairment test as of December 31, 2012 referred to La7, the Network Operator, Telecom Italia Media Broadcasting S.r.l., and MTV S.r.l. which showed the greatest gap between expected and actual results in 2012. The impairment loss recognized as a result of the aforesaid impairment test is described in Note 3 to the Consolidated Financial Statements and Note 3 to the TI Media's Financial Statements as of December 31, 2012.

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 S.p.A., 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. The Company adopts the Corporate Governance Code (version: December 2011) drawn up by the Committee for the Corporate Governance of Listed Companies of Borsa Italiana. In December 2012, the Company's Board of Directors adopted a Corporate Governance Code, which provides for exceptions to/or extends the applicable regulatory framework with reference to tasks and functioning of the Company Boards; as regards with whatsoever other issue, reference shall be made to the principles and guidelines included in the Corporate Governance Code of Borsa Italiana.

The Company's Board of Directors consists of eight non-executive directors, the majority of whom qualifies as independent as defined by the Board; the Board of Directors established from among its members a Nomination and Remuneration Committee, consisting entirely of Independent Directors, and a Control and Risk Committee, also consisting entirely of Independent Directors.

In October 2012, the Board of Directors also set up an internal Advisory Committee; the majority its members qualifies as Independent Directors and is tasked with aiding the Board of Directors in adopting decisions regarding the process of disposal of operations.

It should be noted that in 2006, the Company appointed a Lead Independent Director (a position filled by the Chairman of the Control and Risk 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 2012 Corporate Governance is provided in the specific section entitled "Corporate Governance and Company Ownership of Telecom Italia Media S.p.A."

In conclusion, the Board of Statutory Auditors has found the Company's Corporate Governance system adequate.

18. From the supervisory activities carried out by the Board of Statutory Auditors as described above, no facts emerged that needed to be reported to the supervisory bodies or be mentioned in this Report.

19. Acknowledging the results of the Financial Statements as of December 31, 2012, as adjusted by the Board of Directors in its meeting of March 14, 2013, the Board of Statutory Auditors has no objection to raise against the resolution proposal submitted by the Board of Directors on the partial replenishment of the year's loss. Furthermore, considering that the Financial Statements as of December 31, 2012 showed an equity amounting to Euro 56,204,144.16 and a subscribed and paid-in share capital of Euro 212,188,324.10, resolutions should be passed in respect of the matters falling within the scope of Article 2446 of the Italian Civil Code. The Board of Directors broadened the Agenda for the Shareholders' Meeting called to examine the financial position and adopt the appropriate measures. On March 14, 2013, the Board of Directors approved the Statement of Financial Position as of March 8, 2013 and the Explanatory Report, in accordance with Article 2446 of the Italian Civil Code; the Board of Statutory Auditors' assessments on this point are given in the relevant Report.

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In 2012, Directors Alessandro Ovi, Mario Zanone Poma, Andrea Mangoni and Giovanni Stella tendered their resignations. During its meeting on October 5, 2012 and in accordance with the Board of Statutory Auditors' approval, the Board of Directors resolved to co-opt Piergiorgio Peluso to replace Andrea Mangoni; no action was taken to replace the other three Directors.

In accordance with laws, Director Piergiorgio Peluso shall remain in office until the Shareholders’ Meeting called to approve the Financial Statements as of December 31, 2012. On February 27, 2013, Director Mauro Giusto resigned as well. The Board of Statutory Auditors accordingly invites the Shareholders to pass appropriate resolutions in such regard.

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Following the transfer of its Television business unit to La7 S.r.l., the independent auditors PricewaterhouseCoopers S.p.A. requested TI Media to modify its mandate conferred on April 8, 2010 through shareholders’ resolution. The Board of Statutory Auditors refers to its justified proposal pursuant to Article 159, paragraph 1, of Legislative Decree No. 58/1998.

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The mandate conferred to the Board of Statutory Auditors during the Shareholders' Meeting of April 8, 2010 expires in the occasion of the Shareholders’ Meeting convened to approve the Financial Statements for the year ended December 31, 2012. The Board of Statutory Auditors accordingly invites the Shareholders to pass appropriate resolutions to appoint the Statutory Auditors.

It should be noted that the Company’s Board of Directors approved the opportunity, as per law No. 183 of November 12, 2011, to vest the Board of Statutory Auditors with the tasks performed by the supervisory body ex Article 6 of Legislative Decree No. 231 of June 8, 2001. The said tasks are to be assigned to the Board of Statutory Auditors which will be appointed by the Shareholders’ Meeting scheduled for April 5, 2013.

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THE BOARD OF STATUTORY AUDITORS

Salvatore Spiniello

Alberto De Nigro

Michela Zeme

Rome – March 15, 2013

EXPLANATORY REPORTS

GENERAL SHAREHOLDERS' MEETING

APRIL 5, 2013 – 3:00P.M. (SINGLE CALL)

ROZZANO (MILAN) - VIALE TOSCANA 3

AGENDA

1. Financial Statements as of December 31, 2012; related and ensuing resolutions.
2. Provisions pursuant to Article 2446 of the Italian Civil Code; related resolutions.
3. Remuneration Report; related resolutions.
4. Resolutions subsequent to the resignation of five Directors.
5. Updating of the economic conditions granted to the Independent Auditors for the 2012-2018 period.
6. Appointment of the Board of Statutory Auditors; related and ensuing resolutions

1. FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012; RELATED AND ENSUING RESOLUTIONS

Shareholders,

The draft Financial Statements being submitted to the Shareholders' Meeting for approval closed with a loss of Euro 178,110,238.85(*); it is hereby proposed to replenish a part of this loss, amounting to Euro 22,126,058.91(*), using the Share Premium Account for Euro 22,026,206.87, the Extraordinary Reserve for Euro 39,339.15 (*) and Other Reserves for Euro 60,512.89 (*), carrying forward the remaining amount of Euro 155,984,179.94 (*).

The aforesaid result is due to the significant losses sustained by the Company in 2012, especially as a result of the goodwill writedown on the participating interest in Telecom Italia Media Broadcasting S.r.l., on the basis of the outcome of impairment testing, and the total write-off of the shareholding in La7 S.r.l., in light of the operating losses incurred by the subsidiary during the year, as well as its imminent disposal.

In the Financial Statements as of December 31, 2012, equity amounted to Euro 56,204,144.16(*), whereas subscribed and paid-in capital was Euro 212,188,324.10.

As of December 31, 2012, share capital decreased by al least one third as a result of losses, within the meaning of Article 2446 of the Italian Civil Code.

With reference to the provisions set forth in Article 2446 of the Italian Civil Code, reference should be made to the Directors' Explanatory Reports, in detail, point 2 on the Agenda of the General Shareholders' Meeting ("Provisions pursuant to Article 2446 of the Italian Civil Code; related resolutions").

Shareholders are accordingly invited to pass the following:

Proposal

"The shareholders of Telecom Italia Media S.p.A.,

– having examined the Company's Financial Statements for the year ended December 31, 2012 and the Report on Operations; and
– having acknowledged the Reports of the Board of Statutory Auditors and Independent Auditors PricewaterhouseCoopers S.p.A.;

hereby resolve

1) to approve the Telecom Italia Media S.p.A.'s Financial Statements as of December 31, 2012, closing the year with a net loss of Euro 178,110,238.85 (*);

2) to replenish a part of the loss amounting to Euro 22,126,058.91(*), using the following sources:
   - Euro 22,026,206.87 through the Share Premium Account;
   - Euro 39,339.15(*) through the Extraordinary Reserve;
   - Euro 60,512.89(*) through Other Reserves;

3) to carry forward the remaining loss, equivalent to Euro 155,984,179.94 (*)".

(*) *Amount restated following the Board's resolution of March 14, 2013.*

2. PROVISIONS PURSUANT TO ARTICLE 2446 OF THE ITALIAN CIVIL CODE; RELATED RESOLUTIONS

Shareholders,

This report (the "Report") has been drawn up by the Directors of Telecom Italia Media S.p.A. (hereinafter also "TI Media" or the "Company") pursuant to Article 2446 of the Italian Civil Code, as well as to Article 74, paragraph 1, of the CONSOB Rules adopted by Resolution No. 11971 of May 14, 1999, as further amended and extended ("Rules for Issuers"), and in accordance with the provisions set forth in Table 5, Annex 3, of the Rules for Issuers.

This Report is aimed at illustrating (i) TI Media's statement of financial position, income statement and cash-flow position as at March 8, 2013, as well as, in light of the latter, (ii) the motion that the Board of Directors intends to raise at the Shareholders' Meeting seeking approval of certain measures to be taken in respect of the losses that have eroded the Company's share capital by over a third, and (iii) the initiatives the Board of Directors plans to implement to restore the Company to financial stability whilst maintaining full operational continuity.

The Report, accompanied by the observations of the Board of Statutory Auditors and the proposed measures pursuant to Article 2446 of the Italian Civil Code, will be made available to the public in the manner and within the terms set forth by the law at the Company's registered office and Borsa Italiana S.p.A., as well as on the Company's website www.telecomitaliamedia.it.

The draft Financial Statements as of December 31, 2012 closed with a net loss of Euro 178,110,238.85; it is hereby proposed to replenish a part of this loss, amounting to Euro 22,126,058.91, using all the available reserves, i.e., (i) the Share Premium Account for Euro 22,026,206.87, (ii) the Extraordinary Reserve for Euro 39,339.15. and (iii) Other Reserves for Euro 60,512.89, carrying forward the remaining amount of Euro 155,984,179.94.

The aforesaid result is due to the significant losses sustained by the Company in 2012, not only as a result of the company management, but also the goodwill writedown on almost the entire participating interest in Telecom Italia Media Broadcasting S.r.l., on the basis of the outcome of the impairment test, and the almost total write-off of the shareholding in La7 S.r.l., in light of the operating losses incurred by the subsidiary during the year, as well as to take into account its imminent disposal.

The Financial Statements as of December 31, 2012 presented an equity amounting to Euro 56,204,144.16 against subscribed and paid-in share capital of Euro 212,188,324.10, thus satisfying in the conditions set forth in Article 2446 of the Italian Civil Code, inasmuch as losses have drawn down share capital by more than one-third.

Moreover, within the Company's restructuring process launched on May 9, 2012, on March 4, 2013, the Board of Directors of TI Media resolved to give mandate in order to finalize the agreement for the sale to Cairo Communication S.p.A. of the Company's entire equity investment in La7 S.r.l., with the exception of the 51% interest in MTV Italia S.r.l.

Afterwards, on March 6, the agreement was signed for the sale to Cairo Communication S.p.A. of 100% of La7 S.r.l., excluding 51% interest in MTV Italia S.r.l. The completion of the transaction is subject to the receipt of the necessary authorizations pursuant to applicable laws and regulations.

Pursuant to the understandings reached with the buyer, the sale is to be concluded for the price of Euro 1,020,000, payable in favor of TI Media. At the time of the transfer of proprietary title in the participating interest in question, La7 S.r.l. will be endowed with equity of no less than Euro 138,000,000 and cash flow of no less than Euro 88,000,000.

The agreements also envisage the signing of a multi-year agreement for the supply of broadcasting capacity between La7 S.r.l. and Telecom Italia Media Broadcasting S.r.l.

At the signing of the agreement regulating the said sale, Telecom Italia S.p.A. ("Telecom Italia") waived its outstanding financial receivables due from TI Media in the overall amount of Euro 100,000,000.

The Board of Directors, accordingly, examined and approved TI Media's statement of financial position as at March 8, 2013, accompanied by the income statement (the "Statement of Financial Position"), showing a negative result of Euro 152,700,565. Moreover, equity totaling 3,503,579 as at March 8, 2013 reflects a contraction of Euro 52,700,565 since December 31, 2012, in light of the result booked at such date and partially offset by the carriage, in the capital account, of the positive effects of the Parent Company Telecom Italia's write-off of financial receivables in the amount of Euro 100,000,000.

The statement of financial position has been prepared on the basis of the same criteria used to draft the Financial Statements as of December 31, 2012. No changes have been made to accounting principles with respect to those used in preparing the comparative data as of December 31, 2012, nor have there been any changes to the scheme for reclassifying accounting data.

1. STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT AS OF MARCH 8, 2013

The following tables show the Statement of Financial Position and the Income statement of TI Media as of March 8, 2013. These tables correspond to those included in the Statement of Financial Position — attached hereto as integral part of this Report — and satisfy all requirements set forth in Article 2446 of the Italian Civil Code.

SEPARATE INCOME STATEMENT

(in euro)	1/1/13 - 3/8/2013
Revenues	113,333
Other income	389,691
Total operating revenues and other income	**503,024**
Acquisition of goods and services	(1,892,754)
Employee benefits expenses	(1,022,618)
Other operating expenses	(150,774,751)
Changes in inventories	-
Internally generated assets	-
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(153,187,099)**
Depreciation and amortization	(2,857)
Gains (losses) realized on disposals of non-current assets	-
Reversals /(Impairment losses) on non-current assets	-
OPERATING INCOME (EBIT)	**(153,189,956)**
Other income (expense) from equity investments	-
Finance income	872,478
Finance expenses	(1,076,758)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(153,394,236)**
Income tax expense	693,671
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(152,700,565)**
Profit (loss) from discontinued operations/Non-current assets held for sale	-
PROFIT (LOSS) FOR THE YEAR	**(152,700,565)**

COMMENTS ON THE INCOME STATEMENT

At March 8, 2013, the Income Statement reported a net loss amounting to Euro 152,700,565, generated by operating expenses incurred during the year, mainly including personnel expenses (Euro 1,022,618), acquisition of good and services (Euro 1,892,754), net finance expenses related to average financial risk for the reporting period (Euro 204,279), as well as by provisions for future losses on the disposal of the equity investment in La7 S.r.l., for which an agreement was signed on March 6, 2013.

In detail, provisions amounted to Euro 150,726,000 in relation to the previously cited disposal of equity investment which, under the above-mentioned agreement, will entail a consideration of Euro 1,020,000. The agreements also make provision for the recapitalization ofLa7 S.r.l. so as to ensure that, at closing, the company is endowed with net cash flow of Euro 88,000,000 and equity of no less than Euro 138,000,000, including as a result of Telecom Italia Media's waiver of receivables due fromLa7 S.r.l.

Provisions made in connection with the sale amounted to Euro 1,681,000 and values of previous provisions were updated, leading to a positive effect of Euro 1,745,000.

TELECOM ITALIA MEDIA S.p.A. - BALANCE SHEET

ASSETS

(in euro)	3/8/2013	12/31/2012
NON-CURRENT ASSETS		
Intangible assets:		
Goodwill	6,295,000	6,295,000
Intangible assets with finite useful lives	-	-
	6,295,000	6,295,000
Tangible assets:		
Property, plant and equipment owned	5,714	8,571
Assets held under finance leases		
	5,714	8,571
Other non-current assets		
Investments	173,715,216	173,715,216
Non-current financial assets	221,292	233,866
Miscellaneous receivables and other non-current assets	35,522,817	35,522,817
Deferred tax assets	3,332,971	2,639,300
	212,792,296	212,111,199
TOTAL NON-CURRENT ASSETS (A)	**219,093,010**	**218,414,770**
CURRENT ASSETS		
Inventories	-	-
Trade and miscellaneous receivables and other current assets	1,810,749	2,457,778
Current income tax receivables	121,660	121,660
Current financial assets		
Securities other than investments, financial receivables and other current financial assets	70,069,017	70,070,923
Cash and cash equivalents	73,212,492	55,386,908
TOTAL CURRENT ASSETS (B)	**145,213,918**	**128,037,269**
TOTAL ASSETS (A+B)	**364,306,928**	**346,452,039**

TELECOM ITALIA MEDIA S.p.A. - BALANCE SHEET

LIABILITIES

(in euro)	3/8/2013	12/31/2012
EQUITY		
Share	212,188,324	212,188,324
- Share premium account	22,026,207	22,026,207
- Other reserves and retained earnings (accomulated losses)	(78,010,387)	99,852
- Result for the period	(152,700,565)	(178,110,239)
TOTAL EQUITY (A)	**3,503,579**	**56,204,144**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	3,400	4,927
Employee benefits	436,565	441,500
Deferred tax liabilities		
Provisions		
Miscellaneous payables and other non-current liabilities	14,400,089	14,400,089
TOTAL NON-CURRENT LIABILITIES (B)	**14,840,054**	**14,846,516**
CURRENT LIABILITIES		
Current financial liabilities	179,351,251	260,210,886
Trade and miscellaneous payables and other current liabilities	166,612,044	15,190,493
Current income tax payables	-	-
TOTAL CURRENT LIABILITIES (C)	**345,963,295**	**275,401,379**
TOTAL LIABILITIES (D=B+C)	**360,803,349**	**290,247,895**
TOTAL EQUITY AND LIABILITIES (A+D)	**364,306,928**	**346,452,039**

Statement of Changes in equity from January 1 to March 8, 2013

(in euro)	Share capital	Share premium account	Exchange gains from conversion of foreign operations	Other retained earnings (accumulated losses), including profit (loss) for the year	Total Equity
Balance at December 31, 2012	**212,188,324**	**22,026,207**		**(178,010,387)**	**56,204,144**
Change in equity in 2013					
Balance at March 8, 2013				(152,700,565)	**(152,700,565)**
Elimination of financial payable to Telecom Italia				100,000,000	**100,000,000**
Balance at March 8, 2013	**212,188,324**	**22,026,207**		**(230,710,952)**	**3,503,579**

At March 8, 2013, equity was Euro 3,503,579, down by Euro 52,700,565 compared to December 31, 2012.

The change was attributable to the difficult situation illustrated above for Euro 152,700,565, partially and positively offset by the recognition in equity of Euro 100,000,000 receivable waived by the Parent Company Telecom Italia.

However, it should be noted that on March 8, 2013 the Parent Company received a letter of financial support whereby Telecom Italia confirms its intention and commitment to fund and financially support Telecom Italia Media S.p.A., in order to ensure that the latter discharges its obligations and continues to operate regularly as going concern, at least with respect to financial years 2012 and 2013.

The above commitment is to be fulfilled according to conditions to be agreed upon with the Board of Directors of Telecom Italia Media S.p.A., within the terms deemed appropriate and/or necessary in the light of company needs.

2. STATEMENT OF NET FINANCIAL POSITION AT MARCH 8, 2013.

The figures related to the statement of net financial position of TI Media at March 8, 2013 are reported below and compared to December 31, 2012, accompanied by the main relevant comments.

Assets and liabilities are shown separately, broken down by short-term and medium/long-term items.

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

(in euro)		3/8/2013	12/31/2012	Change
Non-current financial liabilities:				
Other financial liabilities		3,400	4,927	(1,527)
	(1)	3,400	4,927	(1,527)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(A)**	**3,400**	**4,927**	**(1,527)**
Current financial liabilities:				
Financial payables		179,349,347	260,208,233	(80,858,886)
Other financial liabilities		1,904	2,654	(750)
	(2)	179,351,251	260,210,887	(80,859,636)
TOTAL CURRENT FINANCIAL LIABILITIES	**(B)**	**179,351,251**	**260,210,887**	**(80,859,636)**
TOTAL FINANCIAL DEBT	**(C=A+B)**	**179,354,651**	**260,215,814**	**(80,861,163)**
Current financial assets				
Securities		-	-	-
Financial receivables from Telecom Italia Media Broadcasting		(70,000,000)	(70,000,000)	-
Other financial receivables		(69,017)	(70,923)	1,906
Cash and cash equivalents		(73,212,491)	(55,386,908)	(17,825,583)
	(3)	(143,281,508)	(125,457,831)	(17,823,677)
		(143,281,508)	**(125,457,831)**	**(17,823,677)**
TOTAL CURRENT FINANCIAL ASSETS	**(D)**	**(143,281,508)**	**(125,457,831)**	**(17,823,677)**
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION No.DEM/6064293/2006	**(E=C+D)**	**36,073,143**	**134,757,983**	**(98,684,840)**
Non-current financial assets				
Securities other than investments		-	-	-
Financial receivables and other non-current financial assets		(221,292)	(233,865)	12,573
	(4)	(221,292)	(233,865)	12,573
TOTAL NON-CURRENT FINANCIAL ASSETS	**(F)**	(221,292)	(233,865)	12,573
NET FINANCIAL DEBT	**(G=E+F)**	**35,851,851**	**134,524,118**	**(98,672,267)**
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial debt	(1)	3,400	4,927	(1,527)
Current gross financial debt	(2)	179,351,251	260,210,887	(80,859,636)
		179,354,651	**260,215,814**	**(80,861,163)**
Total gross financial assets:				-
Non-current gross financial assets	(4)	(221,292)	(233,865)	12,573
Current gross financial assets	(3)	(143,281,508)	(125,457,831)	(17,823,677)
		(143,502,800)	**(125,691,696)**	**(17,811,104)**
		35,851,851	**134,524,118**	**(98,672,267)**

COMMENTS ON THE FINANCIAL POSITION

At March 8, 2013, Telecom Italia Media S.p.A.'s net financial debt was Euro 35,851,851, with a decrease of Euro 98,672,267 compared to Euro 134,524,118 at December 31, 2012.

In detail, figures for 2013 refer to:

- **Current financial liabilities**. At March 8, they amounted to Euro 179,351,251 (Euro 260,210,887 at December 31, 2012), down by Euro 80,859,636. The item mainly consists of the following:

  (i) Euro 100,060,950 related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the establishment of a loan agreement of the same amount between Telecom Italia 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;

  (ii) Euro 79,077,388 for the debt relating to the current account with Telecom Italia, down by Euro 80,980,390 compared to December 31, 2012. This reduction was primarily due to the partial waiver of financial debts towards Telecom Italia in the amount of Euro 100,000,000, which was only in part offset by the greater amount required to cover the requirements of the subsidiaries La7 and Telecom Italia Media Broadcasting, within the framework of Telecom Italia's centralized treasury system.

- **Financial receivables and other non-current financial assets.** They amounted to Euro 221,292, decreasing by Euro 12,573 compared to Euro 233,865 at December 31, 2012. They related to loans to employees.

- **Financial receivables and other current financial assets**. This item amounted to Euro 70,069,017, down by Euro 1,906 compared to December 31, 2012 (Euro 70,070,923), and included a Euro 70,000,000 loan to Telecom Italia Media Broadcasting and Euro 69,017 for loans to employees.

- **Cash and cash equivalents.** They amounted to Euro 73,212,491, increasing by Euro 17,825,583 compared to Euro 55,386,908 at December 31, 2012; this change was primarily attributable to receivables from the subsidiary La7 associated with current accounts used in the centralized treasury management program (Euro 20,456,567), and the reduction in receivables from Telecom Italia Media Broadcasting for Euro 3,184,803.

  At March 8, 2013, the item included also accrued finance income from Telecom Italia Media Broadcasting amounting to Euro 551,848.

3. PROPOSALS ON RESOLUTIONS TO PASS

The Board of Directors acknowledged that the Statement of Financial Position reported an overall net loss of Euro 152,700,565, which involves a decrease in equity of Euro 3,503,579, against a share capital amounting to Euro 212,188,324.10.

The highlights of the foregoing are given below, as reported in the Statement of Financial Position.

Statement of Changes in equity from January 1 to March 8, 2013

(in euro)	Share capital	Share premium account	Exchange gains from conversion of foreign operations	Other retained earnings (accumulated losses), including profit (loss) for the year	Total Equity
Balance at December 31, 2012	**212,188,324**	**22,026,207**		**(178,010,387)**	**56,204,144**
Change in equity in 2013					
Balance at March 8, 2013				(152,700,565)	**(152,700,565)**
Elimination of financial payable to Telecom Italia				100,000,000	**100,000,000**
Balance at March 8, 2013	**212,188,324**	**22,026,207**		**(230,710,952)**	**3,503,579**

The conditions contemplated in Article 2446 of the Italian Civil Code having been met, the Board of Directors intends to raise before the General Shareholders' Meeting of TI Media, following approval of the Statement of Financial Position, a motion to postpone the adoption of the appropriate measures aimed at addressing the losses carried in the same, within the bounds permitted under the aforesaid Article 2446 of the Italian Civil Code.

Furthermore, it should be noted that on March 8, 2013 the Parent Company received a letter of financial support with respect to at least financial years 2012 and 2013.

4. MEASURES TI MEDIA INTENDS TO IMPLEMENT TO RESTORE FINANCIAL STABILITY WHILST MAINTAINING OPERATIONAL CONTINUITY

Telecom Italia Media, in its structure after the sale of its equity investment in La7 S.r.l. to Cairo Communication, excluding the interest held in MTV Italia S.r.l., intends to pursue the operating objectives described below.

With specific regard to the Network Operator (Telecom Italia Media Broadcasting S.r.l.):

- to maintain broadcasting output at current levels (98% of overall capacity) so as to safeguard the related revenue stream;
- to consolidate the existing customer base, especially by expanding service offerings and maintaining high levels of customer satisfaction;
- to develop and maintain relationships with new prospective customers, in a bid to ensure that unrenewed contracts are offset by new orders;
- to continue to streamline costs and investments.

With regard to MTV Italia S.r.l.:

- to accentuate the greater focus on entertainment compared to the main channel MTV One;
- to develop its audience share through strategic investments in content and communications;
- to serve as an Advertising Agency for other television broadcasters;
- to continue to streamline costs and investments.

Lastly, TI Media S.p.A. is committed to implementing significant cost-cutting initiatives with regard to its equity investments.

The foregoing measures will allow the Company to generate the expected cash flow and consequently considerably improve its financial leverage.

5. DEBT RESTRUCTURING PLANS AND FORESEEABLE REPERCUSSIONS ON THE COMPANY'S OPERATIONS

Not applicable.

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Shareholders,

With reference to the foregoing, the Board of Directors therefore asks you to pass the following proposed resolution:

"The Shareholders' Meeting of Telecom Italia Media S.p.A.,

- having examined the Statement of Financial Position and the Income statement of Telecom Italia Media S.p.A. as of March 8, 2013;
- having regard to the Directors' Explanatory Reports; and
- having acknowledged the observations of the Board of Statutory Auditors;

hereby resolves

1) to approve the Statement of Financial Position of the Company as of March 8, 2013; and
2) to defer the implementation of appropriate measures with respect to the loss presented in the Company's Statement of Financial Position as of March 8, 2013, in accordance with Article 2446 of the Italian Civil Code."

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STATEMENT BY THE EXECUTIVE IN CHARGE OF COMPANY'S FINANCIAL REPORTS

The Executive in charge of financial reports of Telecom Italia Media S.p.A, Luigino Giannini, pursuant to Article 154-*bis*, paragraph 2, of Legislative Decree No. 58 dated February 24, 1998, hereby declares that the accounting information contained in the Director's Explanatory Report corresponds to the Company's documented results and accounting books and records.

ANNEXES

A. Statement of Financial Position of Telecom Italia Media S.p.A. at March 8, 2013, prepared pursuant to Article 2446 of the Italian Civil Code.
B. Observations of the Board of Statutory Auditors pursuant to Article 2446 of the Italian Civil Code.

ANNEXES

Annex A. Statement of Financial Position of Telecom Italia Media S.p.A. at March 8, 2013, prepared pursuant to Article 2446 of the Italian Civil Code.

1. INCOME STATEMENT

SEPARATE INCOME STATEMENT

(in euro)	1/1/13 - 3/8/2013
Revenues	113,333
Other income	389,691
Total operating revenues and other income	**503,024**
Acquisition of goods and services	(1,892,754)
Employee benefits expenses	(1,022,618)
Other operating expenses	(150,774,751)
Changes in inventories	-
Internally generated assets	-
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(153,187,099)**
Depreciation and amortization	(2,857)
Gains (losses) realized on disposals of non-current assets	-
Reversals /(Impairment losses) on non-current assets	-
OPERATING INCOME (EBIT)	**(153,189,956)**
Other income (expense) from equity investments	-
Finance income	872,478
Finance expenses	(1,076,758)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(153,394,236)**
Income tax expense	693,671
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(152,700,565)**
Profit (loss) from discontinued operations/Non-current assets held for sale	-
PROFIT (LOSS) FOR THE YEAR	**(152,700,565)**

2. BALANCE SHEET

TELECOM ITALIA MEDIA S.p.A. - BALANCE SHEET

ASSETS

(in euro)	3/8/2013	12/31/2012
NON-CURRENT ASSETS		
Intangible assets:		
Goodwill	6,295,000	6,295,000
Intangible assets with finite useful lives	-	-
	6,295,000	6,295,000
Tangible assets:		
Property, plant and equipment owned	5,714	8,571
Assets held under finance leases		
	5,714	8,571
Other non-current assets		
Investments	173,715,216	173,715,216
Non-current financial assets	221,292	233,866
Miscellaneous receivables and other non-current assets	35,522,817	35,522,817
Deferred tax assets	3,332,971	2,639,300
	212,792,296	212,111,199
TOTAL NON-CURRENT ASSETS (A)	**219,093,010**	**218,414,770**
CURRENT ASSETS		
Inventories	-	-
Trade and miscellaneous receivables and other current assets	1,810,749	2,457,778
Current income tax receivables	121,660	121,660
Current financial assets		
Securities other than investments, financial receivables and other current financial assets	70,069,017	70,070,923
Cash and cash equivalents	73,212,492	55,386,908
TOTAL CURRENT ASSETS (B)	**145,213,918**	**128,037,269**
TOTAL ASSETS (A+B)	**364,306,928**	**346,452,039**

TELECOM ITALIA MEDIA S.p.A. - BALANCE SHEET

LIABILITIES

(in euro)	3/8/2013	12/31/2012
EQUITY		
Share	212,188,324	212,188,324
- Share premium account	22,026,207	22,026,207
- Other reserves and retained earnings (accomulated losses)	(78,010,387)	99,852
- Result for the period	(152,700,565)	(178,110,239)
TOTAL EQUITY (A)	**3,503,579**	**56,204,144**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	3,400	4,927
Employee benefits	436,565	441,500
Deferred tax liabilities		
Provisions		
Miscellaneous payables and other non-current liabilities	14,400,089	14,400,089
TOTAL NON-CURRENT LIABILITIES (B)	**14,840,054**	**14,846,516**
CURRENT LIABILITIES		
Current financial liabilities	179,351,251	260,210,886
Trade and miscellaneous payables and other current liabilities	166,612,044	15,190,493
Current income tax payables	-	-
TOTAL CURRENT LIABILITIES (C)	**345,963,295**	**275,401,379**
TOTAL LIABILITIES (D=B+C)	**360,803,349**	**290,247,895**
TOTAL EQUITY AND LIABILITIES (A+D)	**364,306,928**	**346,452,039**

3. STATEMENT OF CHANGES IN EQUITY

Statement of Changes in equity from January 1 to March 8, 2013

(in euro)	Share capital	Share premium account	Exchange gains from conversion of foreign operations	Other retained earnings (accumulated losses), including profit (loss) for the year	Total Equity
Balance at December 31, 2012	**212,188,324**	**22,026,207**		**(178,010,387)**	**56,204,144**
Change in equity in 2013					
Balance at March 8, 2013				(152,700,565)	**(152,700,565)**
Elimination of financial payable to Telecom Italia				100,000,000	**100,000,000**
Balance at March 8, 2013	**212,188,324**	**22,026,207**		**(230,710,952)**	**3,503,579**

4. NET FINANCIAL POSITION

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

(in euro)		3/8/2013	12/31/2012	Change
Non-current financial liabilities:				
Other financial liabilities		3,400	4,927	(1,527)
	(1)	3,400	4,927	(1,527)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(A)**	**3,400**	**4,927**	**(1,527)**
Current financial liabilities:				
Financial payables		179,349,347	260,208,233	(80,858,886)
Other financial liabilities		1,904	2,654	(750)
	(2)	179,351,251	260,210,887	(80,859,636)
TOTAL CURRENT FINANCIAL LIABILITIES	**(B)**	**179,351,251**	**260,210,887**	**(80,859,636)**
TOTAL FINANCIAL DEBT	**(C=A+B)**	**179,354,651**	**260,215,814**	**(80,861,163)**
Current financial assets				
Securities		-	-	-
Financial receivables from Telecom Italia Media Broadcasting		(70,000,000)	(70,000,000)	-
Other financial receivables		(69,017)	(70,923)	1,906
Cash and cash equivalents		(73,212,491)	(55,386,908)	(17,825,583)
	(3)	(143,281,508)	(125,457,831)	(17,823,677)
		(143,281,508)	**(125,457,831)**	**(17,823,677)**
TOTAL CURRENT FINANCIAL ASSETS	**(D)**	**(143,281,508)**	**(125,457,831)**	**(17,823,677)**
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION No.DEM/6064293/2006	**(E=C+D)**	**36,073,143**	**134,757,983**	**(98,684,840)**
Non-current financial assets				
Securities other than investments		-	-	-
Financial receivables and other non-current financial assets		(221,292)	(233,865)	12,573
	(4)	(221,292)	(233,865)	12,573
TOTAL NON-CURRENT FINANCIAL ASSETS	**(F)**	(221,292)	(233,865)	12,573
NET FINANCIAL DEBT	**(G=E+F)**	**35,851,851**	**134,524,118**	**(98,672,267)**
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial debt	(1)	3,400	4,927	(1,527)
Current gross financial debt	(2)	179,351,251	260,210,887	(80,859,636)
		179,354,651	**260,215,814**	**(80,861,163)**
Total gross financial assets:				-
Non-current gross financial assets	(4)	(221,292)	(233,865)	12,573
Current gross financial assets	(3)	(143,281,508)	(125,457,831)	(17,823,677)
		(143,502,800)	**(125,691,696)**	**(17,811,104)**
		35,851,851	**134,524,118**	**(98,672,267)**

ANNEX B. Observations of the Board of Statutory Auditors pursuant to Article 2446 of the Italian Civil Code.

Shareholders,

The Board of Directors of Telecom Italia Media S.p.A. (hereinafter "TI Media") called the Shareholders' Meeting to examine the Statement of Financial Position of the Company pursuant to Article 2446 of the Italian Civil Code and pass the following resolutions.

In such regard, and especially to ensure compliance with the cited article, the Board of Statutory Auditors provides the observations set forth below, on the calling of the Shareholders' Meeting, the Company's statement of financial position, income statement, cash flow, operational continuity, and indebtedness, in accordance with the contents of the Directors' Explanatory Report required under Article 2446 of the Italian Civil Code (hereinafter also referred to as the "Report").

On the calling of the Shareholders' Meeting

The draft Financial Statements as of December 31, 2012 closed with a net loss of Euro 178,110,238.85 and equity of Euro 56,204,144.16 against subscribed and paid-in share capital of Euro 212,188,324.10, thus satisfying in the conditions set forth in Article 2446 of the Italian Civil Code, inasmuch as losses have drawn down share capital by more than one-third.

Having consequently acknowledged the aforesaid result, the Board of Directors immediately extended the Agenda of the Shareholders' Meeting previously called for April 5, 2013 to include items requiring resolutions to be passed in respect of matters falling within the scope of Article 2446 of the Italian Civil Code.

In such regard, on March 14, 2013, the Board of Directors examined and approved TI Media's Statement of Financial Position at March 8, 2013, together with the related income statement showing a loss of Euro 152,700,565 for the period January 1, 2013 – March 8, 2013, and equity of Euro 3,503,579, taking due account of Telecom Italia S.p.A.'s waiver of Euro 100,000,000 financial receivables due from TI Media.

At the same time, the Directors drew up and issued the specific Report required under Article 74, paragraph 1, of the Rules for Issuers (CONSOB Regulation No. 11971 of May 14, 2009, as further amended and extended) and Article 2446 of the Italian Civil Code.

On the Company's statement of financial position, income statement and cash flow

In the Report, the Directors illustrated to you:

- the Statement of Financial Position at March 8, 2013, and the Income Statement for the period from January 1, 2013 to March 8, 2013, duly accompanied by explanatory notes,
- the Net Financial Position as of March 8, 2013.

The above mentioned documents show:

- a loss for the year of Euro 152,700,565;
- a carrying value of equity, including the previously cited loss, amounting to Euro 3,503,579 at the end of the reporting period;
- a net financial position negative for Euro 35,851,851.

In this regard, it should be noted that the carrying value of equity as of March 8, 2013 resulting from this Report was as follows:

• Share capital	Euro	212,188,324
• Share premium account	Euro	22,026,207
• Other reserves and retained earnings (accumulated losses)	Euro	(78,010,387)
• Profit (loss) for the year	Euro	(152,700,565)
Equity	Euro	3,503,579

In conclusion, the loss as of March 8, 2013 was Euro 230,710,952; net of reserves, the loss amounted to Euro 208,684,745, against a share capital of Euro 212,188,324.

Given that residual losses exceeded one third of its share capital, the Company stands in a situation falling within the scope of Article 2446 of the Italian Civil Code. A detailed account of the causes underlying the trends of the main economic results that led to the loss for the period is provided in the Directors' Report, which can be directly referred to for further information.

The Board of Statutory Auditors has no comments whatsoever to put forward in respect of the aforesaid Statement of Financial Position, Income Statement and Net Cash Flow as of March 8, 2013, the information contained therein, and/or the related Explanatory Notes.

On operational continuity

In their Report, the Directors set forth the reasons for which the Financial Statements have been prepared on the assumption that the Company is a going concern, pointing out, moreover, initiatives to be implemented to restore financial stability whilst maintaining operational continuity. Furthermore, the Directors reported that on March 8, 2013 Telecom Italia S.p.A. issued TI Media a letter of support, complete with a commitment to underwrite and sustain TI Media's recapitalization, with a view to ensuring that the latter company discharges all its obligations and continues business operations on a ongoing basis, at least for the two-year period covering the financial years 2012 and 2013.

The Board of Statutory Auditors has no comments to put forward in respect of the above.

On the motion raised by the Directors

The Directors have raised a motion inviting you to postpone the implementation of appropriate action, within the limits contemplated in Article 2446 of the Italian Civil Code.

The Board of Statutory Auditors has no comments to proffer in such regard.

Directors' Explanatory Report

The Directors' Explanatory Report was drawn up pursuant to Article 2446 of the Italian Civil Code and in accordance with Annex 3A, Table 5, of the CONSOB Regulation No. 11971 of May 14, 1999, as further amended and extended. The said Report provides an exhaustive account of the causes underlying the losses and presents a motion on the action to be implemented in such respect.

Rome - March 15, 2013

THE BOARD OF STATUTORY AUDITORS

Salvatore Spiniello

Alberto De Nigro

Michela Zeme

3. REMUNERATION REPORT; RELATED RESOLUTIONS

Shareholders,

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 5, 2013. 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 2013;
- 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 2012.

You are called upon to pass a resolution on Section 1 of the Remuneration 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

Proposal

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.

4. RESOLUTIONS SUBSEQUENT TO THE RESIGNATION OF FIVE DIRECTORS

Shareholders,

In 2012, Directors Alessandro Ovi, Mario Zanone Poma, Andrea Mangoni and Giovanni Stella tendered their resignations. On February 27, 2013, Director Mauro Giusto resigned as well.

On its meeting of October 5, 2012, the Board of Directors resolved to co-opt Director Piergiorgio Peluso.

No action was taken to replace the other four Directors.

Given that the appointment of replacements of outgoing members of a Board of Directors that continues to remain in office is not subject to the list voting procedure which, under the Bylaws, applies exclusively in the event of the appointment of a new governing body, the Board of Directors has refrained from proceeding with the replacements in question, preferring, instead, to invite the Shareholders to take action on the matter, including by reducing the number of members comprising the current Board of Directors, bearing in mind, however, the need to ensure that a majority of the directors meet the independence requirements imposed under Article 37 of the Market Regulations. It should be recalled that, pursuant to Article 13 of Bylaws, the Company shall be governed by a Board of Directors comprising between seven (7) and a maximum of twenty-one (21) Directors. Lastly, it must be borne in mind, with regard to the above, that Board membership is not subject to provisions, whether imposed under law or the Bylaws requiring compliance with a “women’s quota”, given that the term of appointment of the current Board of Directors, which took office before the said provisions entered into force, has not yet expired, and therefore, no new Board is to be appointed at present.

In respect of the foregoing, the Board of Directors

invites the Shareholders’ Meeting

to pass all the appropriate resolutions subsequent to the resignation of the five directors, inviting all Shareholders to advance relevant proposals.

5. UPDATE ON ECONOMIC CONDITIONS GRANTED TO THE INDEPENDENT AUDITORS FOR THE 2012-2018 PERIOD

Shareholders,

On April 8, 2010, the Shareholders' Meeting appointed the PricewaterhouseCoopers S.p.A. the Company's independent auditors for the each year of the nine-year period 2010-2018, and accordingly tasked with:

- auditing the Company's Separate and Consolidated Financial Statements;
- checking that the Company's books are properly kept and its business dealings correctly recorded and reflected in its accounts;
- checking that the directors' reports accompanying the Company's Separate and Consolidated Financial Statements, respectively, are consistent;
- limited auditing of consolidated Condensed Half-year Financial Statements;
- audit aimed at certifying the Company's Tax Returns (Single Form and Simplified and Ordinary 770 Forms) for the financial years 2010-2018.

On October 1, 2012, the Company received a request for the revision of the fee structure pertaining to the appointment, given that the conditions contemplated under applicable regulations, as warranting such a revision have been met, and that, moreover, the revision in question had already been scheduled under the fee structure initially submitted by the independent auditors.

Since the matter falls within the remit of the Board of Statutory Auditors, the letter was forwarded to the said Board which — having examined the issue in depth with the assistance of the relevant corporate functions — drafted the following proposal that the Board of Directors

invites the Shareholders' Meeting

to approve.

PROPOSAL, DULY SUPPORTED BY A STATEMENT OF GROUNDS, SUBMITTED BY THE BOARD OF STATUTORY AUDITORS FOR UPDATING THE FEES APPLICABLE TO THE APPOINTMENT CONFERRED ON PRICEWATERHOUSECOOPERS S.p.A BY SHAREHOLDERS' RESOLUTION OF APRIL 8, 2010

Shareholders,

By resolution of April 8, 2010, the Shareholders' Meeting of your Company appointed PricewaterhouseCoopers S.p.A. (hereinafter "PWC") to undertake the statutory auditing of the accounts of Telecom Italia Media S.p.A. and the Telecom Italia Media Group for the financial years from 2010 to 2018.

The fee structure for the related auditing tasks was broken down as follows:

Appointment	**Hours**	**Fees (Euro)**
Auditing of Financial Statements of Telecom Italia Media S.p.A.	1,163	69,400
Auditing of Consolidated Financial Statements of the Telecom Italia Media Group	127	7,600
Limited auditing of Consolidated Condensed Half-year Financial Statements of the Telecom Italia Media Group	127	7,600
TOTAL	**1,417**	**84,600**

In 2012, Telecom Italia Media S.p.A. established the company La7 S.r.l. transferring the Television business unit to the newly incorporated company on September 1, 2012.

On October 24, 2012, the Shareholders' Meeting of La7 S.r.l. appointed PWC to undertake the statutory auditing of the said company's accounts, for each of the financial years included in the period 2012-2018, for an annual fee of Euro 80,300.

Following that transaction, by letter dated October 1, 2012, PWC extended a proposal to Telecom Italia Media S.p.A., to revise the fee structure applicable to the appointment conferred through the aforesaid Shareholders' Resolution of April 8, 2010, entailing a reduction in the fees payable for the auditing of Telecom Italia Media S.p.A.'s annual financial statements, from Euro 69,400 to Euro 12,000, in light of a drop in the number of billable hours from 1,163 to 200.

In light of the foregoing,

WHEREAS

- the aforesaid amendment to the fee structure pertains solely to fees for the auditing of Telecom Italia Media S.p.A.'s annual financial statements;
- the fee structure for each of the financial years from 2012 to 2018, indicated therein, is as follows:

Years 2012-2018		**No. hours**	**Fees**
Auditing of Financial Statements of Telecom Italia Media S.p.A.		200	Euro 12,000

The fees include the auditing tasks specified in Article 14, paragraph 1, subparagraph (b), of Legislative Decree No. 39/2010 and the other tasks to be discharged by the independent auditors in respect of the Single and 770 Forms, under applicable tax regulations;

- all the other contractual provisions set forth in the aforesaid fee structure submitted by the independent auditors in their proposal of February 16, 2010 remain unchanged;

HAVING FOUND that

- the procedures for undertaking auditing tasks as illustrated in the Proposal, taking due account of the estimated hours to be dedicated to such purpose, as well as the related fee structure, are appropriate considering the volume and complexity of the services covered by the appointment;
- PWC meets the independence requirements imposed under applicable regulations (so far, as per available information, no situations of incompatibility have emerged);
- PWC's organizational infrastructure and technical and professional capabilities are adequate to cover the volume and complexity of the services covered under the appointment;

the Board of Statutory Auditors MOVES the Shareholders' Meeting

- to approve the amendment to the fee structure outlined in the proposal of February 16, 2010, with regard exclusively to the fees for the auditing of Telecom Italia Media S.p.A.'s annual Financial Statements for each of the financial years included in the period 2012-2018;
- to approve the related fees of the independent auditors at Euro 12,000.00 for each of the said financial years.

All of the above as per the related aforesaid Proposal put forward by the auditing firm PriceWaterhouseCoopers S.p.A. on October 1, 2012.

Rome - February 5, 2013

THE BOARD OF STATUTORY AUDITORS

Salvatore Spiniello, Chairman

Alberto De Nigro

Michela Zeme

6. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS; RELATED AND ENSUING RESOLUTIONS

Shareholders,

The mandate conferred to the Board of Statutory Auditors on April 8, 2010 by the Shareholders' Meeting will expire at the moment of approval of the Financial Statements for the year ended December 31, 2012.

In order to appoint the new Board of Statutory Auditors, the Shareholders shall:

- appoint three Acting Auditors and two Alternate Auditors (through a list voting system);
- appoint a Chairman of the Board of Statutory Auditors choosing from the Auditors of the minority list; and
- determine the annual amount of the remuneration for their office.

Pursuant to the Bylaws, a new Board of Statutory Auditors is to be appointed on the basis of lists filed with the Company's registered offices at least twenty-five days prior to the scheduled date of the Shareholders' Meeting by a number of Shareholders bearing voting rights that jointly hold at least 0.5% of the Company's ordinary stock.

The Board of Directors therefore calls on the Shareholders to make proposals on the subjects stated above and present candidate lists in the manner and within the terms and procedures established by applicable laws. With regard to the remuneration of the members of the Board of Statutory Auditors, the latter reports that, as per its findings, it would be appropriate to avail of the opportunity provided under Law No. 183 of November 12, 2011 to appoint the Board of Statutory Auditors to discharge the tasks of the Supervisory Board within the meaning of Article 6 of Legislative Decree No. 231 of June 8, 2001. Those tasks ought therefore to be entrusted to the Board of Statutory Auditors, to be appointed by the Shareholders' Meeting scheduled for April 5, 2013.

It must be pointed out that the new Board of Statutory Auditors to be appointed by the Shareholders' Meeting scheduled for April 5, 2013 must meet the requirements, aimed at promoting greater gender equality, imposed under Article 148 of Legislative Decree No. 58 of February 24, 1998; in such regard, you are invited to refer to the provisions of Article 22 of the Bylaws.

In respect of the foregoing, the Board of Directors

invites the Shareholders' Meeting

to pass appropriate resolutions in order to appoint the Board of Statutory Auditors.

USEFUL INFORMATION

Free copies of this report may be requested

by writing to the following address:

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