TELECOM ITALIA MEDIA GROUP
ANNUAL FINANCIAL REPORT
AT DECEMBER 31, 2013

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Disclaimer

Telecom Italia Media Group's operating and financial results for 2013 and the previous year 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 2014" 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

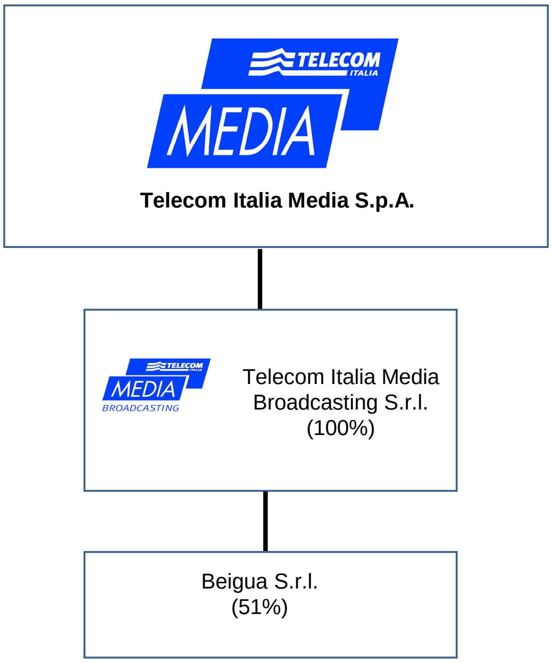
Board of Directors (*)	Chairman	Severino Salvemini *(E)* (1)
	Directors	Irene Bignardi *(I)* Adriano De Maio *(I) (L)* Candido Fois Lorenzo Gorgoni *(I)* Piergiorgio Peluso (**) Davide Rampello *(I)* Sergio Ristuccia *(I)* Fabio Alberto Roversi Monaco *(I)*
	Secretary to the Board of Directors	Rocco Ramondino *(2)*
Nomination and Remuneration Committee	Chairman	Sergio Ristuccia Fabio Roversi Monaco Lorenzo Gorgoni
Audit and Risk Committee	Chairman	Adriano De Maio Lorenzo Gorgoni Sergio Ristuccia
General Manager		Marco Ghigliani *(3)*
Board of Statutory Auditors (**)	Chairwoman	Rosalba Casiraghi
	Acting Auditors	Salvatore Spiniello Michela Zeme
	Alternate Auditors	Giuseppina Fusco Carlo Delladio
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) Appointed by the Board of Directors on May 6, 2013.
(3) Marco Ghigliani tendered his resignation from the position of General manager and left the Company on May 13, 2013.
(*) Appointed by the Shareholders' Meeting on April 8, 2011. Pursuant to the Shareholders' resolution of April 5, 2013, the number of Directors has been reduced from thirteen to nine.
(**) Appointed by the Shareholders' Meeting held on April 5, 2013.

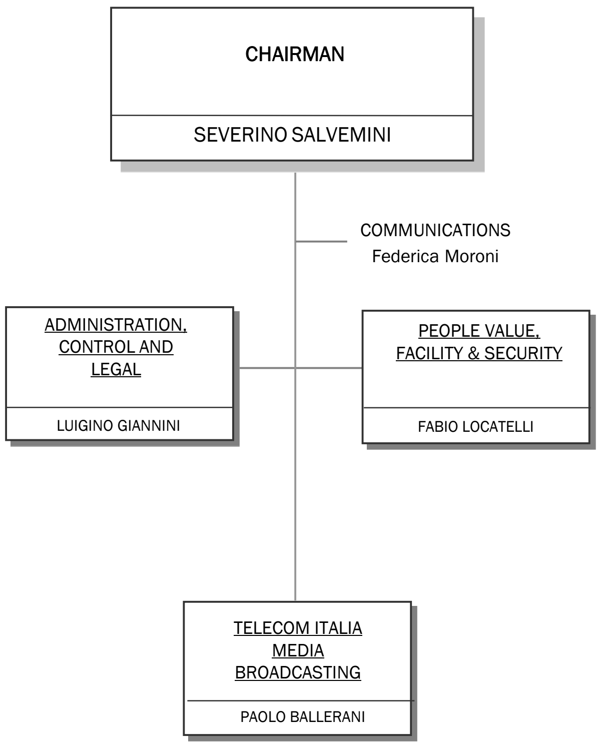
CORPORATE STRUCTURE OF THE GROUP

(Updated December 31, 2013)

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, 2013)



INFORMATION FOR SHAREHOLDERS

SHAREHOLDERS

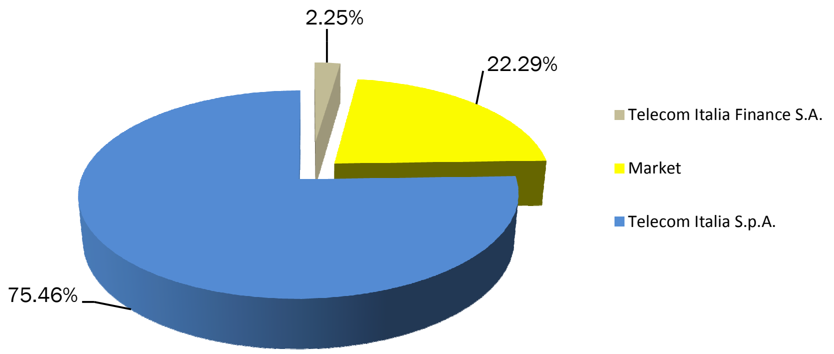
Telecom Italia Media S.p.A.'s majority shareholder is Telecom Italia S.p.A., which held 75.46% of the Company's share capital at December 31, 2013. Telecom Italia Finance, a company belonging to the Telecom Italia Group, owns 2.25% of Telecom Italia Media S.p.A.'s shares, while the remaining 22.29% is 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, 2013.

	No. of ordinary shares at December 31, 2013	% 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, 2013



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.

	31-Dec-13
Share capital (euro)	212,188,324.10
Ordinary shares (No.)	1,446,317,896
Savings shares (No.)	5,496,951
Market capitalization (on average market price for December 2013; in millions of Euro)	187.8

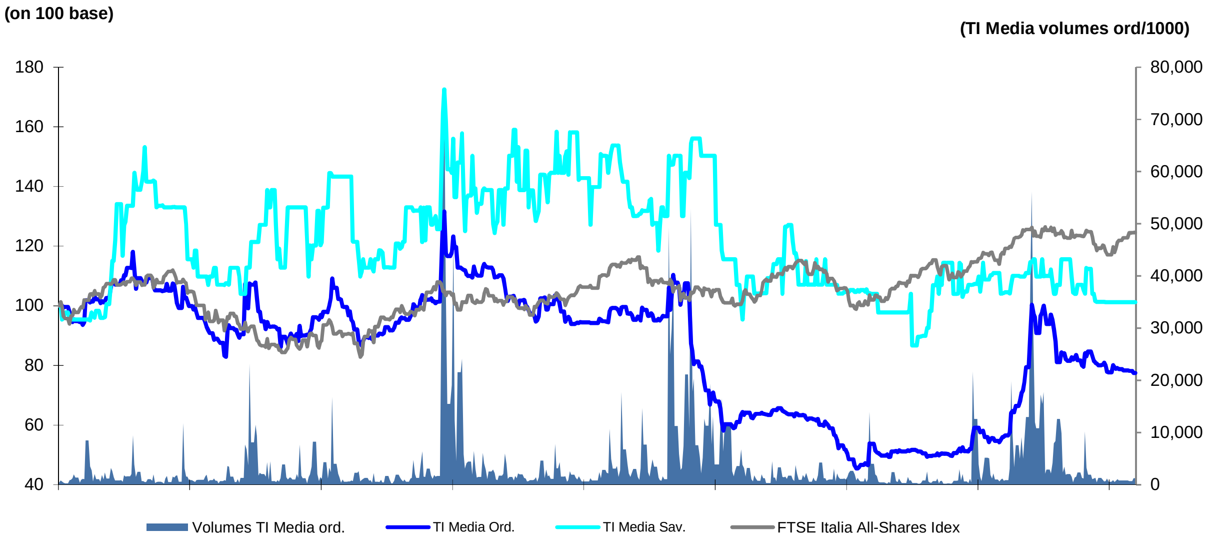
In 2013, ordinary shares lost approximately 18% of their value, whereas savings shares depreciated by about 28%, mainly due to the stock's speculative trend associated with the signing of the agreement for the sale of 100% of LA7 S.r.l., excluding 51% of MTV Italia S.r.l., to Cairo Communication Group, and the sale of MTV Italia S.r.l. to Viacom International Media Networks (VIMN).
In the reporting period, the maximum price of the ordinary shares was Euro 0.180 (on February 21) and the minimum price was Euro 0.074 (on June 25).

		2012	2013
High for the January-December period (euro)	Ordinary Shares	0.2288	0.1796
	Savings Shares	0.2985	0.2700
Low for the January-December period (euro)	Ordinary Shares	0.1335	0.0740
	Savings Shares	0.1645	0.1500
Average price in December (euro)	Ordinary Shares	0.1564	0.1292
	Savings Shares	0.2535	0.1760
Price /Book Value (Group equity at December 31)		(7.01)	(3.18)
Net earnings/ (loss) per share (euro) at December 31		(0.1711)	(0.0948)
Group equity per share (euro) at December 31		(0.0223)	(0.0407)

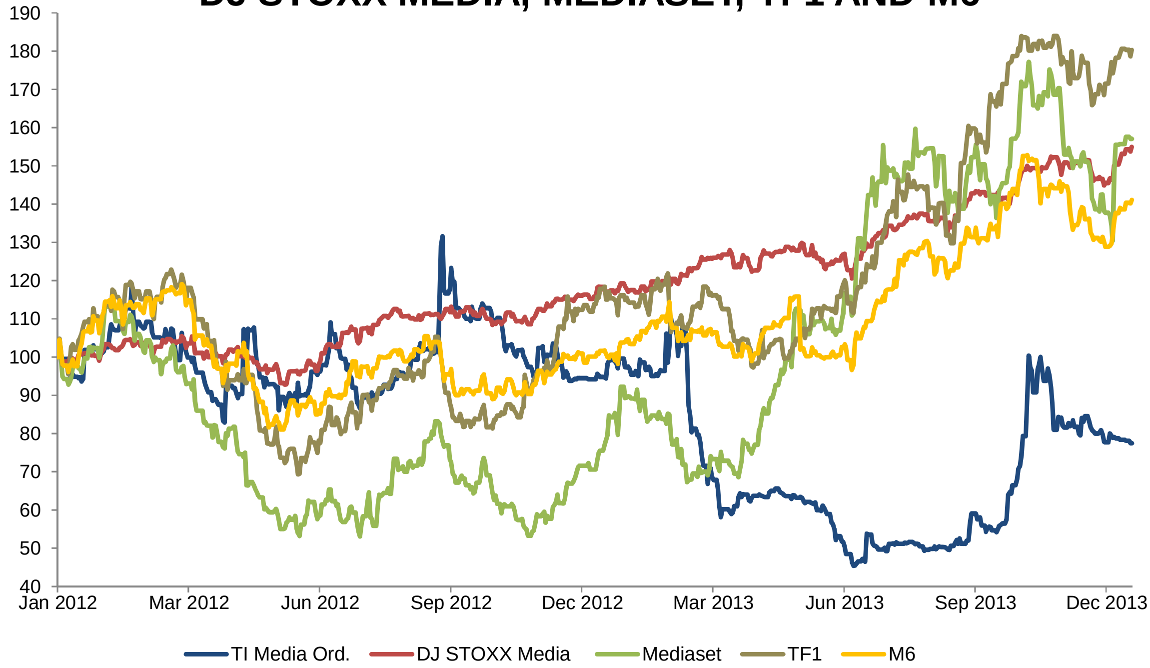
TI Media's average daily trading volume during the reporting period was approximately 4.4 million shares, with a maximum of 56.1 million shares traded on October 22 and a minimum of 0.2 million shares traded on August 7.

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 Telecom Italia Media: ordinary and savings vs FTSE ITALIA ALL-SHARES Index



RELATIVE PERFORMANCE OF TI MEDIA STOCK VS DJ STOXX MEDIA, MEDIASET, TF1 AND M6



SALE OF LA7 S.r.l.

On April 30, 2013, after receiving all authorizations required by applicable laws and regulations, Telecom Italia Media finalized the sale of La7 S.r.l. to Cairo Communication Group, under the terms and conditions Telecom Italia Media and Cairo Communication had previously disclosed to the market on March 4 and 5, 2013, respectively. Under the agreement, Telecom Italia Media S.p.A. received a consideration of Euro 1 million for the sale.
Before transferring the shareholding, La7 S.r.l. was recapitalized for an amount that allowed the Company to achieve, at the date of the finalization, a positive net financial position of no less than Euro 88 million. Such recapitalization also helped the company to achieve the contractually agreed equity of Euro 138 million.
Based on these agreements, the overall effect of the disposal on the Income Statement, including La7 S.r.l.'s. realized losses for the period up to the finalization, was negative for a total amount of Euro 125.1 million.
As part of the transaction, Telecom Italia S.p.A. waived its financial receivables from Telecom Italia Media S.p.A., for a total amount of Euro 100 million.
The above-mentioned disposal is part of the corporate restructuring process of the Telecom Italia Media Group launched in 2012, whose most significant authorization phases may be summarized as follows:

- on February 18, 2013, the Board of Directors of Telecom Italia Media S.p.A. acknowledged the resolutions 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 interest 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 interest in La7 S.r.l., with the exception of the 51% interest in MTV Italia S.r.l.

On July 22, 2013, Telecom Italia Media S.p.A. received from Cairo Due S.r.l. the Accounting Situation at Execution, as provided for in paragraph 6.1.2 of the Agreement for the sale of the stake representing the whole capital of LA7 S.r.l.
Following the sale of LA7 S.r.l., Cairo Communication S.p.A. ("Cairo") informed TI Media S.p.A., by letter dated July 22, 2013, of the accounting situation at the date of execution (April 30, 2013), including the statement of financial position and income statement of LA7 S.r.l. ("Accounting Situation at Execution"), in accordance with the Agreement for the sale of the entirety of the capital of LA7 S.r.l. of March 6, 2013. Thereafter, TI Media S.p.A. submitted a request to Cairo to review the accounting documentation of reference in relation to the Accounting Situation at Execution. After reviewing the documentation provided by Cairo, by letter dated September 30, 2013, TI Media S.p.A. formulated its counterarguments, specifying the reasons for its disagreement with Cairo's determinations and indicating the adjustments to be applied. The verification procedure for the Accounting Situation at Execution was concluded on October 25, 2013, through a transaction. As a result of this procedure, considering the greater equity observed for LA7 at that date, compared to the amount specified in the agreement, the Cairo Communication Group paid Telecom Italia Media S.p.A. the amount of Euro 4.8 million by way of price adjustment.
The transaction had an overall impact on the Group's income statement results of Euro -125.2 million, including the realized losses for the reporting year, and an impact of Euro -148.1 million on Telecom Italia Media S.p.A.'s income statement results.

SALE OF MTV ITALIA S.r.l.

The sale of 51% of MTV Italia S.r.l. to Viacom for a consideration of Euro 13.4 million was finalized on September 12, 2013. This amount also took account of the adjustment applied on the basis of the change in working capital.
In the context of the transaction, Telecom Italia Media S.p.A. waived financial receivables claimed from MTV Italia at the date of signing of the agreement, in the amount of Euro 9.3 million.
Finally, the parties agreed upon the multi-year renewal of the agreement governing the provision of broadcasting capacity and services by Telecom Italia Media Broadcasting S.r.l. to MTV Italia S.r.l.
The transaction had an overall impact on the Group's income statement results of Euro -8.4 million, including realized losses for the reporting year, and an impact of Euro -7.5 million on Telecom Italia Media S.p.A.'s income statement results.

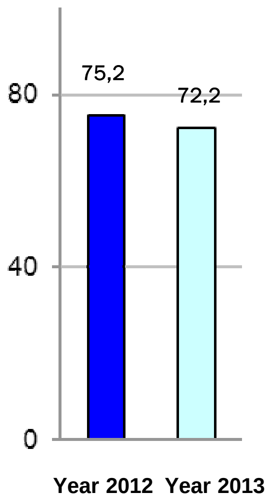
HIGHLIGHTS

GROUP OPERATING AND FINANCIAL HIGHLIGHTS

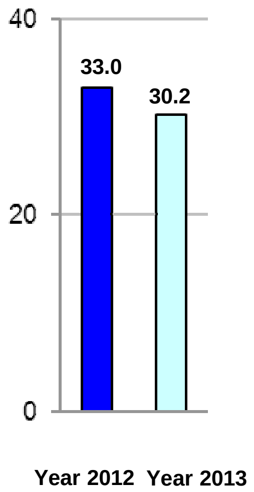
FOREWORD

Following the disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Italia S.r.l., which was completed on September 12, 2013, earnings results have been classified under the item "Profit (loss) from discontinued operations/assets held for sale", in accordance with IFRS 5. In addition, in the interest of greater clarity in the representation of the Group's earnings performance, the historical income statement figures provided for the purposes of comparison with financial year 2013 have been restated taking account of the classification of the profit or loss generated by those assets as discontinued operations.

Revenues
(in millions of euro)



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



OPERATING AND FINANCIAL HIGHLIGHTS

(in millions of euro)		Year 2013	Year 2012 (Restated) (*)
Revenues		72.2	75.2
EBITDA [(1)]		30.2	33.0
	% on revenues	*41.8*	*43.9*
Operating income (loss)		1.8	(64.0)
	% on revenues	*2.5*	*(85.1)*
Comparable operating income [(2)]		1.8	6.0
	% on revenues	*0.0*	*0.1*
Result before tax from continuing operations		(4.0)	(69.8)
Net effect of discontinued operations/assets held for sale		(133.6)	(177.3)
Profit/(Loss) for the year attributable to equity holders of the Parent Company		(132.0)	(240.9)
Investments:			
- Industrial		6.5	17.7
- Financial		9.5	-

BALANCE SHEET HIGHLIGHTS

	12/31/2013	12/31/2012
Invested capital	200.9	227.7
Total equity	(59.0)	(32.4)
- Parent Company	(59.1)	(37.0)
- Minority Interests	0.1	4.6
Net financial position	259.9	260.1

WORKFORCE

	12/31/2013	12/31/2012
Workforce at year-end [(3)]	84	87
	Year 2013	12/31/2012
Average workforce [(4)]	83.7	88.1
Revenues/Workforce (Group average) in thousands of Euro	862.6	853.6

(*) Assets of Telecom Italia Media Broadcasting S.r.l. and Telecom Italia Media S.p.A. are included.

[(1)] Operating income before depreciation and amortization, gains/(losses), and writeups/(writedowns) of non-current assets.
[(2)] This figure does not include Euro 70.0 million for goodwill writedown in 2012.
[(3)] The amount does not include 1 temporary staff at December 31, 2012.

[(4)] This figure does not include 0.7 temporary staff at December 31, 2013 and 1.0 temporary staff at December 31, 2012.

INFORMATION BY BUSINESS UNIT

As a result of the disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Group, which was completed on September 12, 2013, the relevant Business Units have been classified under Discontinued Operations. Moreover, as a result of the foregoing, the methods of representation of the income statement and equity results has been reviewed isolating the Network Operator BU, in line with the previous financial year.

The **Network Operator** (TIMB) business unit includes the operations of Telecom Italia Media Broadcasting relating to managing the Digital Multiplexes operated by the Group, as well as the offering of accessory services and broadcasting platforms for third parties.

(in millions of euro)		Network Operator	Other activities [1]	Adjustments	Group Total
Revenues	Year 2013	72.2	0.7	(0.7)	72.2
	Year 2012	75.1	0.8	(0.7)	75.2
	Change	(2.9)	(0.1)	(0.0)	(3.0)
EBITDA	Year 2013	36.0	(5.7)	(0.1)	30.2
	Year 2012	43.2	(10.2)		33.0
	Change	(7.2)	4.5	(0.1)	(2.8)
EBIT	Year 2013	7.6	(5.8)		1.8
	Year 2013 (comparable) [2]	7.6	(5.8)		1.8
	Year 2012	(53.8)	(10.2)		(64.0)
	Year 2012 (comparable) [2]	16.2	(10.2)		6.0
	Change	61.4	4.4		65.8
	Comparable changes	(8.6)	4.4		(4.2)
Industrial investments	Year 2013	6.4	0.1		6.5
	Year 2012	17.7			17.7
	Change	(11.3)	0.1		(11.2)
(Headcount)					
Workforce	December 31, 2013	60	24		84
	December 31, 2012	47	40		87
	Change	13	(16)		(3)

[1] It includes Telecom Italia Media S.p.A.'s activities.

[2] This figure does not include Euro 70.0 million for goodwill writedown in 2012.

GROUP OPERATING AND FINANCIAL PERFORMANCE FOR 2013

The Group's overall consolidated revenues for 2013 amounted to Euro 72.2 million (down by Euro 3.0 million compared to 2012) reflecting a similar reduction in the turnover of the Network Operator (-3.9%). This downtrend was essentially attributable to the discontinuation of operations regarding LA7 and MTV analog broadcasting networks after the completion of the Italian switch-off process in 2012.

In 2013, EBITDA amounted to Euro 30.2 million, decreasing by Euro 2.8 million compared to Euro 33.0 million in 2012. The decline was mainly due to the aforementioned reduction in sales and the increase in Network Operator's other operating expenses, which were only partially offset by a decrease in Telecom Italia Media S.p.A.'s operating expenses.

As a consequence of these results, EBIT for the year was Euro 1.8 million (Euro -64.0 million in 2012). In comparable terms — i.e., excluding goodwill impairment for 2012 of Euro 70.0 million — EBIT for the year decreased by Euro 4.2 million compared to 2012, due to higher depreciation and amortization of Euro 1.3 million, entirely attributable to the Network Operator.

Net Result attributable to the Parent Company amounted to Euro -132.0 million (Euro -240.9 million for 2012). In 2013, it included an overall amount of Discontinued Operations, related to the disposal of LA7 S.r.l. and MTV Group, of Euro -133.6 million (of which, Euro -125.2 million relating to the disposal of LA7 and Euro -8.4 million to the disposal of MTV Italia, both inclusive of the results for the respective periods of 2013, i.e., four months for LA7 and eight months for MTV Group). The 2012 figure included an overall value of Discontinued Operations of Euro -177.3 million related to the results of LA7 S.r.l. (Euro -138.9 million) and MTV Group (Euro -38.4 million).

Investments for 2013 amounted to Euro 6.5 million, down by Euro 11.2 million compared to the previous year and referred chiefly to the Network Operator's investments for the implementation of the Transport and Backup Network, in addition to the implementation of the new TV channel broadcasting system (Playout); the reduction compared to 2012 was mainly attributable to the fact that in the previous year this amount included the investments made for the digitalization of the switch-off areas — a process completed in July last year.

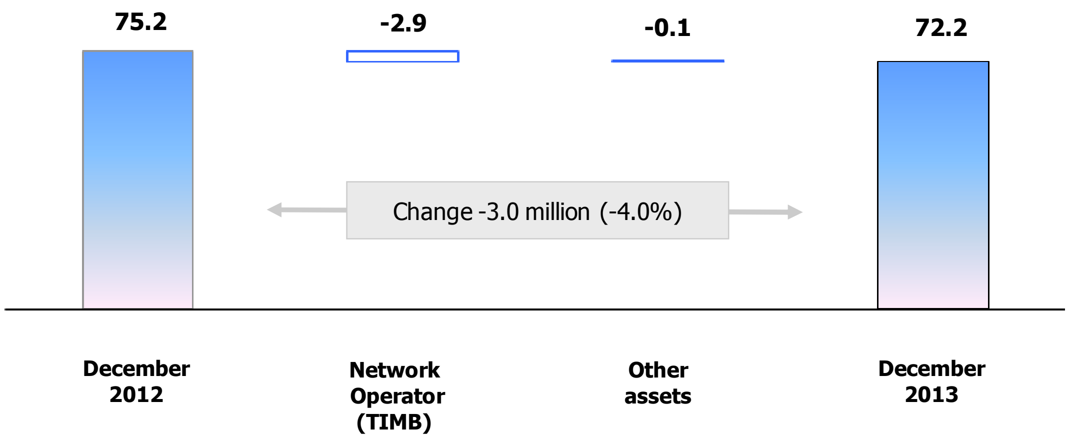
Net financial debt at December 31, 2013 was Euro 259.9 million compared to Euro 260.1 million at the end of 2012. The increase was mainly attributable to net cash flows related to the disposal of LA7 (Euro 106.4 million), and the disposal of MTV Italia (Euro -6.5 million), only partly offset by Telecom Italia's waiver of the Euro 110.0 million financial receivable, of which Euro 100.0 million in March 2013, as part of the sale of LA7 S.r.l., and Euro 10.0 million in October 2013. Moreover, it includes industrial investment requirements for the year amounting to Euro 6.5 million, the result of operating activities (Betide and Δ Working Capital) amounting to Euro -20.3 million and other net outlays totaling Euro 23.7 million (including Euro 9.5 million for the purchase of the investment in MTV Italia from LA7 in April 2013, Euro 5.8 million for net finance expense for the year, and Euro 8.5 million for taxes paid by Telecom Italia Media Broadcasting).

In further detail, the performance for 2013 was characterized by the following results:

Group consolidated revenues amounted to Euro 72.2 million in 2013, with a decrease of Euro 3.0 million (-4.0%) compared to Euro 75.2 million for the previous year. The decline was primarily attributable to the Network Operator and related to the discontinuation of operations of LA7 and MTV analog broadcasting networks after the completion of Italian switch-off process in 2012.

Breakdown of revenue performance

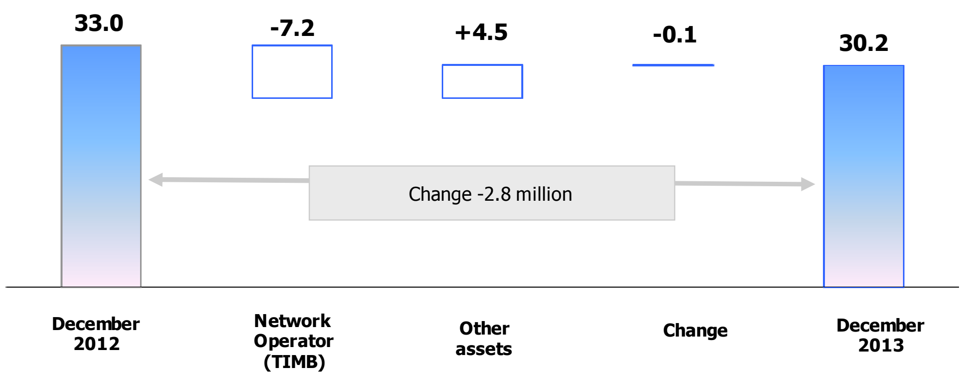
(In millions of Euro)



EBITDA amounted to Euro 30.2 million in 2013, down by Euro 2.8 million compared to the previous year. In detail, EBITDA reported by the Network Operator amounted to Euro 36.0 million, a Euro 7.2 million decrease compared to 2012 (Euro 43.2 million). The reduction was mainly driven by the aforementioned decrease in sales and the Euro 5.5 million overall increase in Telecom Italia Media Broadcasting's operating expenses, chiefly related to some allocations to provisions. It also included lower net expenses of Telecom Italia Media S.p.A. for Euro 4.5 million.

Breakdown of Operating Result Before Depreciation and Amortization

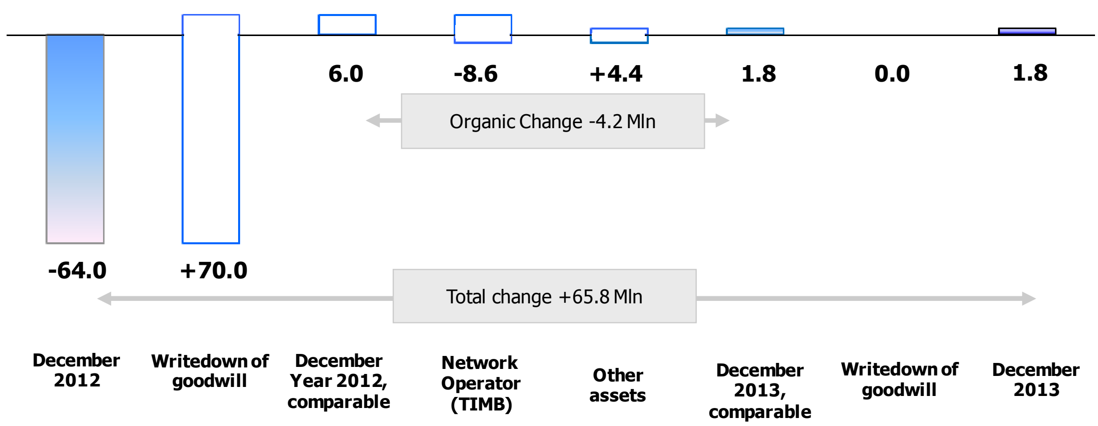
(In millions of Euro)



Operating income (loss) for 2013, after depreciation and amortization, was Euro 1.8 million, compared to Euro -64.0 million for 2012; in comparable terms, thus excluding goodwill impairment for 2012, which amounted to Euro 70.0 million, operating result for 2013 decreased by Euro 4.2 million compared to 2012. This trend substantially mirrors the change in EBITDA, as previously described, and a rise in the Network Operator's depreciation and amortization by Euro 1.3 million.

Breakdown of Operating Profit (Loss)

(In millions of Euro)



The *loss from continuing operations* was Euro -4.0 million compared to Euro -71.2 million in 2012. Total net financial expenses for 2013 amounted to Euro 5.8 million, essentially in line with the figure for 2012 (Euro 5.7 million).

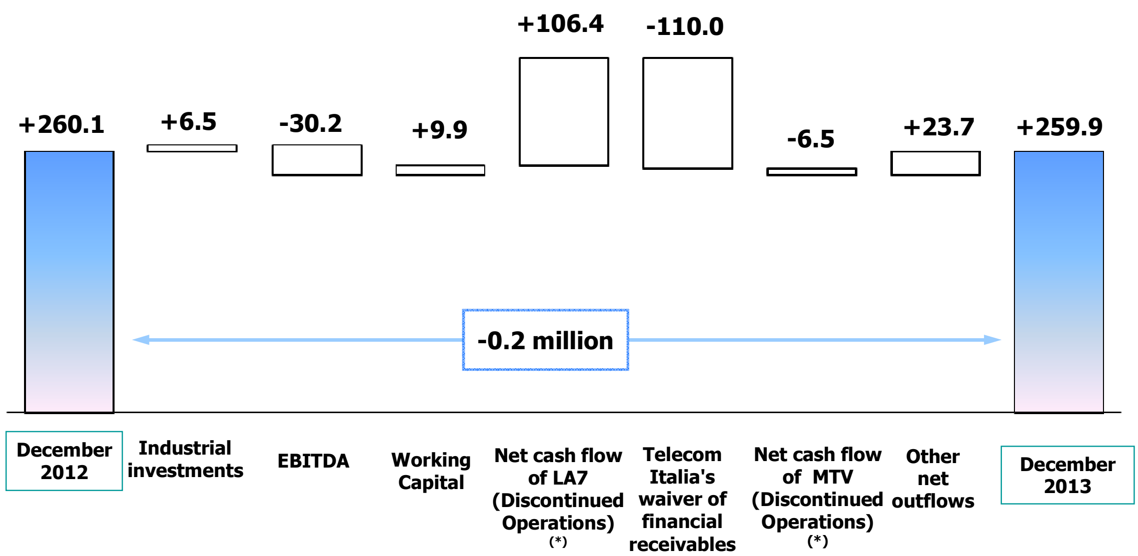
Taxes rose by Euro 1.4 million compared to the previous year, mainly due to the effect of lower taxable income realized by the Network Operator in 2013.

Profit (loss) from discontinued operations/non-current assets held for sale was Euro -133.6 million and included an overall economic effect comprised also of realized losses for the respective periods, arising from the disposal of LA7 S.r.l. for Euro -125.2 million and the disposal of MTV Group for Euro -8.4 million. The value for 2012 was Euro -177.3 million and regarded the results for the year of both LA7 S.r.l. (Euro -138.9 million) and MTV Group (Euro -38.4 million), as described in the section on page 44.

Net result attributable to equity holders of the Parent Company was Euro -132.0 million for 2013 compared to Euro -240.9 million for 2012.

Net financial debt at December 31, 2013 was Euro 259.9 million compared to Euro 260.1 million at the end of 2012. The improvement was mainly attributable to net cash flows related to the disposal of LA7 (Euro +106.4 million), and the disposal of MTV Italia (Euro -6.5 million), offset by Telecom Italia's waiver of the Euro 110.0 million financial receivable, of which Euro 100.0 million in March 2013, as part of the sale of LA7 S.r.l., and Euro 10.0 million in October 2013. Moreover, it includes *industrial investments* requirements for the year amounting to Euro 6.5 million (almost fully attributable to the Network Operator for the implementation of the Transport and Backup Network, in addition to the implementation of the new TV channel broadcasting system "Playout"), and the result of operating activities for the year (EBITDA Euro -30.2 million and Δ Working Capital Euro +9.9 million). Other net outlays totaling Euro 23.7 million mainly included the Euro 9.5 million expense for the acquisition of the investment in MTV Italia from LA7, finalized in April 2013, as well as net finance expense for the year (Euro 5.8 million) and taxes paid by Telecom Italia Media Broadcasting (Euro 8.5 million).

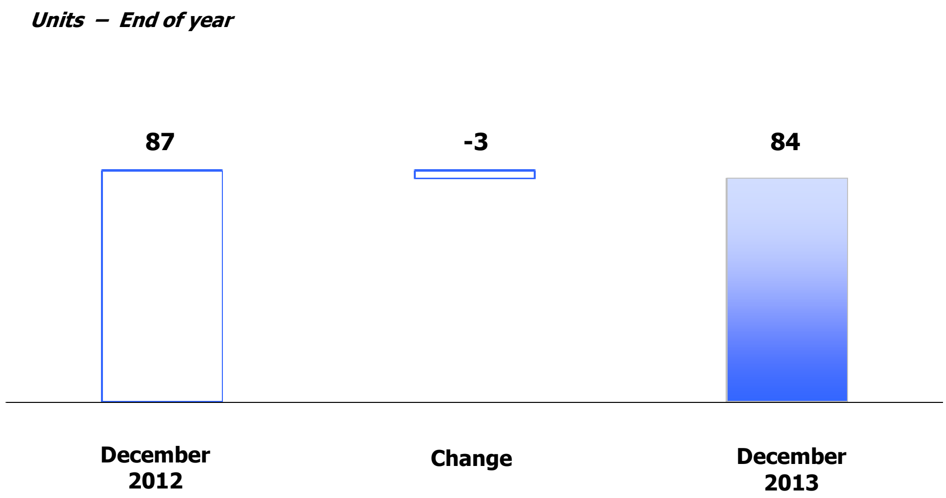
Breakdown of net financial position



(*) Data account for the effects of the disposal, net of the financial position at December 31, 2012.

The ***workforce*** at December 31, 2013 numbered 84, 3 less than at December 31, 2012. This performance included an increase of 13 staff in Telecom Italia Media Broadcasting S.r.l., consisting of 2 staff coming from LA7 S.r.l., as part of the disposal transactions regarding that company, to fill the internal role of Head of the Prevention and Protection Service and in relation to the start-up of the new Playout unit; 1 employee hired under a fixed-term contract, in compliance with Law No. 68/99, to strengthen Testing Lab activities; 5 staff from Telecom Italia Media's Purchasing function, which according to the TI Media Group's new organizational structure has been allocated to the company TIMB and included within the function Operational Planning & Business Support, renamed Purchasing & Business Support; 2 staff coming from Telecom Italia Media's Regulatory Affairs function, inasmuch as that function was reallocated to the company TIMB as a result of the aforementioned reorganization of the Group; 2 staff coming from People Value Facility and Security function to support the operating activity of the Network, Operations and IT function; 1 employee from the TI Media workforce to serve as assistant to the Company's Managing Director.
Concurrently, Telecom Italia Media S.p.A. reported a decrease of 16 staff as the result of: the transfer of 4 staff to other Telecom Italia Group companies; the severance of the employment of 2 employees, and the transfer of 10 employees to Telecom Italia Media Broadcasting, in accordance with the company's new organizational structure.

Workforce



- Network Operator

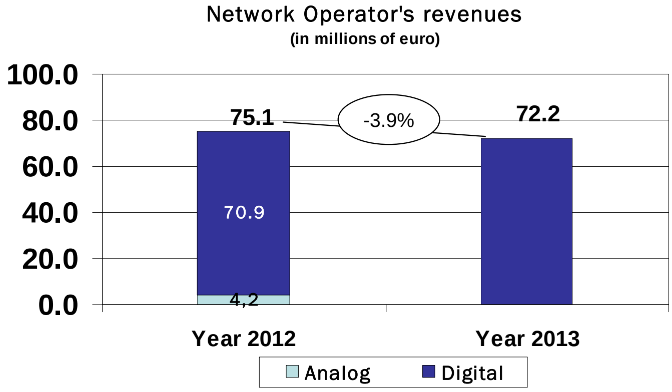
(in thousands of euro)	Year 2013 (a)	Year 2012 (b)	Change (a-b)	%
Total revenues	72,188	75,084	(2,896)	(3.9)
Other income	2,065	931	1,134	121.8
Total operating revenues and other income	74,253	76,015	(1,762)	(2.3)
Acquisition of goods and services	(27,055)	(27,664)	609	2.2
Employee benefits expenses	(3,440)	(3,302)	(138)	(4.2)
Other operating expenses	(7,789)	(1,822)	(5,967)	(327.5)
Changes in inventories	-	-	-	-
Internally made assets	-	-	-	-
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	35,969	43,227	(7,258)	(16.7)
Depreciation and amortization	(28,364)	(27,037)	(1,327)	(4.9)
Gains (Losses) realized on disposals of non-current assets	-	48	(48)	(100.0)
Impairment reversals /(losses) on non-current assets	-	(70,000)	70,000	100.0
OPERATING INCOME (LOSS) (EBIT)	7,605	(53,762)	61,367	n.a.
OPERATING INCOME (LOSS) (EBIT), COMPARABLE	7,605	16,238	(8,633)	(53.2)

Revenues and income of the Network Operator totaled Euro 74,253 thousand, down by Euro 1,762 thousand compared to 2012. The change is attributable to:

- a Euro 2,896 thousand decrease in revenues (-3.9%), due to the discontinuation in 2013 of operations regarding LA7 and MTV analog broadcasting networks after the completion of Italian switch-off process in 2012;
- increase in other income (Euro +1,134 thousand) mainly associated with:
  - release of operating provisions amounting to Euro 1,274 thousand (Euro 743 thousand in 2012);
  - insurance compensation totaling Euro 526 thousand.

(in thousands of euro)	Year 2013 (a)	Year 2012 (b)	Change (a-b)	%
REVENUES				
Analog	-	4,177	(4,177)	(100.0)
Digital	72,188	70,907	1,281	1.8
Total revenues of Network Operator	72,188	75,084	(2,896)	(3.9)

In 2013, EBITDA was positive at Euro 35,969 thousand, decreasing by Euro 7,258 thousand compared to the previous year (-16.7%). The reduction was driven by:



- a Euro 609 thousand decline in acquisition of goods and services, thanks to efficiencies arising from the network optimization achieved through the completion of the switch-off process of analog networks;
- a Euro 138 thousand increase in employee benefits expenses resulting from the rise in average workforce from 48.6 in 2012 to 52.6 staff in 2013, following TIMB's internalization of several staff activities previously allocated to Telecom Italia Media S.p.A;
- a Euro 5,967 thousand increase in other operating expenses due to allocations to provisions.

In 2013, EBIT amounted to Euro 7,605 thousand, improving by Euro 61,367 thousand compared to the previous year; in comparable terms – i.e., excluding the prior year's goodwill impairment of Euro 70,000 thousand – EBIT for the year decreased by Euro 8,633 thousand compared to 2012, due to both the above-mentioned change in EBITDA and higher amortization for Euro 1,327 thousand.

Investments amounted to Euro 6,425 thousand in 2013 and were chiefly related to the further implementation of the Transport Network and the new TV channel broadcasting system (Playout).

OPERATIONS

In 2013, the Telecom Italia Media Group finalized the disposal of its controlling interests in La7 and MTV. With the finalization of those transactions, TIMB thus became an independent DTT Network Operator focusing entirely on the market, given that it is no longer part of the corporate structure of any of its clients.

- Hosting services on the digital Multiplexes

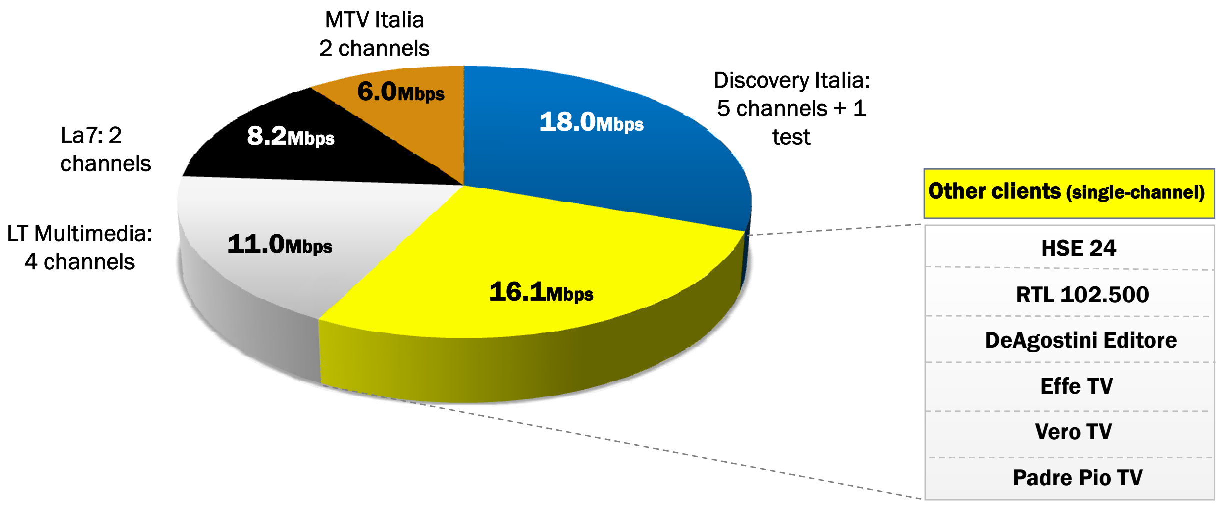
  In 2013, the channels hosted on TIMB's multiplexes achieved significant performances in terms of share, further confirming the quality of the service offered by TIMB and the solid partnership with some of the channels, which are now consolidated.

  Amongst the top media groups operating on the DTT platform with free-to-air channels, the top performances in 2013 were as follows:

- Discovery Italia/Switchover Media (Discovery Communications Group):
  - Channels hosted on TIMB's MUXes:
    - Real Time
    - DMAX
    - Giallo
    - K2
    - Frisbee
  - Cumulative average share for 2013:
    - 4.55%
- La7 (Cairo Communication Group):
  - Channels hosted on TIMB's MUXes:
    - La7
    - La7d
  - Cumulative average share for 2013:
    - 4.36%
- MTV (Viacom Media Networks Group):
  - Channels hosted on TIMB's MUXes:
    - MTV
    - MTV:Music
  - Cumulative average share for 2013:
    - 0.90%

- Rental of MUXes: overview at the end of 2013

At the end of 2013, after the exit of RTI channels (Mediaset Extra and Italia2) following the expiry of their agreement, TIMB’s broadcasting capacity was rented as shown in the following graph:

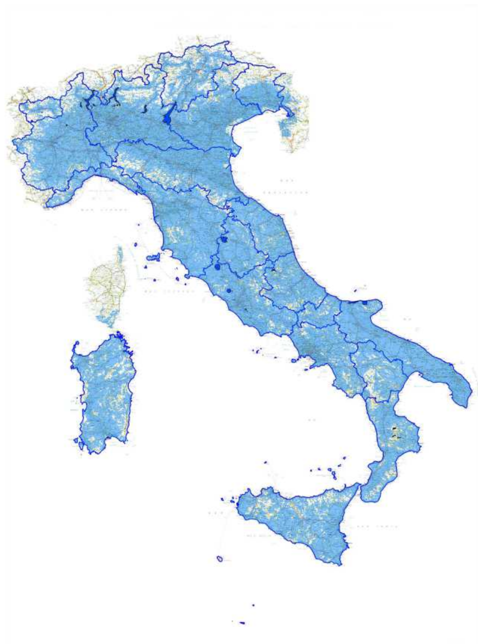


Allocated broadcasting capacity totaled approximately 60Mbps, representing about 92% of total available capacity.

32.2Mbps were assigned to the major clients indicated in the previous paragraph (Discovery, LA7 e MTV), which accounted for 54% of total allocated capacity.

- Coverage of the population

At December 31, 2013, the three digital multiplexes of Telecom Italia Media Broadcasting exceeded 95% of Italy’s population (95.2%).
Signals are transmitted from 812 broadcasting sites throughout Italy.
The following table reports the graphic representation of the territory coverage of Telecom Italia Media Broadcasting's three digital multiplexes.



- Expansion of TIMB service offerings

In 2013, with the aim of expanding the portfolio of services offered to its clients, TIMB implemented a modern *playout* infrastructure capable of handling up to 20 native HD (or, alternatively, SD) channels. This fully redundant system offers high standards of service alongside a high degree of flexibility, scalability and reliability.

In addition, as a consequence of playout and related activities, TIMB is completing the implementation of a modern *Media Asset Management* platform based on cutting-edge technological standards.
Through the use of this platform, TIMB's clients will be able to create a full-fledged digital library where content will be managed in all of the formats required for their distribution on major broadcasting platforms, including the Content Delivery Network (CDN) required to reach smartphones, tablets and PCs generally through personalized applications.

TIMB has thus positioned itself as a single technical interface capable of crucially simplifying the content delivery chain, while considerably increasing the quality of the product broadcast on Digital Terrestrial, Satellite and the Internet.

Digital frequencies

AGCOM Resolution No. 181/09/CONS, transposed into Italian legislation in 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 (MISE) has established the 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.

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 analog 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.

After the switch-off process, which lasted four years and ended on July 4, 2012, the MISE assigned the final digital frequencies.
In detail, on June 28, 2012, the directive was adopted for the final assignment of the Rights of Use of digital frequencies in favor of TIMB, using DVB-T digital technology for a period of twenty years. The directive expressly envisages the possibility to apply by May 26, 2016 for a review of the restrictions imposed on the rights of use pursuant to Article 14, paragraphs 4 to 7, and Article 14-*bis* of Legislative Decree No. 259/03.

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, had provided for the completion of a beauty contest for the allocation of rights to use the digital dividend frequencies. The beauty contest was cancelled on April 28, 2012 by Law No. 44/12 and replaced with an open-bid tender process according to new criteria established by AGCOM with Resolution No. 277/13/CONS passed on April 11, 2013.
The Resolution No. 277/13/CONS on the new criteria for digital dividend allocation provides for the auction of 3 lots:
- L1 (CH 6 VHF and 23 UHF), 89.5% population coverage;
- L2 (CH 7 and 11 VHF), 91.1% population coverage;
- L3 (CH 25 and 59 UHF), 96.6% population coverage.

The base auction price indicated by AGCOM has been determined on the basis of the indemnity to be paid to local broadcasters for ceasing use of the 800 MHz frequency (former channels 61-69) and amounts to approximately Euro 30 million per lot.
New entrants and existing operators with digital networks may participate for all three Lots. Rete A may participate for Lot L1 and Lot L3, while SKY Italia may participate for Lot L2 only, inasmuch as unencrypted programming must also be guaranteed for at least three years from award.

TIMedia, which has once more been considered on a par with RAI and Mediaset, may not take part in the tender.
In response to requests from the Commission, AGCOM will ensure observance of a cap of five DVB-T multiplexes in the event of the conversion, transfer or acquisition of rights to use television frequencies.
The resolution also calls for frequencies CH 54, 55 and 58 UHF to be eliminated from the tender, with the resulting change in the National Frequency Assignment Plan (PNAF), which is reduced from 25 to 22 digital networks.
On July 18, 2013, AGCOM adopted Resolution No. 451/13/CONS regarding the review of the National Frequency Assignment Plan. The new Plan envisages the immediate reservation for mobile services of the channels 57-60 UHF. The amendment of the PNAF also includes a review of the current assignments and the resolution of interference and international coordination problems, including the replacement of CH 60 UHF assigned to TIMB with CH 55 UHF. In fact, channel 60 UHF presents international coordination problems with Malta and highly significant problems due to interference with adjacent frequencies put to mobile use (LTE at 800 MHz, former TV channels 61-69 UHF).
The replacement has to be completed by June 30, 2015.
In September 2013, as requested by Italy’s Ministry for Economic Development, TIMB replaced its channel in the Region of Sicily, an area not coordinated with Malta. In the remainder of the territory, TIMB planned a gradual replacement, during which it requested approval from the Ministry for Economic Development to broadcast on both frequencies.
Law No. 44/12 also provides that AGCOM is to establish the administrative contributions to be applied effective January 1, 2013 for the use of television frequencies by network operators. This regulation has yet to be prepared. By Resolution 568/13/CONS the Regulator extended the contribution scheme provided for by the license fee for former licensee broadcasters, on a transitional basis until the end of 2013.

OPERATING AND FINANCIAL PERFORMANCE OF THE TELECOM ITALIA MEDIA GROUP

OPERATING PERFORMANCE FOR 2013

FOREWORD

Following the disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Italia S.r.l., which was completed on September 12, 2013, earnings results have been classified under the item "Profit (loss) from discontinued operations/assets held for sale", in accordance with IFRS 5. In addition, in the interest of greater clarity in the representation of the Group's earnings performance, the historical income statement figures provided for the purposes of comparison with financial year 2013 have been restated taking account of the classification of the profit or loss generated by those assets as discontinued operations.

Separate Consolidated Income Statement

(in thousands of euro)	Year 2013 (a)	Year 2012 (Restated) (b)	Change (a-b)	%
Revenues	72,188	75,222	(3,034)	(4.0)
Other income	3,540	1,972	1,568	79.5
Total operating revenues and other income	**75,728**	**77,194**	**(1,466)**	**(1.9)**
Acquisition of goods and services	(29,964)	(29,442)	(522)	(1.8)
Employee benefits expenses	(7,147)	(11,657)	4,510	38.7
Other operating expenses	(8,390)	(3,099)	(5,291)	(170.7)
Changes in inventories	-	-	-	-
Internally generated assets	-	-	-	-
OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**30,227**	**32,996**	**(2,769)**	**(8.5)**
Depreciation and amortization	(28,385)	(27,057)	(1,328)	(4.9)
Gains (Losses) realized on disposals of non-current assets	-	48	(48)	(100.0)
Impairment reversals /(losses) on non-current assets	-	(70,000)	70,000	100.0
OPERATING PROFIT (LOSS) (EBIT)	**1,842**	**(64,013)**	**65,855**	**n.a.**
OPERATING PROFIT (LOSS) (EBIT), COMPARABLE	**1,842**	**5,987**	**(4,145)**	**(70.0)**
Other income/(expenses) from investments	(64)	(188)	124	66.0
Finance income	741	1,203	(462)	(38.4)
Finance expenses	(6,524)	(6,759)	235	3.5
RESULT BEFORE TAX FROM CONTINUING OPERATIONS	**(4,005)**	**(69,757)**	**65,752**	**94.3**
Income tax expense	(35)	(1,400)	1,365	97.5
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(4,040)**	**(71,157)**	**67,117**	**94.3**
Profit (loss) from discontinued operations/Non-current assets held for sale	(133,588)	(177,282)	43,694	24.6
PROFIT (LOSS) FOR THE YEAR	**(137,628)**	**(248,439)**	**110,811**	**44.6**
Attributable to:				
- Equity holders of the Parent	**(131,971)**	**(240,944)**	**108,973**	**45.2**
- Minority interests	(5,657)	(7,495)	1,838	24.5

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

	Year 2013	Year 2012 (Restated)
- Basic earnings (loss) per share:		
- ordinary shares	(0.0948)	(0.1711)
- savings shares	(0.0948)	(0.1711)
of which:		
-. from continuing operations		
- ordinary shares	(0.0028)	(0.0490)
- savings shares	(0.0028)	(0.0490)
- from discontinued operations/non-current assets held for sale		
- ordinary shares	(0.0920)	(0.1221)
- savings shares	(0.0920)	(0.1221)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year 2013	Year 2012 (Restated)	Change
Profit (loss) for the year	**(137,628)**	**(248,439)**	**110,811**
Other components that will not be subsequently reclassified to Separate Income Statement	-	-	
° Redetermination of defined benefits retirement plans (IAS19):			
° Actuarial gains (losses)	(111)	(340)	229
° Tax effects	31	94	(63)
Sub-total	(80)	(246)	166
Total profit (loss) for the year	**(137,708)**	**(248,685)**	**110,977**
Attributable to:			
- Equity holders of the Parent			
> Profit (loss) from continuing operations	(4,120)	(71,402)	67,282
sale	(127,903)	(169,779)	41,876
- Profit/(loss) for the year attributable to equity holders of the Parent	(132,023)	(241,181)	109,158
- Minority interests			
> Profit (loss) from continuing operations	3	-	3
sale	(5,688)	(7,503)	1,815
- Profit (loss) for the period attributable to Minority Interests	(5,685)	(7,503)	1,818

Year 2013	*72,188*
Year 2012	*75,222*
Abs. change	*(3,034)*
Change %	*(4.0)*

Sales and service revenues for 2013 amounted to Euro 72,188 thousand, down by Euro 3,034 thousand compared to Euro 75,222 thousand in 2012 (-4.0%), reflecting a similar reduction in Network Operator's sales (-3.9%). This downtrend was essentially attributable to the discontinuation of operations of LA7 and MTV analog broadcasting networks after the completion of Italian switch-off process in 2012.

(in thousands of euro)	Year 2013	Year 2012	Change abs.	%
TI MEDIA	*680*	*818*	*(138)*	*(16.9)*
Other revenues	680	818	(138)	
Network operator (TIMB)	*72,188*	*75,084*	*(2,896)*	*(3.9)*
Analog		4,177	(4,177)	
Digital	72,188	70,907	1,281	
Consolidation adjustments	*(680)*	*(680)*	-	
Total Telecom Italia Media Group	72,188	75,222	(3,034)	(4.0)

Year 2013	*3,540*
Year 2012	*1,972*
Abs. change	*1,568*
Change %	*79.5*

In 2013, other revenues amounted to Euro 3,540 thousand compared to Euro 1,972 thousand in 2012, thus increasing by Euro 1,568 thousand, owing mainly to the release of the provisions due to the extinction of several legal and contractual litigations. This item was broken down as follows:

(in thousands of euro)	Year 2013	Year 2012	Change
Use of provisions for doubtful receivables and other receivables	-	743	(743)
Use of other operating provisions	2,554	500	2,054
Recovery of personnel costs	4	535	(531)
Recovery and reimbursements of acquisition of goods	15	-	15
Recovery and reimbursement of services	293	86	207
Recovery and reimbursement of use of property not owned	97	-	97
Operating grants	36	-	36
Other revenues and extraordinary income	541	108	433
Total other income	3,540	1,972	1,568

The value of other revenues and extraordinary income amounted to Euro 541 thousand and included Euro 526 thousand attributable to Telecom Italia Media Broadcasting for insurance compensation received in June.

Year 2013	*30,227*
Year 2012	*32,996*
Abs. change	*(2,769)*
Change %	*(8.5)*

EBITDA for 2013 amounted to Euro 30,227 thousand, decreasing by Euro 2,769 thousand compared to the 2012 (Euro 32,996 thousand). In detail, Network Operator's EBITDA went from Euro 43,227 thousand in 2012 to Euro 35,969 thousand in 2013, down by Euro 7,258 thousand. This performance was mainly influenced by the aforementioned decrease in revenues, and the Euro 5,967 thousand increase in other operating expenses, primarily attributable to allocations to provisions. It also included lower net expenses of Telecom Italia Media S.p.A. for Euro 4,488 thousand.

The following table shows the breakdown by business unit:

(in thousands of euro)	Year 2013	Year 2012	Change
TI MEDIA	(5,753)	(10,241)	4,488
Network Operator	35,969	43,227	(7,258)
Other assets and adjustments	11	10	1
EBITDA	30,227	32,996	(2,769)

In detail, the following factors impacted the EBITDA as of December 31, 2013:

Year 2013	*(29,964)*
Year 2012	*(29,442)*
Abs. change	*(522)*
Change %	*(1.8)*

Acquisitions of goods and services amounted to Euro 29,964 thousand, up by Euro 522 thousand compared to 2012 (Euro 29,442 thousand), as broken down below:

(in thousands of euro)	Year 2013	Year 2012	Change
Acquisition of goods and services	291	457	(166)
Services	19,127	17,944	1,183
Advertising and promotion expenses	138	156	(18)
Consultancy	473	992	(519)
Professional services	3,186	2,312	874
Insurance	162	140	22
Energy and fluids	3,712	4,207	(495)
Distribution and storage	67	70	(3)
Maintenance services	3,987	3,688	299
Outsourcing	879	300	579
Telephone and data	631	551	80
Transmission and postal services	651	536	115
Travel and accommodation	308	108	200
T&E services	19	13	6
Other costs for services	4,914	4,871	43
Use of property not owned	10,546	11,041	(495)
Real estate rents	518	210	308
Fees for the use of satellite and high-frequency systems	10,121	10,059	62
Rental fees and other costs for the use of property not owned	(93)	772	(865)
Total acquisition of goods and services	29,964	29,442	522

Year 2013	(7,147)
Year 2012	(11,657)
Abs. Change	4,510
Change %	38.7

Employee benefits expenses for 2013 were Euro 7,147 thousand, down by Euro 4,510 thousand compared to 2012 (Euro 11,657 thousand), and included net expenses totaling Euro -1,389 thousand for 2013 (Euro 1,726 thousand for 2012), mainly attributable to changes in provisions allocated in 2012 for the definition of an employee incentive plan correlated to the successful completion of the disposal of LA7. Moreover, these expenses accounted for accruals for the labor dispute with employees, redundancy incentive costs for 2013 of Euro 943 thousand (not present in 2012) and other employee benefits expenses totaling Euro -244 thousand in 2013 (not present in 2012). Net of those items, the cost of labor was Euro 7,837 thousand, compared to Euro 9,931 thousand for 2012, down by Euro 2,094, thousand comprised of costs incurred in 2012 for the termination of top managers' contracts and the lower cost recognized in 2013 as a result of the reduction in workforce, as described below.

The workforce at December 31, 2013 numbered 84, 3 less than at December 31, 2012. This performance includes an increase by 13 staff in Telecom Italia Media Broadcasting S.r.l., consisting of 2 staff coming from LA7 S.r.l., as part of the disposal transactions regarding that company, to fill the internal role of Head of the Prevention and Protection Service and in relation to the start-up of the new Playout unit; 1 employee hired under a fixed-term contract, in compliance with Law No. 68/99, to strengthen Testing Lab activities; 5 staff from Telecom Italia Media's Purchasing function, which according to the TI Media Group's new organizational structure has been allocated to the company TIMB and included within the function Operational Planning & Business Support, renamed Purchasing & Business Support; 2 staff coming from Telecom Italia Media's Regulatory Affairs function, inasmuch as that function was reallocated to the company TIMB as a result of the aforementioned reorganization of the Group; 2 staff coming from People Value Facility and Security function to support the operating activity of the Network, Operations and IT function; 1 employee from the TI Media workforce to serve as assistant to the Company's Managing Director.
Concurrently, Telecom Italia Media S.p.A. reported a decrease of 16 employees as a result of the transfer of 4 staff to other Telecom Italia Group companies; the severance of the employment of 2 employees; and the transfer of 10 employees to Telecom Italia Media Broadcasting, in accordance with the company's new organizational structure.

The breakdown by business unit was as follows:

EXACT WORKFORCE (units)	12/31/2013	12/31/2012	Change
TI Media SpA	24	40	(16)
Network Operator	60	47	13
Group total (restated)	**84**	**87**	**(3)**
Discontinued operations:			
LA7		464	(464)
MTV Group		148	(148)
Group Total	**84**	**699**	**(615)**

AVERAGE WORKFORCE (units)	12/31/2013	12/31/2012	Change
TI Media SpA	31.1	39.5	(8.4)
Network Operator	52.6	48.6	4.0
Group Total	**83.7**	**88.1**	**(4.4)**
Discontinued operations:			
LA7	112.7	471.6	(358.9)
MTV Group	73.7	156.7	(83.0)
	270.1	**716.4**	**(446.3)**

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

EXACT WORKFORCE	TI MEDIA	TIMB	TOTAL
Executives	6	3	*9*
Middle managers	9	10	*19*
White collars	9	47	*56*
Blue collars	-		
Total workforce	**24**	**60**	**84**
Temporary staff (not included in total workforce)	-	-	-

AVERAGE WORKFORCE	TI MEDIA	TIMB	TOTAL
Executives	7.0	2.5	*9.5*
Middle managers	11.1	7.9	*19.0*
White collars	13.1	41.2	*54.3*
Blue collars		0.9	0.9
Total workforce	**31.1**	**52.5**	**83.7**
Temporary staff (not included in total workforce)	0.7	-	0.7

Year 2013	*(8,390)*
Year 2012	*(3,099)*
Abs. Change	*(5,291)*
Change %	*(170.7)*

Other operating expenses for 2013 amounted to Euro 8,390 thousand, an increase of Euro 5,291 thousand compared to the previous year (Euro 3,099 thousand). They include:

(in thousands of euro)	Year 2013	Year 2012	Change
Writedowns and charges connected with receivables management	5,981	251	5,730
Provisions for risks and other provisions	1,595	2,527	(932)
Concession fees for the exercise of TLC activities	138	233	(95)
Taxes, stamps and levies	79	27	52
Associations fees	68	46	22
Other expenses and charges	529	15	514
Other operating expenses	**8,390**	**3,099**	**5,291**

The value of writedowns and charges related to receivables management (Euro 5,981 thousand) was fully attributable to Telecom Italia Media Broadcasting and refers to some allocations to provisions.

Year 2013	*1,842*
Year 2013, comparable	***1,842***
Year 2012	*(64,013)*
Year 2012, comparable	***5,987***
Change	*65,855*
Abs. change	***(4,145)***
Change %	*n.a.*
Change % (comparable)	***(70.0)***

<u>Operating income</u> for 2013 was Euro 1,842 thousand compared to a loss of Euro -64,013 thousand in 2012, with an improvement of Euro 65,855 thousand. Excluding the Euro 70,000 thousand goodwill impairment for 2012, the operating result decreased by Euro 4,145 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 2013	Year 2012	Change
TI MEDIA	(5,771)	(10,242)	4,471
Network Operator	7,605	(53,762)	61,367
Other assets and adjustments	8	(9)	17
EBIT	1,842	(64,013)	65,855
TI MEDIA	(5,771)	(10,242)	4,471
Network Operator	7,605	16,238	(8,633)
Other assets and adjustments	8	(9)	17
COMPARABLE EBIT	1,842	5,987	(4,145)

Year 2013	*(28,385)*
Year 2012	*(27,057)*
Abs. change	*(1,328)*
Change %	*(4.9)*

<u>Other depreciation and amortization</u> for 2013 totaled Euro 28,385 thousand, compared to Euro 27,057 thousand for the previous year, with an increase of Euro 1,328 thousand.

Depreciation and amortization were classified as follows:

(in thousands of euro)	Year 2013	Year 2012	Change
Depreciation and amortization			
- Depreciation of tangible assets	18,606	17,241	1,365
- Amortization of other intangible assets	9,779	9,816	(37)
Total	28,385	27,057	1,328

Year 2013	*0*
Year 2012	*(70,000)*
Abs. change	*70,000*
Change %	*100.0*

<u>Reversals/(Impairment) of non-current assets</u> for 2013 were Euro 0 thousand compared to Euro -70,000 thousand in the previous year.

Year 2013	*(64)*
Year 2012	*(188)*
Abs. change	*124*
Change %	*66.0*

<u>Other income/(expenses) from investments</u> for 2013 amounted to Euro 64 thousand, including Euro 10 thousand for dividends received from the investee company TIVU' S.r.l. (Euro 28 thousand in 2012) and Euro 74 thousand for the negative adjustment of the value of the investment in Tiglio 1 (Euro 203 thousand in the previous year).

Year 2013	*(5,783)*
Year 2012	*(5,556)*
Abs. change	*(227)*
Change %	*(4.1)*

<u>The balance of financial operations</u> for 2013 was negative at Euro 5,783 thousand, compared to Euro 5,556 thousand in 2012, thus increasing by Euro 227 thousand. This performance, which reflected Telecom Italia's waiver of the Euro 100,000 thousand financial receivable in March 2013, as part of the process of selling LA7 S.r.l., and a further waiver in October 2013 of Euro 10,000 thousand, was mainly attributable to the Euro 140,000 thousand loan granted by Telecom Italia Finance in July 2013 at lower interest rates than those of the loan matured in December 2012 (Euro 60,000 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 IAS 19R.

In further detail:

(in thousands of euro)	Year 2013	Year 2012	Change
Interest earned from other financial receivables	715	1,073	(358)
Interest earned from other receivables	24	126	(102)
Income from discounting of non-current items	-	-	-
Income from accounts receivable included in long-term investments	2	4	(2)
Foreign exchange gains	-	-	-
Positive adjustment to fair value (derivatives and underlying assets)	-	-	-
Interest paid for other financial payables	(5,791)	(5,967)	176
Interest expense paid for other payables	(502)	(503)	1
Financial fees paid	(164)	(240)	76
Expenses related to discounting of non-current liabilities	(67)	(49)	(18)
Foreign exchange losses	-	-	-
Negative adjustment to fair value (derivatives and underlying assets)	-	-	-
Net finance income (expenses)	(5,783)	(5,556)	(227)

The <u>result before taxes from continuing operations</u> for 2013 amounted to Euro 4,005 thousand, compared to Euro -69,757 thousand in 2012.
This improvement (Euro 65,752 thousand) was driven by an increase in the operating income (Euro 65,855 thousand), lower net expenses from investments (Euro 124 thousand), as well as higher charges related to financial operations (Euro 227 thousand).

Year 2013	*(35)*
Year 2012	*(1,400)*
Abs. change	*1,365*
Change %	*97.5*

Income tax expense for 2013 was negative at Euro 35 thousand (negative at Euro 1,400 thousand for 2012), with a positive change of Euro 1,365 thousand. The change in taxes was mainly due to the lower taxable income for 2013.

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

	Year 2013	Year 2012
Attributable to:		
- Equity holders of the Parent company		
> Profit (loss) from continuing operations	(4,043)	(71,157)
> Profit (loss) from discontinued operations/Non-current assets held for sale	(127,928)	(169,787)
- Profit/(loss) for the year attributable to equity holders of the Parent Company	(131,971)	(240,944)
- Minority interests		
> Profit (loss) from continuing operations	3	
> Profit (loss) from discontinued operations/Non-current assets held for sale	(5,660)	(7,495)
- Profit (loss) for the period attributable to Minority Interests	(5,657)	(7,495)

The net result for 2013 attributable to equity holders of the Parent Company was Euro -131,971 thousand (Euro -137,628 thousand including minority interests) compared to Euro -240,944 thousand in 2012 (Euro -248,439 thousand including minority interests).

Year 2013	*(133,588)*
Year 2012	*(177,282)*
Abs. change	*43,694*
Change %	*24.6*

The profit (loss) from discontinued operations/assets held for sale amounted to Euro -133,588 thousand for 2013 (Euro -177,282 thousand for 2012) as a result of both the disposal of LA7 S.r.l., finalized on April 30, 2013, and the disposal of MTV Italia S.r.l., finalized on September 12, 2013. The item included, respectively, for 2013, income components (revenues/costs) of LA7 S.r.l. for the first four months of the year and of MTV Italia S.r.l. for the first eight months of the year, beside the capital loss arising on the disposal of LA7 S.r.l. and the capital gain arising on the disposal of MTV Italia S.r.l., both including ancillary charges, and for 2012, income components (revenues/costs) of LA7 S.r.l. and MTV Italia S.r.l. for twelve months of the year. The methods followed for these operations are reported on page 15 of this report.

(in thousands of euro)		LA7 S.r.l. from 1/1/2013 to 4/30/2013	MTV Group from 1/1/2013 to 8/31/2013	TOTAL Discontinued operations	LA7 S.r.l. 12/31/2012	MTV Group 12/31/2013	TOTAL Discontinued operations
Revenues		37,608	25,666	63,274	123,580	55,225	178,805
Other income		408	388	796	2,687	991	3,678
Total operating revenues and other income		**38,016**	**26,054**	**64,070**	**126,267**	**56,216**	**182,483**
Acquisition of goods and services		(48,888)	(28,237)	(77,125)	(146,534)	(52,535)	(199,069)
Employee benefits expenses		(13,701)	(5,052)	(18,753)	(42,891)	(12,925)	(55,816)
Other operating expenses		(1,751)	(805)	(2,556)	(3,490)	(1,668)	(5,158)
Changes in inventories		1,546	9	1,555	(37)	187	150
Internally made assets		-	-	-	-	-	-
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**(24,778)**	**(8,031)**	**(32,809)**	**(66,685)**	**(10,725)**	**(77,410)**
Depreciation and amortization		(372)	(4,312)	(4,684)	(30,188)	(6,161)	(36,349)
Gains /(Losses) realized on disposals of non-current assets		-	-	-	33	1,700	1,733
Impairment reversals /(losses) on non-current assets		-	-	-	(63,655)	(23,052)	(86,707)
OPERATING INCOME (LOSS) (EBIT)		**(25,150)**	**(12,343)**	**(37,493)**	**(160,495)**	**(38,238)**	**(198,733)**
Other income/(expenses) from investments		-	-	-	-	-	-
Finance income		35	229	264	225	176	401
Finance expenses		(617)	(401)	(1,018)	(1,889)	(217)	(2,106)
RESULT BEFORE TAXES		**(25,732)**	**(12,515)**	**(38,247)**	**(162,159)**	**(38,279)**	**(200,438)**
Income tax expense		-	964	964	23,223	(67)	23,156
OPERATING RESULT	**(A)**	**(25,732)**	**(11,551)**	**(37,283)**	**(138,936)**	**(38,346)**	**(177,282)**
Economic effects generated by the disposal	**(B)**	**(98,972)**	**3,315**	**(95,657)**	**-**	-	-
Total losses	(A+B)	(124,704)	(8,236)	(132,940)	(138,936)	(38,346)	(177,282)
				-			-
Professional services for Advisors		(683)	(211)	(894)	-	-	-
Tax effects		188	58	246	-	-	-
				-			-
Subtotal	**(C)**	**(495)**	**(153)**	**(648)**	**-**	-	-
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**(A+B+C)**	**(125,199)**	**(8,389)**	**(133,588)**	**(138,936)**	**(38,346)**	**(177,282)**
Attributable to:							
- Equity holders of the Parent company		(125,199)	(2,729)	(127,928)	(138,936)	(30,851)	(169,787)
- Minority Interests		-	(5,660)	(5,660)	-	(7,495)	(7,495)

Consolidated Statements of Financial Position

(in thousands of euro)	12/31/2013	12/31/2012	CHANGE
ASSETS			
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	21,230	21,230	-
Intangible assets with a finite useful life	113,043	133,008	(19,965)
	134,273	154,238	(19,965)
Tangible assets:			
Property, plant and equipment owned	60,375	74,768	(14,393)
Assets held under finance leases	-	-	-
	60,375	74,768	(14,393)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	-	-	-
Other investments	788	1,513	(725)
Non-current financial assets	180	877	(697)
Miscellaneous receivables and other non-current assets	16,040	42,485	(26,445)
Deferred tax assets	8,351	9,679	(1,328)
	25,359	54,554	(29,195)
TOTAL NON-CURRENT ASSETS (A)	220,007	283,560	(63,553)
CURRENT ASSETS			
Inventories	11	1,693	(1,682)
Trade and miscellaneous receivables and other current assets	38,156	134,883	(96,727)
Current income tax receivables	182	493	(311)
Investments			-
Current financial assets			-
Securities other than investments, financial receivables and other current financial assets	46	215	(169)
Cash and cash equivalents	17	203	(186)
TOTAL CURRENT ASSETS (B)	38,412	137,487	(99,075)
TOTAL ASSETS (A+B)	258,419	421,047	(162,628)
LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Parent	(59,120)	(36,970)	(22,150)
Equity attributable to Minority Interests	76	4,596	(4,520)
TOTAL EQUITY (C)	(59,044)	(32,374)	(26,670)
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4	21	(17)
Employee benefits	1,369	9,714	(8,345)
Deferred tax liabilities	19,840	21,225	(1,385)
Provisions	-	238	(238)
Miscellaneous payables and other non-current liabilities	11,670	11,675	(5)
TOTAL NON-CURRENT LIABILITIES (D)	32,883	42,873	(9,990)
CURRENT LIABILITIES			
Current financial liabilities	260,116	261,381	(1,265)
Trade and miscellaneous payables and other current liabilities	24,446	148,489	(124,043)
Current income tax payables	18	678	(660)
TOTAL CURRENT LIABILITIES (E)	284,580	410,548	(125,968)
TOTAL LIABILITIES (F=D+E)	317,463	453,421	(135,958)
TOTAL EQUITY AND LIABILITIES (C+F)	258,419	421,047	(162,628)

Non-current assets at December 31, 2013 amounted to Euro 220,007 thousand, a decrease of Euro 63,553 thousand compared to December 31, 2012 (Euro 283,560 thousand). More in detail:

- **intangible assets** amounted to Euro 134,273 thousand, down by Euro 19,965 thousand compared to Euro 154,238 thousand at December 31, 2012. The reduction was mainly due both to the change in the consolidation area, as a result of the disposal of LA7 and MTV Italia for a total amount of Euro 9,960 thousand, and to depreciation and amortization for the year amounting to Euro 9,779 thousand, only partly offset by Euro 239 thousand in investments made in 2013, as described in the paragraph "Investments" below.

(in thousands of euro)	Net intangible assets
12/31/2012	154,238
Movements for the year	
Investments	239
Amortization rate	(9,779)
Change in consolidation area and other movements	(10,425)
Total movements	(19,965)
12/31/2013	134,273

In further detail, intangible assets included Euro 21,230 thousand of goodwill from consolidation as of December 31, 2013, referring to acquisitions of investments and business units in previous years. In accordance with IAS 36, goodwill was not amortized. Its value was tested for impairment and showed no impairment losses.

Intangible assets with finite useful lives are presented below:

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES	12/31/2012	Investments	Writedowns	Other movements	12/31/2013
Goodwill	86				86
Consolidation differences (Goodwill)	21,144				21,144
TIMB	21,144				21,144
GROUP TOTAL	21,230				21,230

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	12/31/2012	Change in consolidation area	Investments	Amortization	Other movements	12/31/2013
Industrial patents and intellectual property rights	8,065	(7,546)	121	(339)		301
Trademarks	24	(24)				
TV concessions and frequencies	108,913			(6,807)		102,106
Licenses	41		46	(42)		45
Irrevocable rights of use	13,024		23	(2,591)		10,456
Work in process	2,941	(2,390)	49		(465)	135
GROUP TOTAL	133,008	(9,960)	239	(9,779)	(465)	113,043

- **tangible assets** amounted to Euro 60,375 thousand, with a decrease of Euro 14,393 thousand compared to December 31, 2012 (Euro 74,768 thousand):

(in thousands of euro)	Net tangible assets
12/31/2012	74,768
Movements for the year	
Investments	6,253
Depreciation rate	(18,606)
Change in consolidation area and other movements	(2,040)
Total movements	(14,393)
12/31/2013	60,375

The breakdown by nature is provided below:

NET TANGIBLE ASSETS	12/31/2012	Change in consolidation area	Investments	Depreciation	Disposals	Other movements	12/31/2013
Industrial and civilian buildings	195		37	(32)			200
Plant and machinery	65,868	(743)	5,424	(17,976)	(20)	3,011	55,564
Manufacturing and distribution	875	(611)	18	(100)		12	194
Other tangible assets	1,934	(1,129)	747	(498)		194	1,248
Work in process	5,896	(1)	27			(2,753)	3,169
GROUP TOTAL	74,768	(2,484)	6,253	(18,606)	(20)	464	60,375

Plant and equipment included assets owned by Telecom Italia Media Broadcasting S.r.l. for Network Operator activities with a value of Euro 55,550 thousand.

Other non-current assets decreased by Euro 29,195 thousand, from Euro 54,554 thousand at December 31, 2012 to Euro 25,359 thousand at December 31, 2013. The change referred primarily to the decline in miscellaneous receivables and other non-current assets for Euro 26,445 thousand. In detail, at December 31, 2012 the figure included the receivables for tax consolidation of LA7 S.r.l. totaling Euro 9,213 thousand and no longer present at December 31, 2013. In addition, the receivable for tax consolidation of Telecom Italia Media S.p.A. for the losses reported in 2012 of Euro 20,306 thousand, which is expected to be collected in June 2014, was reclassified to current assets. The item was only partially offset by the Telecom Italia Media S.p.A.'s recognition of the receivable for tax consolidation for losses reported in 2013 amounting to Euro 4,055 thousand. The amount at December 31, 2013 and December 31, 2012 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.

Esercizio 2013	*15.952*
Esercizio 2012	*17.742*
Var. ass.	*(1.790)*
Var. %	*(10,1)*

Total investments for 2013 totaled Euro 15,952 thousand (Euro 17,742 thousand in 2012) and were broken down as follows:

(in thousands of euro)	Year 2013	Year 2012 (*)	Change
Investments in intangible assets	239	534	(295)
Investments in tangible assets	6,253	17,188	(10,935)
Total industrial investments	*6,492*	*17,722*	*(11,230)*
Investments in financial assets	9,460	20	9,440
Total	15,952	17,742	(1,790)
Industrial investments paid for the year	*11,135*	*41,187*	*(30,052)*

(*) Data have been restated following the sale of LA 7 S.r.l., finalized on April 30, 2013, and that of MTV, finalized on September 12, 2013.

Industrial investments related to the Group's activities amounted to Euro 6,492 thousand and were made by Telecom Italia Media Broadcasting (Network Operator) for Euro 6,410 thousand. In detail, investments in tangible assets totaled Euro 6,171 thousand and included Euro 5,411 thousand in acquisition of infrastructures carried out by Telecom Italia Media Broadcasting mainly related to the implementation of the Transport and Backup Network and the new TV channel broadcasting system (Playout).

Financial investments were Euro 9,460 thousand and referred to the acquisition from LA7 S.r.l. of the investment in MTV Italia S.r.l., as part of the agreements on the disposal of LA7 S.r.l.

12/31/2013	*38,412*
12/31/2012	*137,487*
Change	*(99,075)*
Change %	*(72.1)*

Current assets at December 31, 2013 amounted to Euro 38,412 thousand, down by Euro 99,075 thousand compared to December 31, 2012. The change was mainly due to the reduction in trade and miscellaneous receivables and other current assets (Euro 96,727 thousand), in particular as a result of the disposal of LA7 and MTV Italia.

In further detail, current assets include:

- net trade receivables of Euro 16,585 thousand, chiefly referring to trade receivables from third-party customers of Telecom Italia Media Broadcasting for Euro 16,396 thousand and of Telecom Italia Media S.p.A. for Euro 151 thousand;
- miscellaneous receivables and other current assets amounting to Euro 21,571 thousand, including Euro 21,035 thousand for receivables from the Parent Company Telecom Italia S.p.A., mainly regarding receivables arising on the National Tax Consolidation program (Euro 20,779 thousand);
- Telecom Italia Media Broadcasting's receivables totaling Euro 11 thousand;
- cash and cash equivalents amounting to Euro 17 thousand, referring to cash and cash equivalents.

At December 31, 2013, equity totaled Euro -59,044 thousand (Euro -32,374 thousand at December 31, 2012), of which Euro -59,120 thousand attributable to the Parent Company (Euro -36,970 thousand at December 31, 2012) and Euro 76 thousand attributable to minority interests (Euro 4,596 thousand at December 31, 2012).

(in thousands of euro)	12/31/2013	12/31/2012
At beginning of year	**(32,374)**	**216,312**
Elimination of the financial payable to Telecom Italia S.p.A.	110,000	
Profit (loss) for the year of Parent Company and Minority Interests	(137,628)	(248,439)
Dividends paid to		
Telecom Italia S.p.A.		
Telecom Italia Finance S.A.		
Third parties		
Reduction for treasury shares		
Other movements	958	(247)
At end of year	**(59,044)**	**(32,374)**
Of which:		
- Parent Company	(59,120)	(36,970)
- Minority Interests	76	4,596

The item “Elimination of Telecom Italia S.p.A.’s debt” refers to two partial waivers of financial receivable for a total amount of Euro 110,000 thousand by Telecom Italia S.p.A. in March and October 2013, amounting to Euro 100,000 thousand and Euro 10,000 thousand, respectively. In particolar, the waiver of March 2013 was performed as part of the process of disposal of LA7 S.r.l.

12/31/2013	*32,883*
12/31/2012	*42,873*
Abs. change	*(9,990)*
Change %	*(23.3)*

Non-current liabilities amounted to Euro 32,883 thousand at December 31, 2013, with a decrease of Euro 9,990 thousand compared to Euro 42,873 thousand at December 31, 2012.
The figures at December 31, 2013 and December 31, 2012 include 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 19,840 thousand in provisions for deferred taxes and Euro 1,369 thousand in provisions for personnel.

12/31/2013	*284,580*
12/31/2012	*410,548*
Abs. change	*(125,968)*
Change %	*(30.7)*

Current liabilities at December 31, 2013 totaled Euro 284,580 thousand, compared to Euro 410,548 thousand at December 31, 2012, with a decrease by Euro 125,968 thousand also due to the reduction in trade and miscellaneous payables and other current liabilities (Euro 124,043 thousand), in particular as a result of the disposal of LA7 and MTV Italia. This item mainly includes:

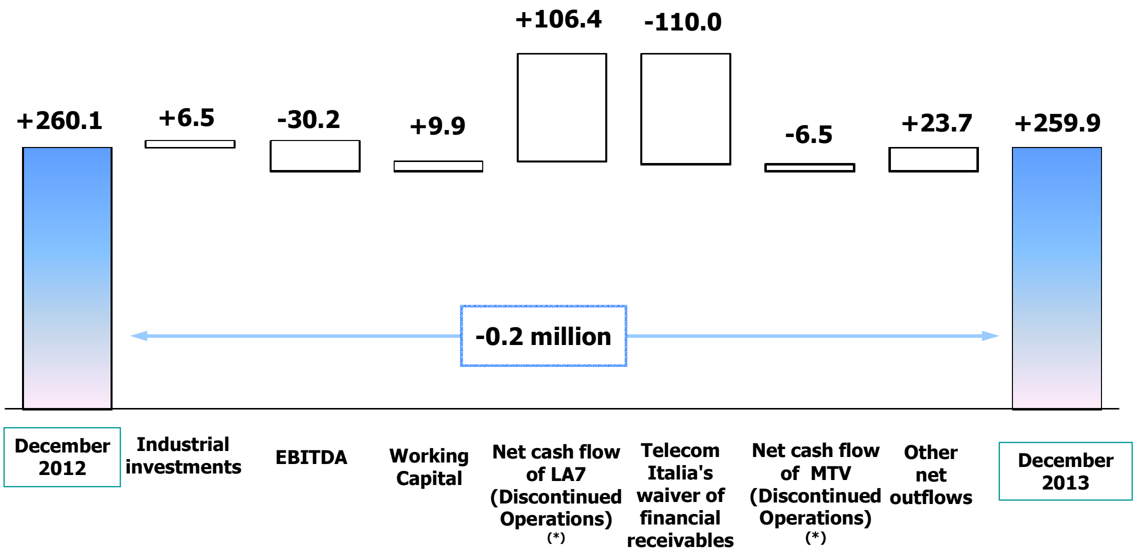
- Euro 18,078 thousand for the debt relating to the current account with Telecom Italia, net of receivables amounting to Euro 100,000 thousand waived by Telecom Italia in March 2013, as part of the disposal of LA7 S.r.l., and a further waiver of Euro 10,000 thousand in October 2013;
- Euro 141,915 thousand, including interest for the year, related to the short-term financial payable owed by Telecom Italia Media to Telecom Italia Finance SA as per variable-rate (based on EURIBOR) loan agreement signed on July 31, 2013, and providing for the credit facility totaling Euro 140,000 thousand;
- Euro 100,103 thousand, including interest for the year, related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the maturity (on December 21, 2013) of the previous loan agreement of the same amount between Telecom Italia S.p.A. and the European Investment Bank. The main details of the loan, which was issued on December 21, 2013, are outlined below:

Amount	Euro 100 million
Duration	1 year
Interest rate	3.08% on EURIBOR 3M;
- Euro 13,926 thousand in trade payables, of which Euro 10,844 related to Telecom Italia Media Broadcasting and Euro 3,080 thousand to Telecom Italia Media S.p.A.;
- Euro 10,520 thousand in miscellaneous payables and other current liabilities, primarily consisting of provisions (Euro 2,759 thousand), payables to personnel (Euro 1,426 thousand), contributions to pension and social security institutions (Euro 930 thousand), other tax payables (Euro 387 thousand), current payables (Euro 1,444 thousand) for the Telecom Italia Media Broadcasting's National Tax Consolidation related to the taxable profit for 2013, and other miscellaneous payables (Euro 3,574 thousand), which related for Euro 3,374 thousand to Telecom Italia Media S.p.A. and for Euro 200 thousand to Telecom Italia Media Broadcasting S.r.l.

12/31/2013	*259,877*
12/31/2012	*260,107*
Abs. change	*(230)*
Change %	*(0.1)*

The Group's net financial position was a debt of Euro 259,877 thousand at December 31, 2013, compared to Euro 260,107 thousand at December 31, 2012. The increase was mainly attributable to net cash flows related to the disposal of LA7 (Euro +106,395 thousand) and the disposal of MTV Italia (Euro -6,497 thousand), offset by Telecom Italia's waiver of a financial receivable for a total amount of the Euro 110,000 thousand, of which Euro 100,000 thousand waived in March 2013 as part of the agreements of the disposal of LA7 S.r.l, and Euro 10,000 thousand in October 2013. Moreover, it includes *industrial investments* requirements for the year amounting to Euro 6,492 thousand (fully attributable to the Network Operator for the implementation of the Transport and Backup Network, in addition to the implementation of the new playout TV channel broadcasting system), and the result of operating activities for the year (EBITDA Euro -30,227 thousand and Δ Working Capital Euro +9,967 thousand). Other net outlays totaling Euro 23,640 thousand mainly included the Euro 9,460 thousand expense for the acquisition of the investment in MTV Italia from LA7, finalized in April 2013, as well as net finance expense for the year (Euro 5,783 thousand) and taxes paid by Telecom Italia Media Broadcasting (Euro 8,465 thousand).

Breakdown of net financial position



(*) Data account for the effects of the disposal, net of the financial position at December 31, 2012.

The breakdown of the net financial position by nature/maturity is indicated on page 54.

Consolidated Cash Flow Statements

(in thousands of euro)	Year 2013	Year 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) from continuing operations	(4,040)	(71,157)
Adjustments for:		
Depreciation and amortization	28,385	27,057
Impairment losses/reversals of non-current assets (including investments)	74	70,216
Net change in deferred tax assets and liabilities	(2,038)	(4,108)
Gains/losses realized on disposals of non-current assets (including investments)		(48)
Share of losses/gains of associates accounted for using the equity method		
Change in employee benefits	(104)	(598)
Changes in inventories		-
Change in trade receivables and in net receivables for contract works	3,392	(7,095)
Change in trade payables	(1,125)	5,089
Net change in income tax receivables/payables	(3,540)	977
Net change in miscellaneous receivables/payables and other assets/liabilities	(10,162)	(36,125)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**10,842**	**(15,792)**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of intangible assets on an accrual basis	(239)	(534)
Purchase of tangible assets on an accrual basis	(6,253)	(17,188)
Total acquisitions of intangible and tangible assets on an accrual basis	(6,492)	(17,722)
Change in trade payables relating to investing activities	(4,643)	(23,465)
Total purchase of intangible and tangible assets on a cash basis	(11,135)	(41,187)
Acquisitions of subsidiaries and business lines, net of cash acquired (I)		-
Acquisitions of other investments (II)	(9,460)	(20)
Change in financial receivables and other financial assets (I)	167	29
Proceeds from sale of subsidiaries, net of cash disposed of (II)	(98,861)	-
Proceeds from sale/repayment of tangible, intangible and other non-current assets (II)	20	63
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(119,269)**	**(41,115)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in current financial liabilities and other liabilities	141,914	(45,090)
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	90	(38)
Increases/reductions of share capital and other changes in equity (including subsidiaries)	110,000	
Amount paid for instruments representing equity		
Dividends paid		
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**252,004**	**(45,128)**
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	**(1,782)**	**(63,165)**
AGGREGATE CASH FLOWS (E=A+B+C+D)	**141,795**	**(165,200)**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)	**(159,856)**	**5,344**
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)	**(18,061)**	**(159,856)**

(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.

(*) Data have been restated following the sale of LA 7 S.r.l., finalized on April 30, 2013, and that of MTV, finalized on September 12, 2013.

Additional cash flow information

(in thousands of euro)	Year 2013	Year 2012
Income tax expense (paid)/received	9,495	21,763
Interest expense	(4,690)	(6,136)
Interest income		-
Dividends received	10	28

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2013	Year 2012
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR:		
Cash and cash equivalents - from continuing operations	45,919	6,832
Cash and cash equivalents - from discontinued operations/assets held for sale	3,194	17,417
	49,113	24,249
Bank overdraft repayable on demand - from continuing operations	(160,058)	(17,304)
Bank overdrafts repayable on demand - from discontinued operations/assets held for sale	(48,911)	(1,601)
	(208,969)	(18,905)
	(159,856)	5,344
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR:		
Cash and cash equivalents - from continuing operations	17	45,919
Cash and cash equivalents - from discontinued operations/assets held for sale		3,194
	17	49,113
Bank overdraft repayable on demand - from continuing operations	(18,078)	(160,058)
Bank overdrafts repayable on demand - from discontinued operations/assets held for sale		(48,911)
	(18,078)	(208,969)
	(18,061)	(159,856)

At December 31, 2013, net financial debt was Euro 259,877 thousand, with a decrease of Euro 230 thousand compared to December 31, 2012.

(in thousands of euro)	12/31/2013	12/31/2012
Gross financial debt:		
Non-current financial liabilities:		
- Financial payables	-	-
- Finance lease liabilities		
- Other financial liabilities	4	21
Current financial liabilities:		
- Financial payables	260,113	261,372
- Finance lease liabilities		
- Other financial liabilities	3	9
Total gross financial debt (A)	260,120	261,402
Financial assets:		
Non-current financial assets:		
- Securities other than investments		-
- Financial receivables and other non-current financial assets	180	877
Current financial assets:		
- Securities other than investments		
- Financial receivables and other current financial assets	46	215
- Cash and cash equivalents	17	203
Total financial assets (B)	243	1,295
Net financial debt (A-B)	259,877	260,107

The most significant changes compared to December 31, 2012 are explained on the following page:

- **Current financial liabilities.** At December 31, 2013, current financial liabilities amounted to Euro 260,116 thousand (Euro 261,381 thousand at December 31, 2012), decreasing by Euro 1,265 thousand. The change referred mainly to Telecom Italia's waiver of Euro 100,000 thousand financial receivables in March 2013, as part of the agreements for the disposal of LA7 S.r.l., and a further waiver of Euro 10,000 thousand in October 2013. The item mainly consists of the following:
  - Euro 100,103 thousand, including interest for the year, related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the expiry (on December 21, 2013) of the previous loan agreement of the same amount between Telecom Italia S.p.A. and the European Investment Bank. The main details of the loan, which was issued on December 21, 2013, are outlined below:

Amount	Euro 100 million
Duration	1 year
Interest rate	3.08% on EURIBOR 3M;
  - Euro 141,915 thousand, including interest for the period, related to the short-term financial payable owed by Telecom Italia Media to Telecom Italia Finance SA as per variable-rate (based on EURIBOR) loan agreement signed on July 31, 2013, and providing for the credit facility totaling Euro 140,000 thousand;
  - Euro 18,078 thousand for the debt relating to the current account with Telecom Italia.

- **Financial receivables and other current financial assets.** This item amounted to Euro 46 thousand and related to the current share of loans to employees.

- **Cash and cash equivalents.** This item amounted to Euro 17 thousand and referred to cash and cash equivalents.

- **Financial receivables and other non-current financial assets.** The item amounted to Euro 180 thousand and related to loans to personnel.

ALTERNATIVE PERFORMANCE 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, 2013, in addition to the conventional financial indicators established by IFRS, certain non-IFRS measures are presented to allow for a better assessment of the operating and financial performance. These indicators, which are also presented in the interim financial statements (Half-year Report as of June 30 and interim reports as of March 31 and September 30) should not be construed as a substitute for the conventional ones prescribed by IFRS.

The alternative performance indicators are described below:

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

Profit (loss) before tax from continuing operations	
+	Finance expense
-	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 (loss)	
+/-	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, 2013

There were no events to report.

OUTLOOK FOR 2014

Risk factors and uncertainties for Telecom Italia Media during 2014

The following are the main risk factors and uncertainties facing Telecom Italia Media in 2014.

Risks associated with developments in the Italian and international advertising markets

Following the sale of LA7, completed on April 30, 2013 and of MTV Italia, which was finalized on September 12, 2013, the Group's activities are entirely dependent on providing hosting services for the television signal broadcasting network; these services are closely related to the general performance of the economy and the development of the domestic market where the companies that rent the broadcast bandwidth operate.
In May 2013, at the CNEL in Rome, the OECD presented the annual report on the Italian situation according to which the Italian GDP is expected to start growing not earlier than 2014 when, according to the forecasts, it should record +0.5 % growth, while the economy will remain weak in the 2013-2014 period; the outlook issued in late May 2013 revised these forecasts further down by forecasting GDP in 2013 at -1.8% and +0.4% for 2014. Another of the hottest topics is that of growth and, while appreciating the “significant fiscal improvement" launched by Italy in 2012, the OECD pointed out that "the results obtained thanks to recent structural reforms must be consolidated" through the implementation of "further measures to promote growth and improve competitiveness". The goal is that Italy undertakes the "path towards healthy growth" in the shortest possible time.

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, 2013, Telecom Italia Media net consolidated debt amounted to Euro 259.9 million (Euro 260.1 million at December 31, 2012).
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 of 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

The latest OECD Global Economic Outlook issued in November 2013 forecasts that the global economy is expected to continue expanding at a moderate pace, with some acceleration in growth expected for 2014 and 2015. However, forecasts for global growth have been significantly downgraded for 2014, due to the prospect of weaker growth in many emerging markets.
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.
In 2013 ordinary shares lost approximately 18% of their value and savings approximately 28%. At December 31, 2013, market capitalization was Euro 187.8 million (Euro 227.5 million at December 31, 2012).
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 particular, 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 disposal of LA7 and La7d television operations, finalized on April 30, 2013, and the disposal of MTV Italia, finalized on September 12, 2013, the 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 2014 include:

- keeping of the current level of bandwidth rental 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.

Based on the foregoing, in 2014 Telecom Italia Media expects to achieve results that are in line with those of 2013, in comparable terms.

OTHER INFORMATION

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

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

  Since Telecom Italia Media S.p.A. is a listed company, is a subsidiary of Telecom Italia S.p.A. and is subject to administration and control by Telecom Italia S.p.A., the Board of Directors has 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 9 directors and 6 independent directors in accordance with the criteria specified in Italian Legislative Decree No. 58/98 and the provisions of the Corporate Governance Code.

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

SUSTAINABILITY SECTION

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. the use of increasingly advanced technologies that permit an improvement in the quality of the services offered along with a reduced environmental impact; and
2. 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 Organizational Model 231, introduced in 2003, has been subsequently revised, internally and externally, to incorporate all of the Control Schemes associated with "231 offenses", which have been added to the Model over time.
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 231 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 Public Administration; and
2. general training aimed at very broad segments of the company population, typically without distinction.

INVESTOR-PROTECTION LAW (No. 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 "Savings Decree") 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

In the meeting of December 13, 2012 called also to bring the internal rules into line with the Corporate Governance Code adopted by Borsa Italiana's Corporate Governance Committee, the Telecom Italia Media's Board of Directors repealed the Company's internal code, deemed obsolete due to the evolution of primary, secondary and self-regulatory sources. In reiterating Telecom Italia Media's adherence to the Borsa Italiana Code (December 2011 edition), the Board of Directors adopted some Corporate Governance Principles that depart from and/or supplement the applicable framework of rules in reference to the duties and functioning of the Company's bodies, while referring to the principles and criteria of the Borsa Italiana Code for the remainder. The Company's Corporate Governance Principles are available on the corporate website www.telecomitaliamedia.it, Governance section.

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.

PRIVACY

The website www.telecomitaliamedia.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 users who consult the website www.telecomitaliamedia.it, owned and operated directly by Telecom Italia Media.

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 customer 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. Rapidity
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, all companies of the Telecom Italia Media Group had signed up to SISTRI (Waste Traceability Control System), a 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 or international.

One of the objectives is to promote all possible measures to reduce the environmental impact to a minimum with the aid of ongoing monitoring and internal checks.

To achieve this result the basic task is to foster the environmental awareness of Personnel, through training/information, enhancing their understanding of a sustainable use of the resources available (reduction of atmospheric emissions, optimization of vehicle transport and proper management of air-conditioning systems in premises and offices) 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 defining measures to optimize 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 committed to disseminating environmental awareness both internally and externally to the Company. The Company continued to improve some aspects with a significant environment impact, such as:

a) Electrical power
Significant reductions in electrical power consumption were recorded following the definitive switch to digital TV and the use in stations of a single 'hot' reserve transmitter in a pool with operating transmitters. Power consumption decreased from approximately 27GW/h in 2007 to approximately 19GW/h in 2013.

b) Energy conservation
In the context of the renovation of certain premises to expand the technical department located at Via della Pineta Sacchetti 229 in Rome, particular attention was devoted to the subject of the thermal insulation and climate-control management of the buildings.

c) Training/Information for Personnel
Awareness was raised amongst all employees of the need to engage in increasingly 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 environmentally-friendly emissions.
The same criterion was adopted for the purchase of emergency generators.

e) Electromagnetic pollution
As in the case of electrical power consumption, the definitive shift to digital technology contributed to the reduction of electromagnetic field emissions, owing to the use of systems with lower output power. Importance should be attached to the monitoring of electromagnetic fields in the Company's own transmitting stations, with the collaboration of external professionals in this industry, in addition to that performed by regional environmental protection agencies (Arpa) on a sample basis.

HEALTH AND SAFETY

The Risk Assessment Document required under the statutory framework regulating workplace safety is the main point of reference on work 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.

In 2013, the Group continued with the training efforts it had launched in 2012 on the subject of health and safety in the workplace. The courses, which were planned according to a theory and practice approach, allowed all workers to obtain the information and tools necessary to reinforce the culture of safeguarding health and safety, for the benefit of both themselves and others present in the workplace.
In the context of the training process aimed at reinforcing safety skills, the technical staff of TI Media Broadcasting, who when performing support and maintenance activity for signal broadcasting facilities are required to operate in areas with particular topological features, participated in an eight-hour safe off-road driving course, for which a participation certificate was then issued by Automobile Club d'Italia.
In the second half of 2013, work on improving the technical systems and spaces of the office located in Via della Pineta Sacchetti was completed.

In the case of Telecom Italia Media Broadcasting in particular, work done on the Rome office in relation to the expansion of broadcasting activities and the implementation of a new data-processing center included the construction of new spaces, in accordance with applicable workplace health and safety legislation.
The risk assessment document was also updated for the Prato office following the choice to concentrate technological infrastructure at the Rome facility and thus to change the office's risk profile.

In addition, following audits conducted on the premises of the various offices and technical premises of TI Media Group companies, and on the basis of elements deriving from an analysis of the accidents that had occurred over the previous ten years, the only risks identified may be attributed to:
- the risk of tripping or slipping, especially in access to broadcasting sites; and
- electrical risk.

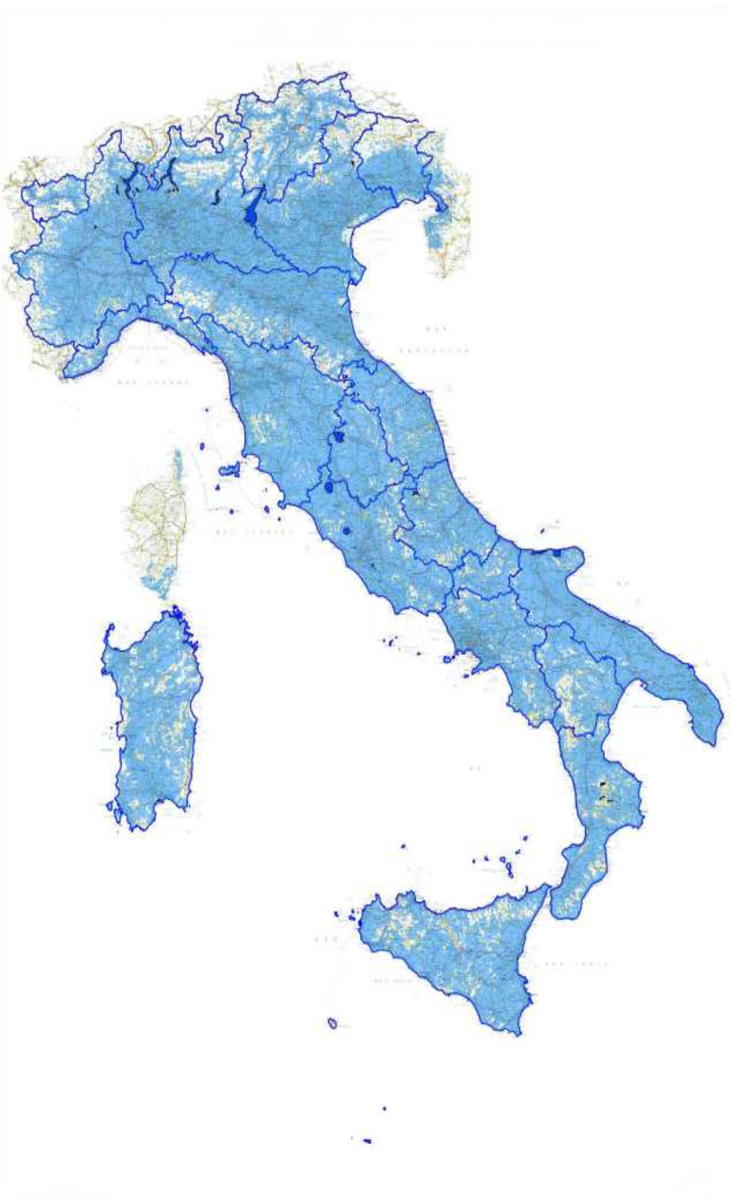
Accordingly, the following initiatives were carried out with the aim of further reducing the risks of accidents:
- replenishment of the stock of individual protection devices (e.g., protective footwear, work garments, helmets and gloves);
- revamping electrical installations in the broadcasting and control stations and adapting earthing installations and electrical protection devices through two companies (authorized bodies as per Presidential Decree No. 462/2001), i.e., Ellisse S.r.l. – Turin and Ente Certificazioni S.p.A. – Rome.

In conjunction with the switch from analog to digital broadcasting technology, Telecom Italia Media Broadcasting activated new broadcasting facilities with the aim of increasing signal coverage of Italy. Industry operators whose stations provided the most suitable safety equipment, such as Telecom Italia S.p.A. and RAI WAY, were chosen to host such facilities.
Lastly, every two years employee training courses are held on the accident-prevention and first-aid measures to be adopted pursuant to applicable laws (Article 37 of Legislative Decree No. 81/2008 and Ministerial Decree No. 388/2003). 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 and phonometric examinations and blood tests.

CUSTOMERS

As far as the Network Operator Telecom 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, 2013, thus covering 95.2% 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.



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 2013, 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, in accordance with the interests of Shareholders 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 structure, 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.

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 (International Labor Organization) principles 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, 2013	Workforce at December 31, 2012	Delta
84	699	(615)

At December 31, 2013, the workforce numbered 84, decreasing by 615 compared to December 31, 2012. The reduction was attributable to the sale of La7 S.r.l. to the Cairo Communication Group, finalized on April 30, 2013, and the sale of 51% interest in MTV Italia S.r.l. to Viacom, finalized on September 12, 2013.

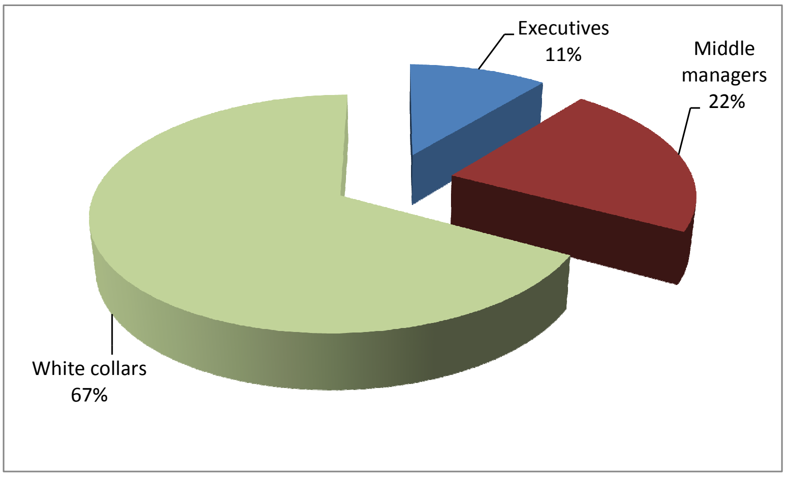
(units)	12/31/2013	12/31/2012	Change
TI Media S.p.A.	24	40	(16)
Network operator	60	47	13
Group total (Restated)	84	87	(3)
Discontinued operations:			
LA7		464	(464)
MTV Group		148	(148)
Group total	84	699	(615)

The workforce by category is shown in the following table:

(units)	12/31/2013	12/31/2012	Change
Executives	9	11	(2)
Middle managers	19	19	
White collars	56	56	
Blue collars	0	1	(1)
Total workforce (Restated)	84	87	(3)
Discontinued operations:			
Executives		21	(21)
Middle managers		98	(98)
Journalists		97	(97)
White collars		395	(395)
Blue collars		1	(1)
Group total	84	699	(615)

The breakdown of the Telecom Italia Media Group workforce by professional category was as follows:

Telecom Italia Media Group



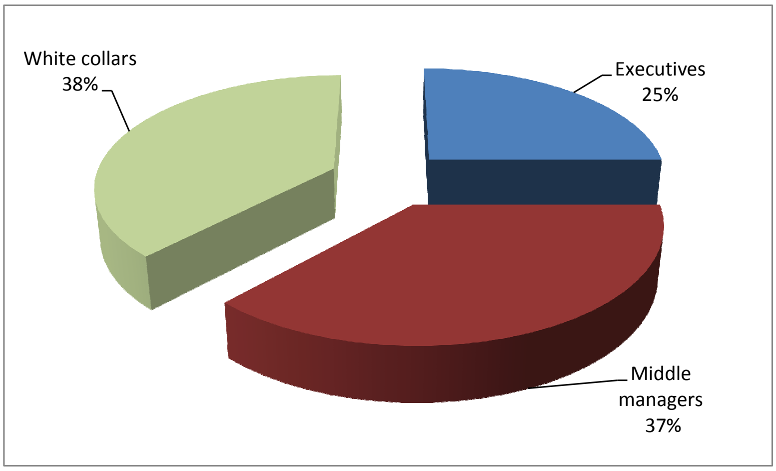
TELECOM ITALIA MEDIA S.p.A.

Workforce at December 31, 2013	Workforce at December 31, 2012	Delta
24	40	(16)

At December 31, 2013, Telecom Italia Media S.p.A. employed a workforce of 24, down by 16 resources due to the transfer of 4 staff to other Telecom Italia Group companies; the severance of the employment of 2 employees; and the transfer of 10 employees to TIMB, in accordance with the company's new organizational structure.

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

Telecom Italia Media S.p.A.



ORGANIZATION

In accordance with General Instruction No. 101 of June 21, 2013, the central functions *Administration, Control & Legal*, entrusted to Luigino Giannini, and *Human Resources, Facility & Security*, entrusted to Fabio Locatelli, as well as Communications activity, entrusted to Federica Moroni, report to Chairman Severino Salvemini. The TI Media Group Department was eliminated by that same Instruction.

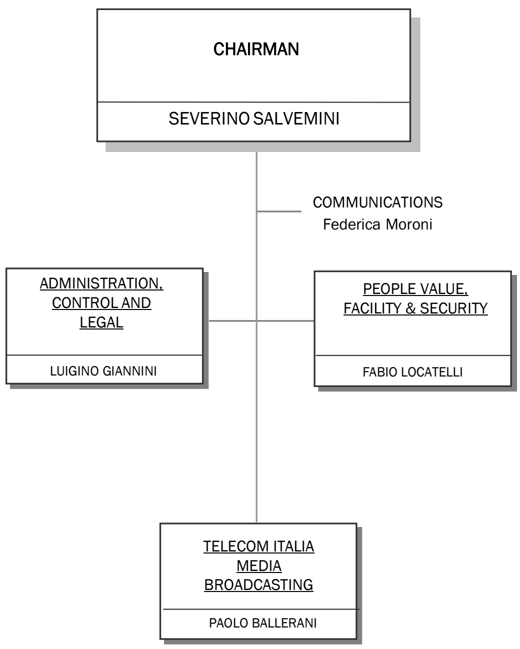
With Organizational Instruction No. 102 of June 21, 2013 the composition of the Investment Committee of Telecom Italia Media was redefined.

Following the organizational decisions made within the context of the TI Media Group, Telecom Italia Media Broadcasting was charged with responsibility for ensuring the management of processes and activities relating to purchasing and regulatory matters for the entire Group.

Accordingly, by TIMB Organizational Instruction No. 4 of June 21, 2013, within Telecom Italia Media Broadcasting the following were instituted: the *Purchasing and Business Support* function, entrusted to Guido Fermetti, and the Regulatory Affairs function, entrusted to Bianca Papini, to which the responsibilities and resources previously allocated to the *Purchasing* and *Regulatory Affairs* functions, respectively, of Telecom Italia Media were transferred; the latter functions are no longer included in the Company's organization pursuant to General Instruction No. 101 of June 21, 2013.
The newly instituted functions of Telecom Italia Media Broadcasting also ensure coverage of the activities in favor of Telecom Italia Media.

By Telecom Italia Organizational Instruction No. 697 of December 19, 2013, the *Human Resources, Facility & Security* function was renamed *People Value, Facility & Security.*

ORGANIZATIONAL CHART



DEVELOPMENT/TRAINING AND INCENTIVES

Training

A total of 1,157 hours — equivalent to an average of approximately 14 hours per capita — of training were provided in 2013.

In 2013, the Group confirmed its commitment to training and all issues concerning safety and health on the workplace, as it did in 2012.
The courses, characterized by a theoretical-practical approach, allowed 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.

In the context of the training process aimed at reinforcing safety skills, the technical staff of TI Media Broadcasting, who when performing support and maintenance activity for signal broadcasting facilities are required to operate in areas with certain types of topological features, participated in an eight-hour safe off-road driving course, for which a participation certificate was then issued by Automobile Club d'Italia.

In addition, an eight-hour medium-risk fire prevention course was held in May, aimed at staff responsible for preventing fires and managing emergencies.

The above-mentioned activities accounted for about 60% of the total number of hours of training.

Additional training initiatives for employees related to specialist subject matter.

In continuity with the previous year, 2013 also saw several training activities held using Interprofessional Fund resources. In particular, TI Media executives participated in two individual training programs, held with the financial contribution of Fondirigenti, aimed at reinforcing skills in the following areas:

- public speaking;
- languages.

Compensation

Management of the compensation component was primarily concentrated at year-end and was handled with criteria of rigor and selectivity, with regards to a core of approximately 10% of the TI Media Group's workforce.

In line with Telecom Italia Group policies, the managerial incentive system (MBO) was launched involving the most important managers and professionals, with the aim of orienting them towards the Company's short-term strategic objectives. In 2013, the system covered all Executives and about 60% of Middle Managers.
With the objective of cost containment, the 2013 MBO plan modified the bonus pay-out structure, in accordance with the Telecom Italia Group's policies, the range for which runs from a minimum of 70% (the previous value was 80%) of the target bonus to a maximum of 140% of the target (the previous value was 160%).

The Plan is based on three categories of objectives:

- economic/financial objectives of the Telecom Italia Group (common for all), represented by the “TI Group Net Financial Position” and “TI Group EBITDA”;
- economic objectives of the Telecom Italia Media Group (common for all), represented by “EBITDA ”, “TI Media Net Financial Position” and “TI Media Operating Free Cash Flow”;
- specific objectives, relating to the role covered and responsibilities assigned. Quantitative parameters were primarily used when assigning specific objectives.

In 2013, financial arrangements conditional upon the disposal of La7 S.r.l. were disbursed, implementing the plan approved by TI Media’s Board of Directors on December 13, 2012, and involving a small number of managers.

In connection with the process of disposing of La7 S.r.l., a limited number of executives and middle managers directly involved in the activities received special awards consistent with their roles and responsibilities.

Internal Communications

Implementation of the new TI Media Intranet, hosted on the Telecom Italia institutional Intranet, was completed in 2013.

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 the colleagues-donors.

INDUSTRIAL RELATIONS

In the first half of the year, meetings were held with company, local and national union representatives to provide information and updates regarding the process of disposing of La7 S.r.l.

An agreement with national and local union representatives concerning the performance bonus for TI Media and TI Media Broadcasting was signed in December 2013.

For TI Media, the agreement is only valid for 2013, with the bonus to be paid in June 2014. The structure of the bonus involves two income indicators, upon which payment of the bonus is contingent: EBITDA, with a weight of 70%, and external costs, with a weight of 30%.

For TI Media Broadcasting, the agreement, signed by the respective unit union representatives as well, is valid for the three-year period 2013-2015, with the final bonus payment in June 2016. The structure of the bonus involves two indicators, upon which payment of the bonus is contingent: an income indicator, represented by EBITDA, with a weight of 70%, and a quality indicator, represented by the service level index for class-A facilities, with a weight of 30%.

In both of the agreements signed, achievement of a pre-determined minimum EBITDA level is the access threshold for payment of the portion of the bonus tied to both indicators.

REGULATORY FRAMEWORK

Broadcasting Consolidation Law

The Italian radio and television system is primarily governed by Legislative Decree No. 177 of July 31, 2005, as amended, most recently by Legislative Decree No. 44 of March 15, 2010 (the amended version of Legislative Decree No. 177/05 is also referred to hereinafter as the “Consolidated Law”), which lays down the general principles for the provision of audiovisual and radio media services.
Pursuant to the Consolidation Law, the types of television market operators are as follows:

(i) media service provider: the party “who has editorial responsibility for the choice of the audiovisual content of the audiovisual media service and determines the manner in which it is organized”;
(ii) a provider of associated interactive services or conditional-access services, including pay-per-view offering:
(iii) network operator.

As a result of the disposal of LA7 S.r.l. and MTV Italia S.r.l., the Telecom Italia Media Group operates with Telecom Italia Media Broadcasting S.r.l. as non-integrated digital terrestrial Network Operator and hosts on its three multiplexes over 20 channels of third-party broadcasters.

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), published in the Official Journal of the Republic of Italy on May 31, 2012, transposed 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.

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 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 (MISE) has established the 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 grabbed by RAI and Mediaset.

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 analog 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.

After the switch-off process, which lasted four years and ended on July 4, 2012, the MISE assigned the final digital frequencies.
In detail, on June 28, 2012, the directive was adopted for the final assignment of the Rights of Use of digital frequencies in favor of TIMB, using DVB-T digital technology for a period of twenty years. The directive expressly envisages the possibility to apply by May 26, 2016 for a review of the restrictions imposed on the rights of use pursuant to Article 14, paragraphs 4 to 7, and Article 14-*bis* of Legislative Decree No. 259/03.

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, had provided for the completion of a beauty contest for the allocation of rights to use the digital dividend frequencies. The beauty contest was cancelled on April 28, 2012 by Law No. 44/12 and replaced with an open-bid tender process according to new criteria established by AGCOM with Resolution No. 277/13/CONS passed on April 11, 2013.
The resolution No. 277/13/CONS on the new criteria for digital dividend allocation provides for the auction of 3 lots:

- L1 (CH 6 VHF and 23 UHF), 89.5% population coverage;
- L2 (CH 7 and 11 VHF), 91.1% population coverage;
- L3 (CH 25 and 59 UHF), 96.6% population coverage.

The base auction price indicated by AGCOM, determined on the basis of the indemnity to be paid to local broadcasters for ceasing use of the 800 MHz frequency (former channels 61-69), amounts to approximately Euro 30 million per lot.
New entrants and existing operators with digital networks may participate for all three Lots. Rete A may participate for Lot L1 and Lot L3, while SKY Italia may participate for Lot L2 only, inasmuch as unencrypted programming must also be guaranteed for at least three years from award.
TIMedia, which has once more been considered on a par with RAI and Mediaset, may not take part in the tender.
In response to requests from the Commission, AGCOM will ensure observance of a cap of five DVB-T multiplexes in the event of the conversion, transfer or acquisition of rights to use television frequencies.
The resolution also calls for frequencies CH 54, 55 and 58 UHF to be eliminated from the tender, with the resulting amendment of the National Frequency Assignment Plan (PNAF), reduced from 25 to 22 digital networks.

On July 18, 2013, AGCOM adopted Resolution No. 451/13/CONS regarding the review of the National Frequency Assignment Plan. The new Plan envisages the immediate reservation for mobile services of the channels 57-60 UHF. The amendment of the PNAF includes also a review of the current assignments and the resolution of interference and international coordination problems, including the replacement of CH 60 UHF assigned to TIMB with CH 55 UHF. In fact, channel 60 UHF presents international coordination problems with Malta and highly significant problems due to interference with adjacent frequencies put to mobile use (LTE at 800 MHz, former TV channels 61-69 UHF).
The replacement has to be completed by June 30, 2015.
In September 2013, as requested by Italy's Ministry for Economic Development, TIMB replaced its channel in the Region of Sicily, an area not coordinated with Malta. In the remainder of the territory, TIMB planned a gradual replacement, during which it requested approval from the Ministry for Economic Development to broadcast on both frequencies.

Law No. 44/12 also provides that AGCOM is to establish the administrative contributions to be applied effective January 1, 2013 for the use of television frequencies by network operators. This regulation has yet to be prepared. By Resolution No. 568/13/CONS the Regulator extended the contribution scheme provided for by the license fee for former licensee broadcasters, on a transitional basis until the end of 2013.

DVB-T2

Law No. 44/12 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, it being further understood that such a digital tuner with MPEG-4 encoding, or more advanced standards, must be met by all television sets sold to consumers in Italy as of July 1, 2015.

Potential use of frequencies for mobile technology

In accordance with the Stability Law of 2011, the 790-862 MHz frequencies (formerly the television channels CH 61-69 UHF) — or "800 spectrum" in short — originally assigned to local television broadcasters, were earmarked for broadband mobile communications services.
Within this context, several post-2015 scenarios open up, when an advanced version of LTE will be introduced and new frequencies can be allocated to LTE mobile telephony, possibly including also the 700 MHz (694-790 MHz frequencies).

In light of the above deadline, it is likely that the Administrations will reorganize the frequency spectrum in order to permit the development of mobile broadband services, with the resulting reduction of the resources allocated to digital terrestrial television (see Article 3 (1) (b) of Decision No. 243/2012/EU of the European Parliament and Council of March 14, 2012 establishing a multiannual radio spectrum policy program, as well as Resolution No. 232 [COM5/10 (WRC12)]. Up to 96 MHz (channels 49-56 UHF), currently in use by Italian national television operators, could be freed up for mobile broadband.
It should also be noted that the competent authorities are currently studying solutions aimed at ensuring the implementation of the strategic indications set at a supranational level, with progressive scenarios subsequent to 2015 (e.g., 2020), while also taking the following into account:

- in dealing with the phenomenon of the convergence of services and technologies, the European Commission has adopted a more flexible approach to managing the radio spectrum, founded upon the principle of neutrality towards technologies and services. Accordingly, the radio spectrum, which previously was used by a single service, may be shared by various applications, while balancing the underlying public interests;
- the assignment of usage rights to broadcasters has a term of twenty years, with the ensuing need to lay out alternative solutions for broadcasters aimed at reducing or compensating for the effects arising from the aforementioned reorganization of the spectrum (hypotheses include refarming with underused frequencies or, as a last resort, compensation for damages);
- it is currently being verified whether television and mobile radio services are compatible for the 700 MHz band, which could be the focus of the next World Radiocommunication Conference, which will be held in 2015.

Main litigation regarding digital frequencies

1. 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 the 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 appeal was discussed on May 8, 2013 and the judgment was reserved for decision.

2. On November 14, 2013, as part of the protection actions undertaken against the non-allocation of the 4th MUX, TIMB lodged an appeal against Resolution No. 451/13/CONS on the revision of the Plan for the assignment of Digital Frequencies referred to in Resolution No. 300/10/CONS, which reduces the total number of networks under the plan from 25 to 22, pending a potential future assignment of the 700 MHz band to mobile services, without this being priorly shared and harmonized at European level.

3. In June 2012, 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 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
- to compensate the damage for (i) overall costs incurred for participation in the beauty contest; (ii) expectations of obtaining at least a MUX.

In June 2013 additional grounds were submitted with an application seeking precautionary measures for the overturning of AGCOM Resolution 277/13/CONS on the new auction criteria, with regard to the section in which TIMB, which has once more improperly been considered on a par with RAI and Mediaset, is prevented from participating in the tender procedure for the assignment of the digital dividend frequencies. In chambers on July 17, the Regional Administrative Court set the public hearing on the merits for July 25, 2014.

4. On December 20, 2013, TIMB filed an appeal against Resolution No. 568/13/CONS, which extends the contribution scheme provided for by the license fee for former licensee broadcasters until the end of 2013, in order to protect from a possible interpretation that would result in a payment due by the network operator of 1% of LA7 and MTV 2012 turnover.

Confindustria Radio Televisioni

The new association CONFINDUSTRIA TV was founded on June 20, 2013 with the participation of RAI, Mediaset, SKY, Telecom Italia Media, La7 and the local television and radio stations belonging to the Italian Radio and Television Federation (Small and Medium Enterprises).

At the end of 2013, the Standing Committees took office: Technical Committee, Institutional and Regulatory Committee and the Labor Committee. In particular, coordination of the Technical Committee has been assigned to the representative of Telecom Italia Media.

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.
EIB:	European Investment Bank.
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.
CNID:	Comitato Nazionale Italia Digitale (Italian Digital national committee).
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 Income (loss), before deduction of financial management and income taxes.
EBITDA:	Earnings Before Interest, Tax, Depreciation and Amortization – Economic value which identifies the Operating Income (loss) before amortization and depreciation, capital gains or losses and value reinstatement/write-downs of non-current assets.
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.
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.

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 consolidated law on radio and television", as amended.

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

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.

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

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.

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).

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

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 disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Italia S.r.l., which was completed on September 12, 2013, earnings results of the two companies have been classified under the item "Profit (loss) from discontinued operations/assets held for sale", in accordance with IFRS 5. In addition, in the interest of greater clarity in the representation of the Telecom Italia Media S.p.A.'s earnings performance, the historical income statement figures provided for the purposes of comparison with financial year 2013 have been restated taking account of the classification of the profit or loss generated by those assets as discontinued operations.

(in millions of euro)		Year 2013	Year 2012 (Restated)
OPERATING AND FINANCIAL HIGHLIGHTS			
Revenues		0.7	0.8
EBITDA (1)		(5.7)	(10.2)
	% on revenues	*(814.3)*	*(1,275.0)*
Operating income (loss)		(5.8)	(50.6)
	% on revenues	*(828.6)*	*(6,325.0)*
Comparable operating income (loss) (2)		(5.8)	(10.2)
	% on revenues	*(828.6)*	*(1,275.0)*
Result before tax from continuing operations		2.7	(53.5)
Profit/(loss) for the year		(150.5)	(178.1)
Investments:			
- Industrial		0.1	-
- Financial		9.6	-
		12/31/2013	12/31/2012
BALANCE SHEET HIGHLIGHTS			
Invested capital		197.5	190.7
Equity		15.5	56.2
Net financial position		182.0	134.5
WORKFORCE		12/31/2013	12/31/2012
Workforce (at year-end) (3)		24	40
		Year 2013	Year 2012
Average workforce (4)		31.1	39.5
Revenues/Workforce (in thousands of euro)		22.5	20.3

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

(2) This figure does not include Euro 40.4 million for goodwill impairment in 2012.

(3) The amount does not include 1 temporary staff at December 31, 2012.

(4) This figure does not include 1.0 temporary staff at December 31, 2012 and 0.7 temporary staff at December 31, 2013.

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

OPERATING PERFORMANCE FOR THE YEAR

FOREWORD

Following the disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Italia S.r.l., which was completed on September 12, 2013, earnings results have been classified under the item "Profit (loss) from discontinued operations/assets held for sale", in accordance with IFRS 5. In addition, in the interest of greater clarity in the representation of the Telecom Italia Media S.p.A.'s earnings performance, the historical income statement figures provided for the purposes of comparison with financial year 2013 have been restated taking account of the classification of the profit or loss generated by those assets as discontinued operations.

Separate income statement

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change	%
Revenues	680	818	(138)	(16.9)
Other income	3,194	3,360	(166)	(4.9)
Total operating revenues and other income	**3,874**	**4,178**	**(304)**	**(7.3)**
Acquisition of goods and services	(5,240)	(4,752)	(488)	(10.3)
Employee benefits expenses	(3,787)	(8,355)	4,568	54.7
Other operating expenses	(600)	(1,312)	712	54.3
Changes in inventories	-	-	-	-
Internally generated assets	-	-	-	-
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**(5,753)**	**(10,241)**	**4,488**	**43.8**
Depreciation and amortization	(18)	(1)	(17)	n.a.
Gains /(Losses) realized on disposals of non-current assets	-	-	-	-
Reversals /(Impairment losses) on non-current assets	-	(40,355)	40,355	100.0
OPERATING INCOME (LOSS) (EBIT)	**(5,771)**	**(50,597)**	**44,826**	**88.6**
OPERATING INCOME (LOSS) (EBIT), COMPARABLE	**(5,771)**	**(10,242)**	**4,471**	**43.7**
Income/ (expenses) from investments	10,936	(188)	11,124	n.a.
Finance income	4,168	4,092	76	1.9
Finance expenses	(6,603)	(6,834)	231	3.4
RESULT BEFORE TAX FROM CONTINUING OPERATIONS	**2,730**	**(53,527)**	**56,257**	**n.a.**
Income tax expense	2,342	3,453	(1,111)	(32.2)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**5,072**	**(50,074)**	**55,146**	**n.a.**
Profit (loss) from discontinued operations/Non-current assets held for sale	(155,575)	(128,036)	(27,539)	(21.5)
PROFIT (LOSS) FOR THE YEAR	**(150,503)**	**(178,110)**	**27,607**	**15.5**

STATEMENTS OF COMPREHENSIVE INCOME

Profit (loss) for the year		(150,503)	(178,110)
Other components of the statement of comprehensive income that will not be subsequently reclassified to Separate Income Statement			
° Remeasurement of defined benefit plans			
° Actuarial gains (losses)		(223)	(19)
° Tax effects		62	5
	Sub-total	(161)	(14)
Total profit (loss) for the year		(150,664)	(178,124)

Year 2013	*680*
Year 2012	*818*
Abs. change	*(138)*
Change %	*(16.9)*

Sales and service revenues for 2013 amounted to Euro 680 thousand, down by Euro 138 thousand compared to Euro 818 thousand for the previous year (-16.9%). Following the disposal of LA7, Telecom Italia Media S.p.A.'s revenues referred exclusively to top management services to be billed to the subsidiary Telecom Italia Media Broadcasting.

Year 2013	*3,194*
Year 2012	*3,360*
Abs. change	*(166)*
Change %	*(4.9)*

Other revenues for 2013 amounted to Euro 3,194 thousand, down by Euro 166 thousand compared to 2012. This item is broken down as follows:

(in thousands of euro)	Year 2013	Year 2012	Change
Use of writedown provisions, operative provisions and extraordinary provisions	1,280	500	780
Recovery of employee benefit expenses	84	535	(451)
Recovery and reimbursements of acquisition of goods, services, use of property not owned	260	266	(6)
Other reimbursements	-	-	-
Other revenues and extraordinary income	1,570	2,059	(489)
Total other income	3,194	3,360	(166)

Other revenues declined by Euro 166 thousand compared to Euro 3,360 thousand for 2012. Euro 1,280 thousand regarding the use of provisions was mainly attributable to both the reclassification and conclusion of some litigation; Euro 1,570 thousand relating to other income was primarily generated by administrative services rendered to Telecom Italia Media Broadcasting S.r.l. (Euro 1,517 thousand).

Year 2013	*(5,753)*
Year 2012	*(10,241)*
Abs. change	*4,488*
Change %	*(43.8)*

Operating result before depreciation and amortization (EBITDA) for 2013 amounted to Euro -5,753 thousand, improving by Euro 4,488 thousand compared to Euro -10,241 thousand in 2012. The rise was mainly driven by a Euro 4,568 thousand decline in employee benefits expenses and a Euro 712 thousand decrease in operating expenses, only partially offset by an increase in acquisition of goods and services for Euro 488 thousand.

In detail, the following factors impacted the performance of EBITDA at December 31, 2013:

Year 2013	*(5,240)*
Year 2012	*(4,752)*
Abs. change	*(488)*
Abs. %	*(10.3)*

Acquisitions of materials and services totaled Euro 5,240 thousand, with an increase of Euro 488 thousand over 2012 (10.3%). The main items are analyzed below:

(in thousands of euro)	Year 2013	Year 2012	Change
Acquisition of goods and services	63	44	19
Services	4,943	4,006	937
Professional services and consultancy	2,612	2,249	363
Electricity	12	21	(9)
Travel and accommodation	115	-	115
Commissions, fees and other commercial expenses		-	-
Advertising and promotion expenses	106	101	5
Signal conveyance, connections, inter-connections, telephone	33	1	32
Outsourcing	83	141	(58)
Distribution and storage	3	-	3
Insurance	40	17	23
T&E services	12	6	6
Other costs for services	1,927	1,470	457
Use of property not owned	234	702	(468)
Real estate rents	171	54	117
Rental fees	63	18	45
Other costs for the use of property not owned		630	(630)
Total acquisition of goods and services	5,240	4,752	488

Year 2013	*(3,787)*
Year 2012	*(8,355)*
Abs. change	*4,568*
Charge %	*54.7*

Employee benefits expenses for 2013 were Euro 3,787 thousand, down by Euro 4,568 thousand compared to Euro 8,355 thousand in 2012 (-54.7%), and included net expenses totaling Euro -1,389 thousand for 2013 (Euro 1,726 thousand for 2012), mainly attributable to changes in provisions allocated in 2012 for the definition of an employee incentive plan correlated to the successful completion of the disposal of LA7. Moreover, these expenses accounted for accruals for the labor dispute with employees, redundancy incentive costs for 2013 of Euro 943 thousand (not present in 2012) and other employee benefits expenses totaling Euro -222 thousand in 2013 (not present in 2012). Net of those items, the cost of labor decreased by Euro 2,174 thousand, comprised of costs incurred in 2012 for the termination of top managers' contracts and the lower cost recognized in 2013 as a result of the reduction in workforce, as described below.

At year-end, the **workforce** numbered 24, a decrease of 16 compared to December 31, 2012. This reduction was mainly due to the transfer of 4 staff to other Telecom Italia Group companies; the severance of the employment of 2 employees; and the transfer of 10 employees to Telecom Italia Media Broadcasting, in accordance with the company's new organizational structure.

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

EXACT WORKFORCE	12/31/2013	%	12/31/2012	%	Change
Executives	6	25.0	9	22.5	(3)
Middle managers	9	37.5	13	32.5	(4)
Journalists					
White collars	9	37.5	18	45.0	(9)
Blue collars					
Total workforce	**24**	**100.0**	**40**	**100.0**	**(16)**
Temporary staff			1		(1)

AVERAGE WORKFORCE	Year 2013	%	Year 2012	%	Change
Executives	7.0	22.5	8.9	22.5	(1.90)
Middle managers	11.1	35.7	13.0	32.9	(1.90)
Journalists					
White collars	13.0	41.8	17.6	44.6	(4.60)
Blue collars					
Total workforce	**31.1**	**100.0**	**39.5**	**100.0**	**(8.40)**
Temporary staff	0.7		1.0		(0.30)

Year 2013	*(600)*
Year 2012	*(1,312)*
Abs. change	*712*
Change %	*54.3*

Other operating expenses for 2013 amounted to Euro 600 thousand, with a decrease of Euro 712 thousand compared to 2012 (Euro 1,312 thousand). They included:

(in thousands of euro)	Year 2013	Year 2012	Change
Writedowns and charges related to receivables management			
Provisions	95	1,250	(1,155)
Concession fees for the exercise of TLC activities	1	1	
Taxes, stamps and levies	22	1	21
Associations fees	50	36	14
Other expenses and charges	432	24	408
Total other expenses	**600**	**1,312**	**(712)**

Year 2013	*(5,771)*
Year 2013, comparable	***(5,771)***
Year 2012	*(50,597)*
Year 2012, comparable	***(10,242)***
Abs. change	*44,826*
Abs. change, comparable	***4,471***
Change. %	*88.6*
Change % (comparable)	***43.7***

Operating result for 2013 amounted to Euro -5,771 thousand, improving by Euro 44,826 thousand compared to 2012. Excluding the goodwill writedown of Euro 40,355 thousand in 2012, operating result improved by Euro 4,471 thousand. This trend substantially mirrors the change in EBITDA, as previously described, and a rise in depreciation and amortization, as follows.

Year 2013	*(18)*
Year 2012	*(1)*
Abs. Change	*(17)*
Change %	*n.a.*

Other depreciation and amortization for 2013 totaled Euro 18 thousand, compared to Euro 1 thousand for the previous year, with an increase of Euro 17 thousand. Depreciation and amortization were classified as follows:

(in thousands of euro)	Year 2013	Year 2012	Change
Depreciation and amortization			
- Depreciation of tangible assets	18	1	17
- Amortization of intangible assets	-	-	-
Total	18	1	17

Year 2013	*0*
Year 2012	*(40,355)*
Abs. change	*40,355*
Change %	*100.0*

Reversals/(Impairment) of non-current assets stood at Euro -40,355 thousand in 2012 and related to the goodwill writedown resulting from impairment test.

Year 2013	*10,936*
Year 2012	*(188)*
Abs. change	*11,124*
Change %	*n.a.*

Other income (expenses) from investments amounted to Euro 10,936 thousand compared to Euro -188 thousand in 2012, improving by Euro 11,124 thousand. In 2013, this item included Euro 11,000 thousand for dividends received from the subsidiary Telecom Italia Media Broadcasting S.r.l. and Euro 10 thousand from the investee company TIVU' S.r.l., in addition to Euro 74 thousand for the negative adjustment of the value of the investment in Tiglio1. In 2012, this item also included Euro 203 thousand for the negative adjustment of the value of the investment in Tiglio 1, and Euro 13 thousand referring to the writedown of the investment in Consorzio Sardegna Digitale, 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 2013	Year 2012	Change
- Income from investments	11,010	28	10,982
dividends			-
Telecom Italia Media Broadcasting	11,000	-	11,000
Tivù S.r.l.	10	28	(18)
			-
- Expense from investments	(74)	(216)	142
Consorzio Sardegna Digitale		(13)	13
Tiglio 1	(74)	(203)	129
Other income/(expenses) from investments	**10,936**	**(188)**	**11,124**

Year 2013	*(2,435)*
Year 2012	*(2,742)*
Abs. change	*307*
Change %	*11.2*

The balance of financial operations for 2013 was Euro -2,435 thousand, compared to Euro -2,742 thousand in 2012, thus improving by Euro 307 thousand. This performance, which reflected Telecom Italia's waiver of the Euro 100,000 thousand financial receivable in March 2013, as part of the process of selling LA7 S.r.l., and a further waiver in October 2013 of Euro 10,000 thousand, was mainly attributable to the Euro 140,000 thousand loan granted by Telecom Italia Finance in July 2013 at lower interest rates than those of the loan matured in December 2012 (Euro 60,000 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 IAS 19R.

In further detail:

(in thousands of euro)	Year 2013	Year 2012	Change
Finance income	4,168	4,092	76
Foreign exchange gains			
Finance expenses	(6,582)	(6,834)	252
Expenses related to discounting of non-current liabilities	(21)		(21)
Foreign exchange losses			
Net finance income (expenses)	**(2,435)**	**(2,742)**	**307**

The result before taxes from continuing operations for 2013 amounted to Euro 2,730 thousand, compared to Euro -53,527 thousand in 2012.

The improvement (Euro 56,257 thousand) was attributable to the operating result (Euro 44,826 thousand), income/expenses from investments (Euro 11,124 thousand) and total financial operations (Euro 307 thousand).

Year 2013	*2,342*
Year 2012	*3,453*
Abs. change	*(1,111)*
Change %	*(32.2)*

Income tax expense for the year amounted to Euro 2,342 thousand (Euro 3,453 thousand for 2012), decreasing by Euro 1,111 thousand. Specifically, as a result of the Company's participation in Telecom Italia's National Tax Consolidation, financial year 2013 accounted for tax assets on tax losses for the year amounting to Euro 3,068 thousand. The decrease in taxes was primarily due to the lower negative taxable income recognized in 2013 than in 2012.

Year 2013	*(155,575)*
Year 2012	*(128,036)*
Abs. change	*(27,539)*
Change %	*(21.5)*

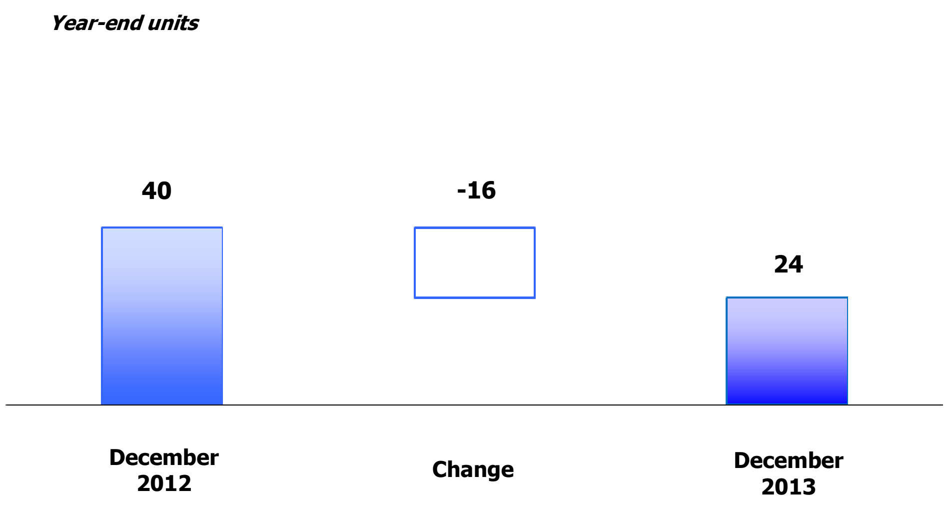
<u>Profit (loss) from discontinued operations/assets held for sale</u> amounted to Euro -155,575 thousand for 2013 (Euro -128,036 thousand for 2012) and included economic effects for the year resulting from the disposal of LA7 S.r.l. and MTV Italia S.r.l. for Euro -148,057 thousand and Euro -7,518 thousand, respectively. In 2012, this item included LA7 S.r.l.'s operations for eight months and Telecom Italia Media S.p.A.'s writedown of the investment for 2012.

(in thousands of euro)		LA7 S.r.l. December 31, 2013	MTV Italia S.r.l. December 31, 2013	TOTAL Discontinued operations	LA7 S.r.l. December 31, 2012	TOTAL Discontinued operations
Revenues				-	79,396	79,396
Other income				-	2,209	2,209
Total operating revenues and other income		**-**	**-**	**-**	**81,605**	**81,605**
Acquisition of goods and services				-	(94,610)	(94,610)
Employee benefits expenses				-	(28,859)	(28,859)
Other operating expenses				-	(2,275)	(2,275)
Changes in inventories				-	535	535
Internally generated assets		-	-	-	-	-
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**-**	**-**	**-**	**(43,604)**	**(43,604)**
Depreciation and amortization				-	(19,370)	(19,370)
Gains /(Losses) realized on disposals of non-current assets		-	-	-	-	-
Reversals /(Impairment losses) on non-current assets		-	-	-	-	-
OPERATING INCOME (LOSS) (EBIT)		**-**	**-**	**-**	**(62,974)**	**(62,974)**
Other income / (expenses) from investments		-	-	-	-	-
Finance income				-	142	142
Finance expenses				-	(1,582)	(1,582)
RESULT BEFORE TAXES		**-**	**-**	**-**	**(64,414)**	**(64,414)**
Income tax expense		-		-	17,658	17,658
OPERATING RESULT	**(A)**	**-**	**-**	**-**	**(46,756)**	**(46,756)**
Writedown of the investment in LA7					**(81,280)**	
Economic effects generated by the disposal	**(B)**	**(147,562)**	**(7,365)**	**(154,927)**	**-**	**-**
Total capital loss	(A+B)	(147,562)	(7,365)	(154,927)	(128,036)	(128,036)
				-		-
Professional services - Advisors		(683)	(211)	(894)	-	-
Tax effects		188	58	246	-	-
				-		-
Subtotal	**(C)**	**(495)**	**(153)**	**(648)**	**-**	**-**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**(A+B+C)**	**(148,057)**	**(7,518)**	**(155,575)**	**(128,036)**	**(128,036)**

The net result for 2013 was Euro -150,503 thousand compared to Euro -178,110 thousand for the previous year.

At December 31, 2013, workforce numbered 24 (40 at December 31, 2012), decreasing by 16 units. This reduction was mainly due to the transfer of 4 staff to other Telecom Italia Group companies; the severance of the employment of 2 employees; and the transfer of 10 employees to Telecom Italia Media Broadcasting, in accordance with the company's new organizational structure.

Workforce



Statements of financial position

(in thousands of euro)	12/31/2013	12/31/2012	CHANGE
ASSETS			
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	6,295	6,295	-
Intangible assets with finite useful lives			-
	6,295	6,295	-
Tangible assets:			
Property, plant and equipment owned	72	8	64
Assets held under finance leases	-	-	-
	72	8	64
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	-	-	-
Other investments	173,642	173,716	(74)
Non-current financial assets	91	234	(143)
Miscellaneous receivables and other non-current assets	18,455	35,523	(17,068)
Deferred tax assets	1,595	2,639	(1,044)
	193,783	212,112	(18,329)
TOTAL NON-CURRENT ASSETS (A)	200,150	218,415	(18,265)
CURRENT ASSETS			
Inventories			-
Trade and miscellaneous receivables and other current assets	21,789	2,457	19,332
Current income tax receivables	27	122	(95)
Investments			-
Current financial assets			
Securities other than investments, financial receivables and other current financial assets	70,027	70,071	(44)
Cash and cash equivalents	8,109	55,387	(47,278)
TOTAL CURRENT ASSETS (B)	99,952	128,037	(28,085)
TOTAL ASSETS (A+B)	300,102	346,452	(46,350)
EQUITY AND LIABILITIES			
EQUITY			
- Share capital	212,188	212,188	-
- Share premium account	-	22,027	(22,027)
Other reserves and retained earnings (accumulated losses), including profit for the year	(196,648)	(178,011)	(18,637)
TOTAL EQUITY (C)	15,540	56,204	(40,664)
NON-CURRENT LIABILITIES			
Non-current financial liabilities	2	5	(3)
Employee benefits	356	441	(85)
Deferred tax liabilities			-
Provisions			-
Miscellaneous payables and other non-current liabilities	14,400	14,400	-
TOTAL NON-CURRENT LIABILITIES (D)	14,758	14,846	(88)
CURRENT LIABILITIES			
Current financial liabilities	260,263	260,212	51
Trade and miscellaneous payables and other current liabilities	9,541	15,190	(5,649)
Current income tax payables			-
TOTAL CURRENT LIABILITIES (E)	269,804	275,402	(5,598)
TOTAL LIABILITIES (F=D+E)	284,562	290,248	(5,686)
TOTAL EQUITY AND LIABILITIES (C+F)	300,102	346,452	(46,350)

Non-current assets at December 31, 2013 amounted to Euro 200,150 thousand, a decrease of Euro 18,265 thousand compared to December 31, 2012 (Euro 218,415 thousand). More in detail:

- intangible assets were Euro 6,295 thousand, unchanged compared to December 31, 2012.

(in thousands of euro)	Net intangible assets
12/31/2012	6,295
- Investments	
- Amortization for the year	
- Mergers, demergers, spin-offs	
- Disposals and other movements	
Total movements	
12/31/2013	6,295

- tangible assets amounted to Euro 72 thousand, with an increase of Euro 64 thousand compared to Euro 8 thousand at December 31, 2012. They are broken down as follows:

(in thousands of euro)	Gross tangible assets	Accumulated depreciation	Net tangible assets
12/31/2012	9	(1)	8
movements for the year			
- Investments	82		82
- Depreciation for the year		(18)	(18)
- Mergers, demergers, spin-offs			
- Disposals and other movements			
Total movements	*82*	*(18)*	*64*
12/31/2013	91	(19)	72

The breakdown by nature is provided below:

NET TANGIBLE ASSETS	12/31/2012	Investments	Depreciation	Other movements	12/31/2013
Industrial and civilian buildings					
Plant and machinery		13	(3)		10
Manufacturing and distribution equipment					
Other tangible assets	2	42	(15)	33	62
Work in process	6	27		(33)	
TOTAL	8	82	(18)		72

- **other non-current assets** decreased by Euro 18,329 thousand, from Euro 212,112 thousand at December 31, 2012 to Euro 193,783 thousand at December 31, 2013.
  The amount of other miscellaneous receivables from third parties at December 31, 2013 and December 31, 2012 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 decline in item Miscellaneous receivables and other non-current assets (Euro 17,068 thousand) was primarily attributable to the reclassification into current assets of receivables associated with the National Tax Consolidation scheme, relating to tax losses reported in 2012, which are expected to be collected in June 2014 for Euro 20,306 thousand, only partially offset by the recognition of receivables for losses reported in 2013 and amounting to Euro 4,055 thousand.

Year 2013	*9,682*
Year 2012	*29*
Abs. change	*9,653*
Change %	*n.a.*

<u>Total capital expenditure</u> for 2013 was Euro 9,682 thousand (Euro 29 thousand in 2012) and was classified as follows:

(in thousands of euro)	Year 2013	Year 2012	Change
Investments in intangible assets			
Investments in tangible assets	82	9	73
Total industrial investments	*82*	*9*	*73*
Investments in financial assets	9,600	20	9,580
Total	9,682	29	9,653
Industrial investments paid for the year	*87*	*9*	*78*

Telecom Italia Media S.p.A.'s industrial investments amounted to Euro 82 thousand, which related mainly to the purchase of furniture and furnishings for Euro 35 thousand and leasehold improvements for Euro 27 thousand.

Investments in other financial assets were Euro 9,600 thousand and referred to the acquisition of the investment in MTV Italia from LA7, subsequently transferred on September 12, 2013, as part of the agreement for the disposal of LA7 S.r.l.

12/31/2013	*99,952*
12/31/2012	*128,037*
Change Change	*(28,085)*
Charge %	*(21.9)*

Current assets amounted to Euro 99,952 thousand at December 31, 2013, down by Euro 28,085 thousand compared to December 31, 2012. The decline was mainly due to the aforementioned short-term reclassification of receivables from the National Tax Consolidation scheme associated with tax losses reported in 2012, which are expected to be collected by June 2014.

In further detail, current assets primarily include:

- net trade receivables of Euro 514 thousand, chiefly referring to trade receivables from Telecom Italia Media Broadcasting for Euro 360 thousand and from third-parties for Euro 151 thousand;
- miscellaneous receivables and other current assets amounting to Euro 21,275 thousand, including Euro 20,939 thousand for receivables from the Parent Company Telecom Italia S.p.A., mainly regarding receivables arising on the National Tax Consolidation scheme;
- financial receivables for Euro 70,027 thousand, chiefly arising from the short-term loan granted to Telecom Italia Media Broadcasting S.r.l. (Euro 70,000 thousand);
- cash and cash equivalents amounting to Euro 8,109 thousand and mainly including receivables associated with the current account with the subsidiary Telecom Italia Media Broadcasting.

Equity at December 31, 2013 amounted to Euro 15,540 thousand (Euro 56,204 thousand at December 31, 2012).

(in thousands of Euro)	Year 2013	Year 2012
At beginning of year	56,204	234,300
Elimination of the financial payable to Telecom Italia S.p.A.	110,000	
Profit (loss) for the year	(150,503)	(178,110)
Other movements	(161)	14
At end of year	15,540	56,204

The item "Elimination of Telecom Italia S.p.A.'s debt" refers to two partial waivers of financial receivable for a total amount of Euro 110,000 thousand by Telecom Italia S.p.A. in March and October 2013, amounting to Euro 100,000 thousand and Euro 10,000 thousand, respectively. In particular, the waiver of March 2013 was performed as part of the process of selling LA7 S.r.l.

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)	Profit (loss) for the year 12/31/2013	Profit (loss) for the year 12/31/2012 (Restated)	Equity [1] 12/31/2013	Equity [1] 12/31/2012
Financial Statements of Telecom Italia Media S.p.A.	(150,503)	(178,110)	15,540	56,204
Equity and result for the year of consolidated companies, net of Minority Interests	5,373	(48,283)	31,150	70,345
Book value of consolidated investments			(172,964)	(182,706)
Consolidation adjustments				
- elimination of goodwill recognized in the Parent Company's financial statements		40,355	(6,295)	(6,295)
- recognition in the consolidated statements of positive differences arising from purchase of investments and relevant impairment losses		(81,205)	21,144	21,144
- impairment loss 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	(4,810)	(4,818)	52,305	55,793
- adjustment of the deferred tax assets provision related to the above-mentioned transaction	1,322	1,323		
- intra-group dividends	(11,000)	(31)		
- results of companies classified among Discontinued Operations	(31,623)			
- results of consolidated companies included in parent companies results and impairment losses		81,280		
- delta minus disposal of LA7	48,590			
- delta plus disposal of MTV Group	10,680			
- other adjustments				
Equity and result for the year attributable to the equity holders of the Parent	(131,971)	(240,944)	(59,120)	(36,970)
Equity and result for the year attributable to Minority interests	(5,657)	(7,495)	76	4,596
Equity and result for the year in the consolidated financial statements	(137,628)	(248,439)	(59,044)	(32,374)

[1] Total equity, including result for the year

12/31/2013	*14,758*
12/31/2012	*14,846*
Abs. change	*(88)*
Change %	*(0.6)*

Non-current liabilities amounted to Euro 14,758 thousand at December 31, 2013 compared to Euro 14,846 thousand for the previous year and decreased by Euro 88 thousand.
The figure at December 31, 2013 and December 31, 2012 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 356 thousand in employee benefits.

12/31/2013	*269,804*
12/31/2012	*275,402*
Abs. change	*(5,598)*
Change %	*(2.0)*

At December 31, 2013, current liabilities amounted to Euro 269,804 thousand, compared to Euro 275,402 thousand at December 31, 2012, decreasing by Euro 5,598 thousand, mainly as a result of the decline in trade and miscellaneous liabilities and other current liabilities for Euro 5,649 thousand.

12/31/2013	*182,038*
12/31/2012	*134,525*
Abs. change	*47,513*
Change %	*35.3*

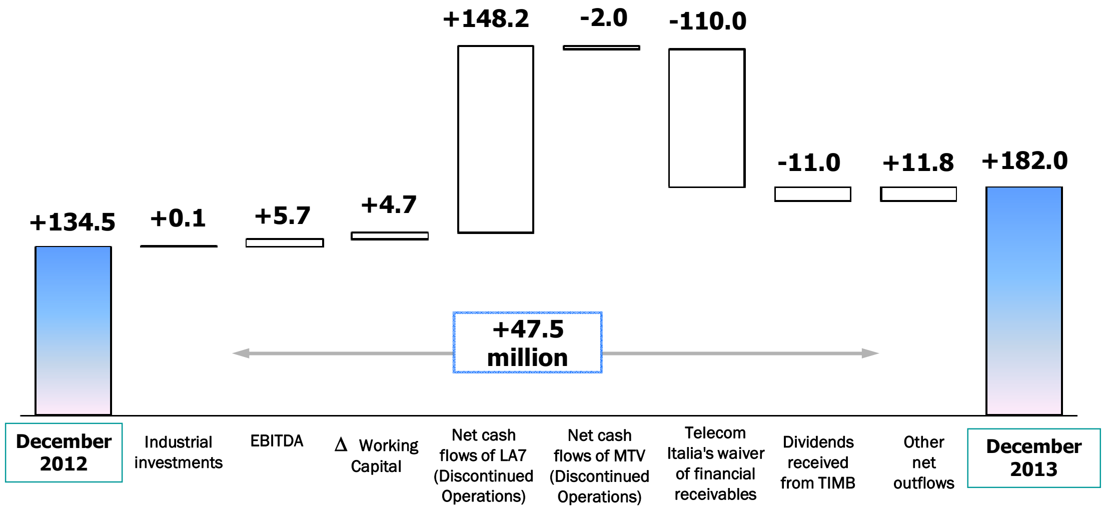
Telecom Italia Media S.p.A.'s net financial position at December 31, 2013 showed a debt of Euro 182,038 thousand, up by Euro 47,513 thousand compared to a debt of Euro 134,525 thousand at December 31, 2012.

The following factors contributed to this change:

- a Euro 170,547 thousand increase, broken down as follows:
  - Euro 82 thousand for industrial investment made in 2013;
  - Euro 5,753 thousand as a result of the operating activity for the year (EBITDA);
  - Euro 4,691 thousand concerning the change in working capital for the year;
  - Euro 148,245 thousand for net cash flow arising from the disposal of LA7;
  - Euro 11,776 thousand for other net outlays, mainly including Euro 9,600 thousand for the acquisition of the investment in MTV Italia S.r.l. from LA7 and Euro 2,435 thousand for net finance expense;

- a Euro 123,034 thousand decrease, broken down as follows:
  - Euro 2,024 thousand for net cash flow arising from the disposal of MTV Italia S.r.l.;
  - Euro 110,000 thousand referring to Telecom Italia S.p.A.'s waiver of a financial receivable for Euro 100,000 thousand in March 2013 and Euro 10,000 thousand in October 2013;
  - Euro 11,010 thousand regarding dividends for the year received from Telecom Italia Media Broadcasting S.r.l. (Euro 11,000 thousand) and TIVU' S.r.l. (Euro 10 thousand).

Breakdown of net financial position



The breakdown of the net financial position by nature/maturity is indicated on page 107.

Cash Flow Statements

(in thousands of euro)	Year 2013	Year 2012 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year	5,072	(50,074)
Adjustments for:		
Depreciation and amortization	18	1
Impairment losses/reversals of non-current assets (including investments)	74	40,571
Net change in deferred tax assets and liabilities	1,351	(2,645)
Gains/losses realized on disposals of non-current assets (including investments)		
Share of losses/gains of associates accounted for using the equity method		
Change in employee benefits	(329)	(449)
Changes in inventories	-	-
Change in trade receivables and in net receivables for contract works	1,163	(1,665)
Change in trade payables	(843)	1,690
Net change in income tax receivables/payables	95	(95)
Net change in miscellaneous receivables/payables and other assets/liabilities	(8,206)	(47,526)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	(1,605)	(60,192)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets on an accrual basis	-	-
Purchase of tangible assets on an accrual basis	(82)	(9)
Total acquisitions of intangible and tangible assets on an accrual basis	(82)	(9)
Change in trade payables relating to investing activities	(5)	-
Total purchase of intangible and tangible assets on a cash basis	(87)	(9)
Acquisition of subsidiaries and business lines, net of cash acquired	(9,600)	(20)
Acquisition of other investments	-	-
Change in financial receivables and other financial assets	187	(30)
Proceeds from sale of subsidiaries, net of cash disposed of	(146,221)	
Proceeds from sale/repayment of tangible, intangible and other non-current assets		
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(155,721)	(59)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in current financial liabilities and other liabilities	141,914	(45,090)
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	91	(17,339)
Increases/reductions of share capital and other changes in equity	110,000	-
Amount paid for instruments representing equity		
Dividends paid		
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	252,005	(62,429)
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	-	1,487
AGGREGATE CASH FLOWS (E=A+B+C+D)	94,679	(121,193)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)	(104,796)	16,397
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)	(10,117)	(104,796)

Additional cash flow information

(in thousands of euro)	Year 2013	Year 2012 (Restated)
Income tax expense (paid)/received	95	18,988
Interest expense	(4,097)	(6,101)
Interest income	4,106	3,062
Dividends received	11,010	28

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of Euro)	Year 2013	Year 2012 (Restated)
NET CASH AND CASH EQUIVALENTS AT BEGINNING 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
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR:		
Cash and cash equivalents - from continuing operations	8,109	55,387
Bank overdraft repayable on demand - from continuing operations	(18,226)	(160,183)
	(10,117)	(104,796)

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

(in thousands of euro)	12/31/2013	12/31/2012
Gross financial debt:		
Non-current financial liabilities:		
- Financial payables	-	-
- Finance lease liabilities		
- Other financial liabilities	2	5
Current financial liabilities		
- Financial payables	260,261	260,209
- Finance lease liabilities		
- Other financial liabilities	2	3
Total gross financial debt (A)	260,265	260,217
Financial assets:		
Non-current financial assets:		
- Securities other than investments	-	-
- Financial receivables and other non-current financial assets	91	234
Current financial assets:		
- Securities other than investments		
- Financial receivables and other current financial assets	70,027	70,071
- Cash and cash equivalents	8,109	55,387
Total financial assets (B)	78,227	125,692
Net financial debt (A-B)	182,038	134,525

At December 31, 2013, net financial debt was Euro 182,038 thousand, increasing by Euro 47,513 thousand compared to Euro 134,525 thousand at December 31, 2012. The change referred mainly to Telecom Italia's waiver of a Euro 100,000 thousand financial receivable in March 2013, as part of the agreements for the disposal of LA7 S.r.l., and a further waiver of Euro 10,000 thousand in October 2013.

In detail, figures for 2013 refer to:

- **Current financial liabilities.** At December 31, 2013, this item amounted to Euro 260,261 thousand (Euro 260,209 thousand at December 31, 2012), up by Euro 52 thousand. The item mainly consists of the following:
  - Euro 100,103 thousand, including interest for the year, related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the expiry (on December 21, 2013) of the previous loan agreement of the same amount between Telecom Italia S.p.A. and the European Investment Bank. The main details of the loan, which was issued on December 21, 2013, are outlined below:

Amount	Euro 100 million
Duration	1 year
Interest rate	3.08% on EURIBOR 3M;

  - Euro 141,915 thousand, including interest for the period, related to the short-term financial payable owed by Telecom Italia Media to Telecom Italia Finance SA as per variable-rate (based on EURIBOR) loan agreement signed on July 31, 2013, and providing for the credit facility totaling Euro 140,000 thousand;
  - Euro 18,078 thousand for the debt relating to the current account with Telecom Italia.

- **Financial receivables and other non-current financial assets.** This item stood at Euro 91 thousand, down by Euro 143 thousand compared to Euro 234 thousand at December 31, 2012 and regarding loans to employees.

- **Financial receivables and other current financial assets.** The item amounted to Euro 70,027 thousand, down by Euro 44 thousand compared to December 31, 2012 (Euro 70,071 thousand) and included a loan of Euro 70,000 thousand to Telecom Italia Media Broadcasting, renewed in September 2013, and Euro 27 thousand for loans to employees.

- **Cash and cash equivalents.** Cash and cash equivalents amounted to Euro 8,109 thousand, down by Euro 47,278 thousand compared to Euro 55,387 thousand at December 31, 2012. It should be noted that previous year's figure included Euro 45,899 thousand receivables from LA7 for the current account within the framework of centralized treasury system, and the 2013 figure accounted for a Euro 1,380 thousand decrease in receivables from Telecom Italia Media Broadcasting S.r.l. for the current account.

CONSOLIDATED Financial Statements

Accounting Statements and Notes at December 31, 2013

CONTENTS:

Consolidated Statement of Financial Position

ASSETS

(in thousands of euro)	Notes	12/31/2013	of which related parties	12/31/2012	of which related parties
NON-CURRENT ASSETS					
Intangible assets:					
Goodwill	3)	21,230		21,230	
Intangible assets with finite useful lives	4)	113,043		133,008	
		134,273		**154,238**	
Tangible assets:	5)				
Property, plant and equipment owned		60,375		74,768	
Assets held under finance leases		-		-	
		60,375		**74,768**	
Other non-current assets	6)				
Investments in associates and joint ventures accounted for using the equity method		-		-	
Other equity investments		788		1,513	
Non-current financial assets		180	-	877	-
Miscellaneous receivables and other non-current assets		16,040	4,184	42,485	30,450
Deferred tax assets	7)	8,351		9,679	
		25,359		**54,554**	
TOTAL NON-CURRENT ASSETS (A)		**220,007**		**283,560**	
CURRENT ASSETS					
Inventories	8)	11		1,693	
Trade and miscellaneous receivables and other current assets	9)	38,156	21,073	134,883	12,241
Current income tax receivables		182		493	
Equity investments		-		-	
Current financial assets					
Securities other than equity investments, financial receivables and other current financial assets	10)	46	-	215	-
Cash and cash equivalents	11)	17	-	203	-
TOTAL CURRENT ASSETS (B)		**38,412**		**137,487**	
TOTAL ASSETS (A+B)		**258,419**		**421,047**	

EQUITY AND LIABILITIES

(in thousands of euro)	Notes	12/31/2013	of which related parties	12/31/2012	of which related parties
EQUITY	12)				
- Share capital		212,188		212,188	
- Share premium account		-		22,026	
Other reserves and retained earnings (accumulated losses), including profit for the year		(271,308)		(271,184)	
Equity attributable to equity holders of the Parent		(59,120)		(36,970)	
Equity attributable to Minority Interests		76		4,596	
TOTAL EQUITY (A)		(59,044)		(32,374)	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	13)	4	-	21	-
Employee benefits	15)	1,369		9,714	
Deferred tax liabilities	7)	19,840		21,225	
Provisions	16)	-		238	
Miscellaneous payables and other non-current liabilities	17)	11,670	11,560	11,675	11,675
TOTAL NON-CURRENT LIABILITIES (B)		32,883		42,873	
CURRENT LIABILITIES					
Current financial liabilities	13)	260,116	260,113	261,381	260,084
Trade and miscellaneous payables and other current liabilities	18)	24,446	7,023	148,489	15,815
Current income tax payables		18		678	
TOTAL CURRENT LIABILITIES (C)		284,580		410,548	
TOTAL LIABILITIES (D=B+C)		317,463		453,421	
TOTAL EQUITY AND LIABILITIES (A+D)		258,419		421,047	

SEPARETE CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	Notes	Year 2013	of which with related parties	Year 2012 (Restated)	of which with related parties
Revenues	23	72,188	11,659	75,222	31,342
Other income	24	3,540	115	1,972	574
Total operating revenues and other income	**22**	**75,728**		**77,194**	
Acquisitions of goods and services	25	(29,964)	(7,014)	(29,442)	(6,552)
Employee benefits expenses	26	(7,147)	(117)	(11,657)	(740)
Other operating expenses	27	(8,390)	-	(3,099)	(9)
Changes in inventories		-		-	
Internally generated assets		-		-	
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**30,227**		**32,996**	
Depreciation and amortization	28	(28,385)		(27,057)	
Gains/(Losses) realized on disposals of non-current assets	29-30	-		48	
Reversals/(Impairment losses) on non-current assets	31	-		(70,000)	
OPERATING INCOME (LOSS) (EBIT)		**1,842**		**(64,013)**	
Other income (expenses) from equity investments	32	(64)	-	(188)	-
Finance income	33	741	717	1,203	1,073
Finance expenses	34	(6,524)	(1,915)	(6,759)	(2,872)
RESULT BEFORE TAX FROM CONTINUING OPERATIONS		**(4,005)**		**(69,757)**	
Income tax expense	35	(35)	(1,322)	(1,400)	15,103
RESULT FROM CONTINUING OPERATIONS		**(4,040)**		**(71,157)**	
Profit/(Loss) from discontinued operations/Non-current assets held for sale	36	(133,588)	-	(177,282)	-
PROFIT (LOSS) FOR THE YEAR	**37**	**(137,628)**		**(248,439)**	
Attributable to:					
- Equity holders of the Parent		(131,971)		(240,944)	
- Minority interests		(5,657)		(7,495)	

The following table reports the calculation of earnings per share:

	Year 2013	Year 2012 (Restated)
- Basic earnings (loss) per share:		
- ordinary shares	(0.0948)	(0.1711)
- savings shares	(0.0948)	(0.1711)
of which:		
- from continuing operations:		
- ordinary shares	(0.0028)	(0.0490)
- savings shares	(0.0028)	(0.0490)
- from discontinued opearations/non-current assets held for sale:		
- ordinary shares	(0.0920)	(0.1221)
- savings shares	(0.0920)	(0.1221)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year 2013	Year 2012 (Restated)	Changes
Profit (loss) for the year	**(137,628)**	**(248,439)**	**110,811**
Other components of the statement of comprehensive income, which subsequently are not to be reclassified in the separate income statement			
° Remeasurement of defined benefit plans (IAS19):			
° Actuarial gains (losses)	(111)	(340)	229
° Tax effects	31	94	(63)
sub-totale	(80)	(246)	166
Total profit (loss) for the year	**(137,708)**	**(248,685)**	**110,977**
Attributable to:			
- Equity holders of the Parent			
> Profit (Loss) from continuing operations	(4,120)	(71,402)	67,282
> Profit/(Loss) from discontinued operations/Non-current assets held for sale	(127,903)	(169,779)	41,876
- Profit (Loss) for the year attributable to equity holders of the Parent	(132,023)	(241,181)	109,158
- Minority interests			
> Profit (Loss) from continuing operations	3	-	3
> Profit/(Loss) from discontinued operations/Non-current assets held for sale	(5,688)	(7,503)	1,815
- Profit (Loss) for the year attributable to Minotiy Interests	(5,685)	(7,503)	1,818

Statement of changes in consolidated equity from January 1 to December 31, 2013

	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, 2012 (Note 12)	212,188	22,027		645	(271,830)	(36,970)	4,596	(32,374)
Change in equity for 2012								
Authorized dividends								
Comprehensive profit (loss) for the year					(131,971)	(131,971)	(5,657)	(137,628)
Capital increases								
Conversion of bonds								
Treasury shares								
Exercise of instruments representing equity (share options)								
Elimination of the financial payable to Telecom Italia S.p.A.					110,000	110,000		110,000
Change in consolidation area							1,038	1,038
Other movements		(22,027)		(52)	21,900	(179)	99	(80)
Balance at December 31, 2013 (Note 12)	212,188			593	(271,901)	(59,120)	76	(59,044)

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

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 company**	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 provision has been shown as a result of the early application of IAS 19R as of the results of the first half of 2012. The recognition of such provision has led to the reduction by the same amount of the opening balance of the item "Retained earnings (accumulated losses)", including profit (loss) for the period.

Consolidated Cash Flow Statements

(in thousands of euro)	Notes	Year 2013	Year 2012 (*)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) from continuing operations		(4,040)	(71,157)
Adjustments for:			-
Depreciation and amortization	28)	28,385	27,057
Impairment losses/reversals of non-current assets (including investments)	31)	74	70,216
Net change in deferred tax assets and liabilities		(2,038)	(4,108)
Gains/losses realized on disposals of non-current assets (including investments)	29-30)	-	(48)
Share of losses/gains of associates accounted for using the equity method		-	-
Change in employee benefits	15)	(104)	(598)
Changes in inventories	8)	-	-
Change in trade receivables and in net receivables for contract works		3,392	(7,095)
Change in trade payables		(1,125)	5,089
Net change in income tax receivables/payables		(3,540)	977
Net change in miscellaneous receivables/payables and other assets/liabilities		(10,162)	(36,125)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**10,842**	**(15,792)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets on an accrual basis	4)	(239)	(534)
Purchase of tangible assets on an accrual basis	5)	(6,253)	(17,188)
Total acquisitions of intangible and tangible assets on an accrual basis (2)		(6,492)	(17,722)
Change in trade payables relating to investing activities		(4,643)	(23,465)
Total purchase of intangible and tangible assets on a cash basis		(11,135)	(41,187)
Acquisitions of subsidiaries and businesses, net of cash acquired (I)		-	-
Acquisitions of other investments (II)		(9,460)	(20)
Change in financial receivables and other financial assets (I)		167	29
Proceeds from sale of subsidiaries, net of cash disposed of (II)		(98,861)	-
Proceeds from sale/repayment of tangible, intangible and other non-current assets (II)		20	63
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(119,269)**	**(41,115)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in current financial liabilities and other liabilities		141,914	(45,090)
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		90	(38)
Increases/reductions of share capital and other changes in equity (including subsidiaries)		110,000	-
Amount paid for instruments representing equity		-	-
Dividends paid (2)		-	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**252,004**	**(45,128)**
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)		(1,782)	(63,165)
AGGREGATE CASH FLOWS (E=A+B+C+D)		**141,795**	**(165,200)**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)		**(159,856)**	**5,344**
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)		**(18,061)**	**(159,856)**

(2) **OF WHICH TRANSACTIONS WITH RELATED PARTIES**		Year 2013	Year 2012 (*)
(in thousands of euro)			
Total acquisitions of intangible and tangible assets on an accrual basis	39)	(61)	(534)
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.

(*) Data have been restated following the sale of LA 7 S.r.l., finalized on April 30, 2013, and that of MTV, finalized on September 12, 2013.

Additional cash flow information

(in thousands of euro)	Year 2013	Year 2012 (*)
Income tax expense (paid)/received	9,495	21,763
Interest expense	(4,690)	(6,136)
Interest income	-	-
Dividends received	10	28

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of Euro)	Year 2013	Year 2012 (*)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR:		
Cash and cash equivalents - from continuing operations	45,919	6,832
Cash and cash equivalents - from discontinued operations/assets held for sale	3,194	17,417
	49,113	24,249
Bank overdraft repayable on demand - from continuing operations	(160,058)	(17,304)
Bank overdrafts repayable on demand - from discontinued operations/assets held for sale	(48,911)	(1,601)
	(208,969)	(18,905)
	(159,856)	**5,344**
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR:		
Cash and cash equivalents - from continuing operations	17	45,919
Cash and cash equivalents - from discontinued operations/assets held for sale	-	3,194
	17	49,113
Bank overdraft repayable on demand - from continuing operations	(18,078)	(160,058)
Bank overdrafts repayable on demand - from discontinued operations/assets held for sale	-	(48,911)
	(18,078)	(208,969)
	(18,061)	**(159,856)**

NOTES

NOTE 1 – General, Structure and Content Information

Structure and content

Telecom Italia Media (the **"Parent Company"**) and its subsidiaries form the **"Telecom Italia Media Group"** or the **"Group"**.
Telecom Italia Media is a company limited by shares (S.p.A.), organized according to the Italian legal system.
The Parent Company Telecom Italia Media S.p.A.'s registered office is in Rome (Italy), Via della Pineta Sacchetti 229.
The duration of the Company, as per its Bylaws, is until December 31, 2100.
The Telecom Italia Media Group operates in Italy.
The Group is mainly focused on the communications sector, operating in particular as Network Operator for television digital broadcasting, in addition to offering ancillary services and broadcasting platforms.

The Consolidated Financial Statements of Telecom Italia Media Group at December 31, 2013 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"), as well as 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 2013 the Group applied accounting standards consistent with those followed in the previous year, with the exception of the new standards/interpretations adopted by the Group effective January 1, 2013 and described below.

The consolidated financial statements were prepared using the cost method, with the exception of available-for-sale financial assets, financial assets held for trading and financial 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, 2013 were authorized for publication with a resolution passed by the Board of Directors on March 4, 2014.

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 Income (Loss), the alternative performance measure EBITDA — Operating income (loss) 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 expense
-	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 (Loss)	
+/-	Impairment losses/(Reversals) of non-current assets
+/-	Losses/(Gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA — Operating income (loss) before depreciation and amortization, capital gains/(losses), and impairment reversals/(losses) on non-current assets	

- the Consolidated Statement of Comprehensive Income includes profit (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 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.

As a result of the disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Group, which was completed on September 12, 2013, the relevant Business Units have been classified under Discontinued Operations. Moreover, as a result of the foregoing, the methods of representation of the income statement and equity results have been reviewed isolating the Network Operator BU, in line with the previous financial year.

- The Network Operator (TIMB) business unit includes the operations of Telecom Italia Media Broadcasting relating to managing the Digital Multiplexes operated by the Group, as well as the offering of accessory services and broadcasting platforms for third parties.

Scope of Consolidation

Subsidiaries no longer included in the consolidation area

Company		Month
LA7 S.r.l.	Disposed of	April 2013
MTV Italia S.r.l.	Disposed of	September 2013

NOTE 2 – Accounting Standards

Going concern

The consolidated financial statements for 2013 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, as well as the volatility of financial markets within the Eurozone;
  - 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 considering that the company continues to be in the conditions envisaged by Article 2446 of the Italian Civil Code, as described in section Other Information, the Parent Company Telecom Italia S.p.A. issued a letter of financial support whereby it confirms its intention and irrevocable commitment to fund and financially support Telecom Italia Media in order to ensure that the latter discharges its obligations and continues to operate regularly as going concern, avoiding any reduction in its capacity, at least for 12 months since the approval by the Shareholders' Meeting of the Annual Report for the year ended December 31, 2013. Telecom Italia also irrevocably undertook to refinance the outstanding debt owed by Telecom Italia Media to the Telecom Italia Group companies for a period of no less than 18 months. 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. controls an investee if it has all the following elements:

- power over the investee, i.e., the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- rights to variable returns (positive or negative) from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of its own returns.

Control is assessed whenever facts and circumstances indicate a change in one or more of those three elements based on which control is defined.

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 IFRS 10 – *Consolidated Financial Statements*, comprehensive losses (including profit or loss for the year) are attributed to shareholders of the Parent Company 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 investment is fully transferred or the investee company ceases to be qualified as a subsidiary company. Upon the partial disposal of investments, which does not involve loss of control, the translation gains or losses relating to the portion of 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.

Pursuant to IFRS 10, changes in a Parent Company's ownership interest in a subsidiary that do not result in the loss of control 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 Company.

Pursuant to IFRS 10, if the Parent Company loses control of a subsidiary, it
- derecognizes:
  - the assets (including goodwill) and liabilities of the former subsidiary;
  - the carrying value of any minority interests in the former subsidiary;
- recognizes:
  - the fair value of the consideration received, if any;
  - the fair value of any investment retained in the former subsidiary;
  - the gain or loss associated with the loss of control through profit or loss in the separate consolidated income statement;
  - the reclassification through profit or loss in the consolidated separate income statement of any amounts associated with the former subsidiary that had been previously recognized among other components of the statement of comprehensive income.

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 Joint Ventures* and IFRS 11 — *Joint Arrangements*. An associate is an entity 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Associates and joint ventures are included in the consolidated financial statements as of the date on which significant influence or joint control begin and until the date when this situation ceases.
In applying the equity method, the interest in an associate or joint venture is initially recognized at cost and the carrying value is adjusted to reflect the investor's share of the investee's profit or loss realized after the acquisition date. The share of profit (loss) for the year of the investee attributable to the investor is recognized through profit or loss in the separate consolidated income statement. Dividends received from an investee reduce the carrying value of the investment.
The carrying value of investments is also adjusted when other components of the statement of comprehensive income of the investee change (i.e., changes arising from translation gains or losses of foreign currency items). The share of changes attributable to the investor is recognized among other components of the statement of comprehensive income.
When the share of losses of an entity in an associate or joint venture is equal to or higher than its interest in the associate or joint venture, the entity does not recognize the share of further losses attributable to the investor. After writing down the investment to zero, further losses are recognized as liabilities, only to the extent to which the entity has undertaken legal or notional obligations or made payments on behalf of the associate or joint venture. Should the associate or joint venture subsequently report a profit, the entity starts to recognize again its share of profits, only after the share of profit has reached the amount of unrecognized losses.
Profits and losses arising on "upward" and "downward" transactions between an entity (including its consolidated subsidiaries) and an associate or joint venture are recognized in the entity's financial statements only to the extent related to the minority interest held in the associate or joint venture.
The share of profits and losses of the subsidiary or joint venture arising on such transactions is eliminated.

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 remeasures 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 in the statement of financial position.
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 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.

Other intangible assets with indefinite useful lives

Other intangible assets with indefinite useful lives are not systematically amortized, but are subject to an impairment test at least annually.

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.

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 over 20 years, with the enactment of Italian Legislative Decree No. 59 of April 8, 2008, which transformed individual licenses governing the use of digital frequencies (duration of 12 years) into general authorizations (duration of up to 20 years; renewable).

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, for transfer or leaseback of financial assets, 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 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 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 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 Cash Generating Unit (or group of units) is assumed not to exceed the average long-term growth rate of the industry, country, or market in which the Cash Generating Unit (or group of units) 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 Cash Generating Units (or group of units) is compared with the carrying amount of all the Cash Generating Units (or group of units), 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 joint ventures) 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, when 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 – *Financial Instruments: Recognition and Measurement*.
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 investments, classified as non-current assets, refer to those held to maturity. They are initially recognized at acquisition cost (with reference to the "trading date"), including ancillary costs, and subsequently at amortized cost.
The amortized cost represents the initial value of the financial instrument, net of capital reimbursements, increased or decreased by the overall amortization (using the effective interest method) calculated on any differences between the initial amount and the amount at maturity, less any writedowns for impairment or uncollectability, if any.

Securities other than investments included among current assets include those that management has decided to hold for no more than 12 months. They are classified 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 as contra-entry ("*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 of impairment, the impairment loss of financial assets carried at cost or amortized cost is recognized in the separate consolidated income statement. 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, as well as 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.

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:

- <u>Fair value hedges</u> — 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/or 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.

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 separate consolidated 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.

Following the disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Italia S.r.l., which was completed on September 12, 2013, earnings results have been classified under the item "Profit (loss) from discontinued operations/assets held for sale", in accordance with IFRS 5. In addition, in the interest of greater clarity in the representation of the Group's earnings performance, the historical income statement figures provided for the purposes of comparison with financial year 2013 have been restated taking account of the classification of the profit or loss generated by those assets as discontinued operations.

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.
Assessment of changes in actuarial gains/losses ("remeasurements") are to be recognized among the other components of the consolidated statement of 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.

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. In detail, the value of treasury shares is recognized in reduction of issued capital for the amount corresponding to the so-called "accounting parity" — which results from the ratio of overall share capital to the number of shares issued — 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 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 process are recognized in accordance with progress made (the percentage of completion method).

Research 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 joint ventures 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, for instance, 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 22,436 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 28,385 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 1,595 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 35 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 of 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 both valuation models that also take account of subjective measurements, such as, for example, cash flow estimates, expected price volatility, etc, and prices applied in regulated markets or quoted prices provided by financial counterparties.

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, 2013

Pursuant to IAS 8 —*Accounting Policies, Changes in Accounting Estimates and Errors*, the IFRSs in effect as of January 1, 2013 are briefly indicated and explained below.

Amendments to IAS 1 — *Presentation of Financial Statements*

On June 5, 2012, EC Regulation No. 475-2012 endorsed certain amendments made by IASB to IAS 1 on the presentation of other comprehensive income. In detail, the amendments require entities to group items presented in OCI based on whether they are reclassifiable to profit or loss subsequently, i.e. those that will be reclassified and those that cannot be reclassified.
The adoption of these amendments has not had any effect on the measurement of financial statement items and has had limited effects on the disclosures of these financial statements as of December 31, 2013.

Amendments to IFRS 7 — *Financial Instruments*: *Disclosures — Offsetting Financial Assets and Financial Liabilities*

On December 13, 2012, EC Regulation No. 1256-2012 endorsed certain amendments made by IASB to IFRS 7, regarding disclosures on offsetting of financial assets and financial liabilities.
The adoption of these amendments has not had any effect on the consolidated financial statements as of December 31, 2013.

Amendments to IAS 12 — *Income Taxes*

On December 11, 2012, EC Regulation No. 1255-2012 endorsed amendments to IAS 12. The Standard requires entities to measure deferred tax relating to an asset based on the future recovery of the carrying amount of the asset through sale or use. The amendment provides for the presumption that recovery of the carrying value is made usually through sale.

The adoption of these amendments has not had any effect on the consolidated financial statements as of December 31, 2013.

IFRS 10 — *Consolidated Financial Statements* and IAS 27 — *Separate Financial Statements*

On December 11, 2012, EC Regulation No. 1254-2012 endorsed IFRS 10, which fully superseded SIC 12 — *Consolidation—Special Purpose*, and the parts of IAS 27 — *Consolidated and Separate Financial Statements* (now named “*Separate Financial Statements*”), which regulate the methods and timing of preparation of the Consolidated Financial Statements.

IFRS 10 introduced new aspects in the definition of the concept of control, including some application guidelines (including agency relationships and potential voting rights).

The entity is required to constantly assess control requisites, not only at the time of acquisition of the investment.

IAS 27 outlines the principles of accounting for investments in joint ventures and associates, when it decides, or is required by local regulations, to prepare separate (non consolidated) financial statements.

The Telecom Italia Media Group, as allowed by the above-mentioned Regulation, decided to adopt these standards as of financial year 2013; however, their application has not had any effect on the consolidated financial statements as of December 31, 2013.

IFRS 11 — *Joint Arrangements*

The above-mentioned EC Regulation No. 1254-2012 endorsed IFRS 11, which fully superseded IAS 31 — *Interests in Joint Ventures*, and SIC 13 — *Jointly Controlled Entities – Non Monetary Contributions by Venturers*..

IFRS 11 requires the use of the equity method to measure investments by entities that jointly control an arrangement. Proportionate consolidation is therefore no longer allowed.

The Telecom Italia Media Group, as allowed by the above-mentioned Regulation, decided to adopt this standard as of financial year 2013; however, its application has not had any effect on the consolidated financial statements as of December 31, 2013.

IAS 28 — *Investments in Associates*

The above-mentioned EC Regulation No. 1254-2012 endorsed IAS 28R, which outlines the accounting for investments in associates and the requisites for the application of the equity method when accounting for investments in associates and joint ventures.

The Telecom Italia Media Group, as allowed by the above-mentioned Regulation, decided to adopt this standards as of financial year 2013; however, its application has not had any effect on the consolidated financial statements as of December 31, 2013.

IFRS 12 — *Disclosure of Interests in Other Entities*
The above-mentioned EC Regulation No. 1254-2012 endorsed IFRS 12, which requires the disclosures about an entity's interests in other entities, including joint arrangements, subsidiaries, associates and special purpose entities.
The adoption of these amendments has not had any effect on the consolidated financial statements as of December 31, 2013.

IFRS 13 — *Fair Value Measurement*
On December 11, 2012, EC Regulation No. 1255-2012 endorsed IFRS 13, which provides a single framework for measuring and comparing fair value through a fair value hierarchy. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).
IFRS 13 must be applied prospectively and does not broaden the cases of application of fair value, rather provides guidelines on its application methods.

In detail IFRS 13:
- defines fair value as: “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”;
- sets a single framework for measuring fair value;
- requires disclosures about fair value measurement.

The adoption of these amendments has not had any effect on the consolidated financial statements as of December 31, 2013.

Improvements to IFRSs *(2009-2011 cycle)*
On March 27, 2013, EC Regulation No. 301-2013 endorsed certain improvements to IFRSs for the 2009-2011 period.
In detail, they concern the following aspects:
- IAS 1 – clarification of the requirements for comparative information;
- IAS 16 – classification of spare parts and servicing equipment;
- IAS 32 – Tax effect of distributions to holders of equity instruments;
- IAS 34 – Interim financial reporting and segment information for total assets and liabilities.

The adoption of these improvements has not had any effects on the measurement of items of the consolidated financial statements as of December 31, 2013.

Transition Guidance; Amendments to IFRS 10, IFRS 11 and IFRS 12
On April 4, 2013, EC Regulation No. 313-2013 endorsed the Transition Guidance.
The Guidance amends IFRS 10 to clarify how an investor should retrospectively adjust its comparative period, if the consolidation conclusions differs under IAS 27 / SIC 12 and IFRS 10 at the “initial application date”.
The Guidance also amended IFRS 11 — *Joint Arrangements* and IFRS 12 — *Disclosure of Interests in Other Entities*, to simplify the presentation of or amendment to comparison information relating to periods before the so-called "immediately preceding period".
The Telecom Italia Media Group, as allowed by the above-mentioned Regulation, decided to adopt these amendments to the aforementioned Standards as of financial year 2013; however, their application has not had any effect on the consolidated financial statements as of December 31, 2013.

Investment Entities *(Amendments to IFRS 10, IFRS 12 and IAS 27)*
On November 20, 2013, EC Regulation No. 1174-2013 endorsed certain amendments to IFRS 10, IFRS 12 and IAS 27. The amendments apply to the so-called "Investment Entities". IASB uses the term "*Investment Entities*" to refer to an entity that:

- obtains funds from one or more investor for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and; e
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

These Entities include private equity and venture capital organizations, pension funds, sovereign funds and other investment funds.
These amendments are not as yet applicable to the Telecom Italia Media Group as the Group has no investment entities.

New Standards and Interpretations endorsed by the EU, not yet in Force

In December 2012, the EU adopted certain amendments made by IASB to IAS 32 — *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, to clarify the application of some criteria in offsetting financial assets and financial liabilities.
Amendments to IAS 32 are applicable as of January 1, 2014.
The application of these amendments is not expected to have material effects on the Group's consolidated financial statements.

NOTE 3 – Goodwill

Euro 21,230 thousand

(Euro 21,230 thousand at December 31, 2012)

Goodwill totaled Euro 21,230 thousand — considering that the Group elected not to apply retroactively the IFRS 3 upon first-time adoption of IFRS — and reflects the difference between the acquisition value of fully consolidated investments and the value of the corresponding portion of the equity at the time of acquisition, including Euro 86 thousand acquired with Elefante TV and Delta TV.

The breakdown and changes in 2012 and 2013 are detailed below:

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

YEAR 2013	Goodwill	Consolidation goodwill	Total
(in thousands of euro)			
Gross value at 12/31/2012	86	21,144	21,230
Investments			
Disposals			
Impairment			
Gross value at 12/31/2013	86	21,144	21,230

On June 30, 2013, the Group repeated the impairment test of the TIMB CGU carrying amount (to which goodwill is allocated) and of the Group value, based on both external and internal factors of presumed impairment. According to the impairment test, no impairment losses were found as at that date.
In April 2013, the sale of LA7 S.r.l. to Cairo Communication was completed, while the sale of 51% of MTV Italia S.r.l. to Viacom was completed in September 2013. As a result, the Group's scope of business was reduced to include only the Network Operator activities (TIMB).
In October 2013, Telecom Italia Media and Gruppo Editoriale L'Espresso announced the signing of a (non-binding) agreement for the possible integration of their digital multiplexes, seeking to leverage the assets of both operators including through the achievement of industrial synergies. The transaction is subject to obtaining the necessary authorizations.
As a result of this proposed integration, TIMB postponed the planning process; the post-integration 2014-2016 Plan will be presented after signing of the merger.
The impairment test at December 31, 2013 was carried out on the basis of the same Group operations as at June 30, 2013 (pre-integration), therefore excluding any possible benefit expected from the above mentioned integration; the test was based on TIMB stand alone plan prepared by the management in autumn 2013, and presented to the Board of Directors, which acknowledged it on November 5, 2013.

The impairment test at December 31, 2013 was carried out using the same method as that used for the impairment test at December 31, 2012 and June 30, 2013 and was conducted on two levels:

- Level I: each individual TIMB CGU;
- Level II: the Group as a whole.

In estimating TIMB recoverable value, the underlying Plan forecasts were reduced throughout the planning and simulation period in consideration of the (negative) variances identified in the Plan update (2014-2016 and the 2017-2018 simulation) compared to the previous Plan (2013-2015 and 2016-2017 simulation).

For the purpose of determining the cost of equity, the methodology applied was in keeping with that used at December 31, 2012 making use of the betas (calculated on a monthly basis) with the greater R^2. This required using the 2 year beta (rather than the 5 year beta used at December 31, 2012).
The betas calculated on a higher frequency (daily) were not used because they showed lower R^2 for each interval. This beta was determined based on the covariance between the monthly returns on Telecom Italia Media stock and those on the FTSE Italy All-Share index, adjusted for the return recorded in October 2013 which was affected by the announcement (of the transaction with Rete A) effect.

In 2013, the market capitalization of Telecom Italia Media fluctuated considerably, showing a markedly downward trend in the first half, followed by an upward trend in the second half of the year. As a result, the market capitalization at December 31, 2013 stood at Euro 183.9 million, down approximately 17% compared to the reference capitalization for last year impairment test (Euro 222.6 million).
The target market cap showed a decreasing trend in the first half of 2013, down to Euro 101.77 million, or about 50% less than the value at the beginning of the year.
In the early months of 2014, the market capitalization stood at approximately the value at year-end 2013, ending the month of February up slightly compared to the end of December 2013 (Euro 196 million); at the same time also the target market cap was up slightly (ending the month of February at Euro 116.29 million).

The above assessments have led to excluding any impairment losses for the year 2013.

NOTE 4 — Intangible assets with finite useful lives *Euro 113,043 thousand*

(Euro 133,008 thousand at December 31, 2012)

The breakdown and changes in 2013 and 2012 are detailed below:

YEAR 2013	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 12/31/2012	111,660	10,819	190,409	2,494	31,089	4,659	351,130
Investments	121			46	23	49	239
Disposals and other movements	(108,198)	(10,819)	(7,425)	(2,161)		(4,573)	(133,176)
Gross value at 12/31/2013	3,583		182,984	379	31,112	135	218,193
Amortization at 12/31/2012	(65,490)	(10,414)	(81,496)	(2,453)	(18,065)		(177,918)
Amortization for the year	(339)		(6,807)	(42)	(2,591)		(9,779)
Disposals and other movements	62,547	10,414	7,425	2,161			82,547
Amortization at 12/31/2013	(3,282)		(80,878)	(334)	(20,656)		(105,150)
Writedowns at 12/31/2012	(38,105)	(381)				(1,718)	(40,204)
Writedowns for the year							
Disposals and other movements	38,105	381				1,718	40,204
Writedowns at 12/31/2013							
Net value at 12/31/2012	8,065	24	108,913	41	13,024	2,941	133,008
Investments	121			46	23	49	239
Amortization	(339)		(6,807)	(42)	(2,591)		(9,779)
Writedowns							
Change in consolidation area	(7,546)	(24)				(2,390)	(9,960)
Disposals							
Reclassifications						(465)	(465)
Net value at 12/31/2013	301		102,106	45	10,456	135	113,043

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**

Investments for 2013, amounting to Euro 239 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.							
NETWORK OPERATOR	121		46	23	49		239
GROUP TOTAL	**121**		**46**	**23**	**49**		**239**

The item “Change in consolidation area” includes the effects of the disposal of LA7 and MTV.

Industrial patents and intellectual property rights — Euro 301 thousand

This item refers exclusively to application software owned by Telecom Italia Media Broadcasting S.r.l., which was amortized based on its expected useful life.
The item “Writedowns” for 2012 amounting to Euro 38,105 thousand is fully attributable to La7 S.r.l. and arose from the impairment testing that also took into account the disposal of La7 S.r.l., which occurred in April 2013.

Concessions, licenses, trademarks and similar rights — Euro 102,151 thousand

These items decreased by Euro 6,827 thousand. Excluding the amortization for the year, they referred primarily to expenses incurred to acquire television frequencies of Telecom Italia Media Broadcasting S.r.l. (Euro 102,106 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.

Irrevocable rights of use — Euro 10,456 thousand

These refer to the use of the fiber optic transmission network (so-called IRUs) 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 60,375 thousand

(Euro 74,768 thousand at December 31, 2012)

Overall, tangible assets decreased by Euro 14,393 thousand compared to December 31, 2012, and were recognized net of the relevant accumulated depreciation of Euro 131,859 thousand (Euro 183,251 thousand at December 31, 2012).
The breakdown and changes in 2013 and 2012 are detailed below:

YEAR 2013	Industrial and civilian buildings	Plant and machinery	Manufacturing and distribution equipment	Other tangible assets	Work in process	Total
(in thousands of euro)						
Gross value at 12/31/2012	335	228,410	6,195	28,355	5,999	269,294
Investments	37	5,424	18	747	27	6,253
Disposals and other movements	(13)	(51,355)	(5,009)	(24,055)	(2,857)	(83,289)
Gross value at 12/31/2013	359	182,479	1,204	5,047	3,169	192,258
Depreciation at 12/31/2012	(130)	(153,672)	(5,317)	(24,132)		(183,251)
Depreciation for the year	(32)	(17,976)	(100)	(498)		(18,606)
Disposals and other movements	3	44,757	4,407	20,831		69,998
Depreciation at 12/31/2013	(159)	(126,891)	(1,010)	(3,799)		(131,859)
Writedowns at 12/31/2012	(10)	(8,870)	(3)	(2,289)	(103)	(11,275)
Writedowns						
Other movements	10	8,846	3	2,289	103	11,251
Writedowns at 12/31/2013		(24)				(24)
Net value at 12/31/2012	195	65,868	875	1,934	5,896	74,768
Investments	37	5,424	18	747	27	6,253
Depreciation	(32)	(17,976)	(100)	(498)		(18,606)
Writedowns						
Change in consolidation area		(744)	(611)	(1,129)	(1)	(2,485)
Disposals		(20)				(20)
Reclassifications		3,012	12	194	(2,753)	465
Net value at 12/31/2013	200	55,564	194	1,248	3,169	60,375

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 value 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 value 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 12/31/2011	(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 value 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 value at 12/31/2012	195	65,868	875	1,934	5,896	74,768

The item "Change in consolidation area" includes the effects of the disposal of LA7 and MTV.

Plant and machinery

This item decreased by Euro 10,304 thousand compared to December 31, 2012 (Euro 65,868 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 55,550 thousand.

Other tangible assets

Other tangible assets included leasehold improvements amounting to Euro 269 thousand and basic hardware and software for Euro 744 thousand relating to Telecom Italia Media Broadcasting.

Work in process

Compared to December 31, 2012 (Euro 5,896 thousand), this item decreased by Euro 2,727 thousand and mainly referred to work in process of Telecom Italia Media Broadcasting amounting to Euro 3,169 thousand.

The ratio of the accumulated depreciation and writedowns on the gross value of fixed assets was 68.6% (72.2% at December 31, 2012).

The accumulated depreciation (Euro 131,859 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 6,253 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.		13		42	27	82
NETWORK OPERATOR	37	5,411	18	705		6,171
GROUP TOTAL	**37**	**5,424**	**18**	**747**	**27**	**6,253**

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 2013 and 2012:

	2013	2012
Industrial and civilian buildings	10.0% - 10.0%	6.1% - 10.0%
Plant and machinery	10.0% - 33.33%	9.0% - 20.0%
Manufacturing and distribution equipment	20.0% - 25.0%	13.3% - 25.0%
Other tangible assets	6.0% - 48.0%	5.1% - 66.7%

NOTE 6 – Other non-current assets

Euro 25,359 thousand

(Euro 54,554 thousand at December 31, 2012)

Other non-current assets decreased by Euro 29,195 thousand compared to December 31, 2012 and included:

(in thousands of euro)	12/31/2013	*of which financial instruments (1)*	12/31/2012	*of which financial instruments (1)*	Change
Investments in:					
Associate companies valued using the equity method					
Other companies	788		1,513		(725)
	788		1,513		(725)
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	180	180	877	877	(697)
	180	180	877	877	(697)
Miscellaneous receivables and other non-current assets					
Non current receivables due to National Tax Consolidation	4,184		30,450		(26,266)
Other miscellaneous receivables	11,856	11,856	12,035	12,016	(179)
	16,040	11,856	42,485	12,016	(26,445)
Deferred tax assets	8,351		9,679		(1,328)
Total	**25,359**	**12,036**	**54,554**	**12,893**	**(29,195)**

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

Investments — Euro 788 thousand

This item is made up as follows:

(in thousands of euro)	12/31/2012	Investments	Change in consolidation area	Impairment	Reclassifications and other movements	12/31/2013
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 Valle d'Aosta digitale	7					7
Effe TV	600		(600)			
Italbiz.com Inc.	1					1
Tiglio I S.r.l.	751			(74)		677
Tivù S.r.l.	35					35
Total	**1,513**		**(651)**	**(74)**		**788**

In 2013, the values of certain investments decreased on the whole by Euro 725 thousand. Specifically:

- an overall decline by Euro 651 thousand reported in the column “Change in the consolidation area”, arising from the disposal of LA7 S.r.l.’s investments upon the sale of the company on April 30, 2013;
- a Euro 74 thousand decrease regarding the writedown of the investment in Tiglio 1.

Securities and financial receivables Euro 16,220 thousand

This item decreased by Euro 27,142 thousand compared to December 31, 2012.
It is made up as follows and showed the following variations:

(in thousands of euro)	12/31/2013	12/31/2012	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	180	877	(697)
Total securities and non-current financial receivables	**180**	**877**	**(697)**
Miscellaneous non-current receivables:			
Receivables from the Parent company for National Tax Consolidation	4,184	30,450	(26,266)
Tax credits for advances on withholding employee termination indemnities taxes			
Deposits for third parties as collateral	456	616	(160)
Other miscellaneous receivables from third parties	11,400	11,419	(19)
Total non-current miscellaneous receivables	**16,040**	**42,485**	**(26,445)**
Total securities and receivables	**16,220**	**43,362**	**(27,142)**

Other non-current miscellaneous receivables Euro 16,040 thousand

This item decreased by Euro 26,445 thousand compared to December 31, 2012. The item receivables from the Parent Company in relation to the National Tax Consolidation scheme included Euro 4,055 thousand of Telecom Italia Media S.p.A. (of which Euro 3,129 thousand relating to tax losses for financial year 2013 and Euro 926 thousand, including interest, as extraordinary income for taxes relating to IRES tax refund following the deductibility of IRAP tax on staff costs established by the entry into force of Legislative Decree No. 16/2012, the settlement of which will undoubtedly be in line with the repayment plans established by the Tax Authority) and Euro 129 thousand of Telecom Italia Media Broadcasting S.r.l., also concerning extraordinary income for taxes relating to IRES tax refund, both due from the Parent Company Telecom Italia S.p.A., the collection of which, for the portion relating to tax losses for the year 2013, is expected in June 2015.

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. and Telecom Italia Media Broadcasting S.r.l.

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.

As described above, receivables also include Euro 1,055 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 Legislative Decree No. 16/2012, converted into Law No. 44/2012.

The amount of other miscellaneous receivables from third parties at December 31, 2013 and 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 11,489 thousand

(Euro 11,546 thousand at December 31, 2012)

(in thousands of euro)	12/31/2013	12/31/2012	Change
Deferred tax assets	8,351	9,679	(1,328)
Deferred tax liabilities	19,840	21,225	(1,385)
Total	**(11,489)**	**(11,546)**	**57**

(in thousands of euro)	12/31/2013	12/31/2012	Change
Deferred tax assets:			
Writedown of investments			
Provisions	737	1,793	(1,056)
Provision for doubtful receivables	7,948	6,714	1,234
Tax losses			
Other prepaid taxes	(334)	1,172	(1,506)
	8,351	9,679	(1,328)
Reserve for deferred taxes:			
Acquisition of business units	19,840	21,162	(1,322)
Receivables for accrued dividends			
Employee termination indemnity (actuarial value)			
Accelerated depreciation and amortization		63	(63)
	19,840	21,225	(1,385)
Total deferred tax assets, net of deferred tax reserves	**(11,489)**	**(11,546)**	**57**

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 8,351 thousand at December 31, 2013 and Euro 9,679 thousand at December 31, 2012) were overall reduced by Euro 1,328 thousand at December 31, 2013.

Specifically, Deferred tax assets included Euro 7,498 thousand at December 31, 2013 (Euro 6,714 thousand at December 31, 2012) relating to the tax benefit associated with the writedown of receivables, which will be deducted over time. Deferred tax liabilities included Euro 19,840 thousand (Euro 21,162 thousand at December 31, 2012) 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 11 thousand

(Euro 1,693 thousand at December 31, 2012)

At year-end, this item included the following:

(in thousands of euro)	12/31/2013	12/31/2012	Change
Raw materials and supplies			
Work in process and semifinished goods			
Finished goods	11	1,693	(1,682)
Advances on inventories			
Total	**11**	**1,693**	**(1,682)**

The Euro 1,682 thousand reduction compared to December 31, 2012 was due to the disposal of LA7 S.r.l. and MTV Italia; the figure at December 31, 2013 (Euro 11 thousand) was entirely attributable to Telecom Italia Media Broadcasting S.r.l.

NOTE 9 - Trade and miscellaneous receivables, and other current assets (excluding income tax receivables) Euro 38,156 thousand

(Euro 134,883 thousand at December 31, 2012)

This item declined by Euro 96,727 thousand compared to December 31, 2012, mainly due to the disposal of LA7 S.r.l. and MTV Italia S.r.l.

(in thousands of euro)	12/31/2013	*of which financial instruments (1)*	12/31/2012	*of which financial instruments (1)*	Change
Receivables for contract works					
Trade receivables:					
- receivables from customers	16,547	16,547	114,296	114,296	(97,749)
- receivables from Group companies and other related parties	38	38	3,568	3,568	(3,530)
	16,585	16,585	117,864	117,864	(101,279)
Miscellaneous receivables and other current assets:					
- other receivables	21,435	312	14,788	2,162	6,647
- commercial and other prepaid expenses	136		2,231		(2,095)
	21,571	312	17,019	2,162	4,552
Total	38,156	16,897	134,883	120,026	(96,727)

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

Trade receivables Euro 16,585 thousand

Trade receivables Euro 16,547 thousand

Trade receivables, net of related writedowns, amounted to Euro 16,547 thousand and mainly included receivables from Telecom Italia Media Broadcasting S.r.l. of Euro 16,471 thousand.
The value of receivables was in line with their presumed realizable amounts after the appropriate impairment losses as per contractual clauses, determined according to thorough recoverability analyses that also reflected the input of external legal counsel. The allowance for doubtful accounts amounted to Euro 22,436 thousand, thus decreasing by Euro 2,296 thousand. The Euro 5,981 thousand increase reported for the year was entirely attributable to Telecom Italia Media Broadcasting S.r.l. and its specific credit positions. The evolution of the provisions for receivables was as follows:

(in thousands of euro)	12/31/2012	Increase	Decrease	Change in consolidation area	Other movements	12/31/2013
Provision for doubtful receivables	24,732	5,981		(8,277)		22,436

At December 31, 2013, this item included Euro 12,974 thousand in impairment losses associated with Dahlia TV (in liquidation) carried out by Telecom Italia Media Broadcasting.

The item “Change in consolidation area” includes the effects of the disposal of LA7 and MTV.

Receivables from Group companies and other related parties — Euro 38 thousand

This item mainly included Euro 25 thousand for receivables from Telecom Italia S.p.A., entirely associated with Telecom Italia Media Broadcasting S.r.l.

Miscellaneous receivables and other current assets — Euro 21,571 thousand

Other receivables — Euro 21,435 thousand

This item increased by Euro 6,647 thousand compared to December 31, 2012, and includes:

(in thousands of euro)	12/31/2013	12/31/2012	Change
Advances to suppliers	7	3,931	(3,924)
Receivables from employees	71	173	(102)
Advance payments for other taxes	131	150	(19)
Deposits for third parties as collateral	5	153	(148)
Current receivables from the Parent Company for National Tax Consolidation	20,779	8,665	12,114
Receivables from social security institutions	190	658	(468)
Other items	252	1,058	(806)
Total	**21,435**	**14,788**	**6,647**

Receivables from the Parent Company Telecom Italia S.p.A. were Euro 20,779 thousand and regarded Telecom Italia Media S.p.A.; they related to tax losses recognized in 2012 by Telecom Italia Media S.p.A. following the participation in the National Tax Consolidation scheme.

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)	12/31/2013	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	16,897	13,968	1,243	576	318	792

(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

NOTE 10 – Financial receivables and other current financial assets

Euro 46 thousand

(Euro 215 thousand at December 31, 2012)

(in thousands of euro)	12/31/2013	12/31/2012	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	46	215	(169)
Hedging derivatives relating to hedged elements classified among current financial assets/liabilities			
Total	**46**	**215**	**(169)**

NOTE 11 – Cash and cash equivalents

Euro 17 thousand

(Euro 203 thousand at December 31, 2012)

(in thousands of euro)	12/31/2013	12/31/2012	Change
Cash at bank, financial and postal institutes		24	(24)
Cheques			
Cash	17	179	(162)
Receivables and deposits for cash flexibility			
Securities other than investments (with maturity not exceeding 90 days)			
Total	**17**	**203**	**(186)**

This item amounted to Euro 17 thousand and regarded cash and cash equivalents.

NOTE 12 — Equity

Euro -59,044 thousand

(Euro -32,374 thousand at December 31, 2012)

Equity decreased on the whole by Euro 26,670 thousand compared to December 31, 2012 and is made up as follows:

(in thousands of euro)	12/31/2013	12/31/2012	Change
Equity attributable to the Group			
Share capital	212,188	212,188	
Share premium account		22,027	(22,027)
Other reserves and retained earnings (accumulated losses), including result for the year	(271,308)	(271,185)	(123)
Equity attributable to equity holders of the Parent	**(59,120)**	**(36,970)**	**(22,150)**
Equity attributable to Minority interests	76	4,596	(4,520)
Total equity	**(59,044)**	**(32,374)**	**(26,670)**

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 Euro 0.30 per share.

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 ordinary shares, equal to two percent of Euro 0.30 per share.

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 ordinary 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** dropped by Euro 22,027 thousand compared to December 31, 2012 due to coverage of prior year's losses.

Other reserves and **Accumulated profit (loss), including profit (loss) for the year,** included all the reserves of the consolidated companies, the profits and losses of prior years and the year under review, including those of the Parent Company. This item was negative for Euro 271,308 thousand at December 31, 2013, down by Euro 123 thousand mainly due to the loss reported for the year (Euro 137,628 thousand), only partially offset by the increase in Other reserves of Telecom Italia Media following Telecom Italia S.p.A.'s partial waivers of receivables (Euro 100,000 thousand in March 2013 and Euro 10,000 thousand in October 2013) and by the use of the Share premium account to cover prior year's loss.

Potential future changes in share capital

At December 31, 2013, 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 260,120 thousand

(Euro 261,402 thousand at December 31, 2012)

This item was broken down as follows:

(in thousands of euro)	12/31/2013	12/31/2012	Change
Financial payables (medium/long-term share):			
- Bonds			
- Convertible and exchangeable bonds			
- Due to banks			
- Other financial liabilities			
Medium/long-term finance lease liabilities			
Other medium/long-term liabilities	4	21	(17)
Total medium/long-term financial liabilities (A)	**4**	**21**	**(17)**
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	260,113	261,372	(1,259)
	260,113	261,372	(1,259)
Short-term finance lease liabilities			
Other short-term financial liabilities	3	9	(6)
Total short-term financial liabilities (B)	**260,116**	**261,381**	**(1,265)**
Total financial liabilities C= (A+B)	**260,120**	**261,402**	**(1,282)**

NOTE 14 – Net financial debt[1]

(in thousands of euro)		12/31/2013	12/31/2012	Change
Non-current financial liabilities:				
Financial payables		-	-	-
Finance lease liabilities		-	-	-
Liabilities for hedging derivatives				-
Other financial liabilities		4	21	(17)
	(1)	4	21	(17)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	(A)	4	21	(17)
Current financial liabilities:				
Financial payables		260,113	261,372	(1,259)
Finance lease liabilities		-	-	-
Current liabilities for hedging and non-hedging derivatives				-
Other financial liabilities		3	9	(6)
	(2)	260,116	261,381	(1,265)
Deductions:				
Hedge derivatives - current assets		-	-	-
		-	-	-
TOTAL CURRENT FINANCIAL LIABILITIES	(B)	260,116	261,381	(1,265)
Financial liabilities relating to discontinued operations/assets held for sale	(C) (3)	-	-	-
TOTAL FINANCIAL DEBT	(D=A+B+C)	260,120	261,402	(1,282)
Current financial assets				
Securities				-
Financial receivables and other current financial assets		(46)	(215)	169
Cash and cash equivalents		(17)	(203)	186
	(4)	(63)	(418)	355
Deductions:				
Hedge derivatives - current assets			-	-
		-	-	-
	(E)	(63)	(418)	355
Financial assets relating to discontinued operations/assets held for sale	(F) (5)	-	-	-
TOTAL CURRENT FINANCIAL ASSETS	(G=E+F)	(63)	(418)	355
NET FINANCIAL DEBT AS PER CONSOB COMMUNICATION No.DEM/6064293/2006	(H=D+G)	260,057	260,984	(927)
Non-current financial assets				
Securities other than investments				-
Financial receivables and other non-current financial assets		(180)	(877)	697
	(6)	(180)	(877)	697
TOTAL NON-CURRENT FINANCIAL ASSETS	(I)	(180)	(877)	697
NET FINANCIAL DEBT	(L=H+I)	259,877	260,107	(230)
BREAKDOWN OF NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial liabilities	(1)	4	21	(17)
Current gross financial liabilities	(2) + (3)	260,116	261,381	(1,265)
		260,120	261,402	(1,282)
Total gross financial assets:				-
Non-current gross financial assets	(6)	(180)	(877)	697
Current gross financial assets	(4) + (5)	(63)	(418)	355
		(243)	(1,295)	1,052
NET FINANCIAL DEBT		259,877	260,107	(230)

[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, 2013, net financial debt was Euro 259,877 thousand, with a decrease of Euro 230 thousand compared to Euro 260,107 thousand at December 31, 2012.

In further detail:

- **Current financial liabilities.** At December 31, 2013, current financial liabilities amounted to Euro 260,113 thousand (Euro 261,372 thousand at December 31, 2012), decreasing by Euro 1,259 thousand. The change referred mainly to Telecom Italia's waiver of Euro 100,000 thousand financial receivables in March 2013, as part of the agreements for the disposal of LA7 S.r.l., and a further waiver of Euro 10,000 thousand in October 2013. The item mainly consists of the following:
  - Euro 100,103 thousand, including interest for the year, related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the maturity (on December 21, 2013) of the previous loan agreement of the same amount between Telecom Italia S.p.A. and the European Investment Bank. The main details of the loan, which was issued on December 21, 2013, are outlined below:

Amount	Euro 100 million
Duration	1 year
Interest rate	3.08% on EURIBOR 3M;

  - Euro 141,915 thousand, including interest for the year, related to the short-term financial payable owed by Telecom Italia Media to Telecom Italia Finance SA as per variable-rate (based on EURIBOR) loan agreement signed on July 31, 2013, and providing for the credit facility totaling Euro 140,000 thousand;
  - Euro 18,078 thousand for the debt relating to the current account with Telecom Italia.

- **Financial receivables and other current financial assets.** This item amounted to Euro 46 thousand and related to the current share of loans to employees.

- **Cash and cash equivalents.** This item amounted to Euro 17 thousand and regarded cash and cash equivalents.

- **Financial receivables and other non-current financial assets.** The item amounted to Euro 180 thousand and related to loans to personnel.

NOTE 15 – Employee benefits

Euro 1,369 thousand

(Euro 9,714 thousand at December 31, 2012)

The following changes occurred during the year:

(in thousands of euro)	12/31/2012	Change in consolidation area	Discounts	Increases	Decreases	Other movements	12/31/2013
Provision for employee termination indemnities	9,714	(8,340)	67	82	(333)	179	1,369
Provision for pensions and similar obligations							
Provisions for personnel outflow incentives (payable after 12 months)							
Total	**9,714**	**(8,340)**	**67**	**82**	**(333)**	**179**	**1,369**

The Provision for employee termination indemnities (TFR) declined overall by Euro 8,345 thousand, due chiefly to the sale of LA7 S.r.l and MTV Italia S.r.l. (cf. Euro 8,340 thousand in the column Change in the consolidation area). The decrease of Euro 333 thousand recorded under "Decreases" refers to utilizations of the provision made during 2013 for indemnities paid to personnel no longer in office and advances. The increase of Euro 67 thousand reported in column “Discounting to present value” and that of Euro 82 thousand in column “Increases” represent the sum of the provision for interest accrued in the year and actuarial adjustments made at December 31, 2013, reflecting the changes in the underlying financial assumptions (discount rate and inflation rate).

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.

Legislation was complemented by Legislative Decree No. 252/2005 and Law No. 296/2006 (2007 Financial Law), which set forth that, in companies with at least 50 staff, employees have the right to decide how benefits accrued since 2007 must be paid, i.e., either to the INPS Treasury Fund or a supplementary pension scheme (Defined Benefit Plan). Nevertheless, for all companies, the revaluations of the amounts set aside as at the date the option has been exercised continued to be recognized as employee benefits as were the amounts accrued and not allocated to supplementary pension schemes for companies with fewer than 50 employees.

Pursuant to IAS 19 (2011), this provision is recognized as a “defined benefit plan”. In application of IAS 19 (2011), employee termination indemnities were determined using the same actuarial method applied before the introduction of the revised standard, i.e., through 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 estimate of future benefits takes into account any foreseeable increases corresponding to further seniority of service, as well as, for employees of companies with less than 50 staff for financial year 2006, the presumable increase in the level of pay received at the valuation date;
- the Group calculated the *average* present value of future benefits, based on the annual interest rate adopted and the probability that each benefit has to be effectively issued;
- the liability for each company involved has been defined according to the average current value of the future benefits to be generated by the provision as carried at the date of assessment, without considering any future allocations (for companies with at least 50 employees in financial year 2006), or by identifying the portion of the average current value of future benefits that refers to services already rendered by the employee to the company at the date of assessment (for other companies), i.e., using a service pro-rate method.

In detail, the Group adopted the following assumptions:

Economic forecasts	Executives	Non-executives
Annual discount rate	4.1%	4.1%
Annual inflation rate	2.0%	2.0%
Annual termination indemnity increase rate	3.0%	3.0%
Annual real wages increase rate		
- up to 40 years of age	1.0%	1.0%
- over 41 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 of age	4.0% each year	4.0% each year
- later than 40 but up to 50 years of age	2.5% each year	2.5% each year
- over 50 years of age	non-existent	non-existent
Retirement probability:	AGO (general compulsory insurance) requirements	AGO (general compulsory insurance) requirements
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 2,759 thousand

(Euro 15,805 thousand at December 31, 2012)

The item consists of:

(in thousands of euro)	12/31/2012	Change in the consolidation area	Provisions	Use Direct	Use Surplus	Other changes/reclassifications	12/31/2013
Other provisions	238	(238)					
Total provisions (non-current portion)	**238**	**(238)**					
Provisions for taxes and tax risks							
Provisions for litigation risks	48		15		(3)		60
Provision for litigation with personnel and social securities institu	10,091	(8,365)		(541)	(744)		441
Other provisions for employee benefits	1,451	(425)		(807)	(219)		
Provisions for commercial and contractual risks	189	(88)		(30)			71
Other provisions	3,788	(360)	1,580	(240)	(2,581)		2,187
Total provisions (current portion)	**15,567**	**(9,238)**	**1,595**	**(1,618)**	**(3,547)**		**2,759**
Total provisions	**15,805**	**(9,476)**	**1,595**	**(1,618)**	**(3,547)**		**2,759**

Provisions declined overall by Euro 13,046 thousand, due chiefly to the disposal of LA7 S.r.l and MTV Italia S.r.l. (cf. Euro 9,476 thousand in column Change in the consolidation area).

Total provisions (current portion) amounted to Euro 2,759 thousand and include the following:

- the provision for litigation amounting to Euro 60 thousand and entirely attributable to Telecom Italia Media S.p.A.;
- the provision for litigation with personnel and social security institutions, entirely attributable to Telecom Italia Media S.p.A., and amounting to Euro 441 thousand. The use of provisions during the financial year, amounting to Euro 1,285 thousand (Euro 541 thousand for direct uses and Euro 744 thousand for reversal to the income statement), is attributable to Telecom Italia Media S.p.A. and was made in relation to the sale of LA7 S.r.l.;
- the provision for commercial and contractual risks, amounting to Euro 71 thousand, down by Euro 30 thousand compared to 2012 (Euro 189 thousand), net of amounts specified in the column Change in scope of consolidation, and entirely attributable to Telecom Italia Media Broadcasting S.r.l.;
- other provisions amounting to Euro 2,187 thousand, with an overall reduction, net of amounts specified in the column Change in scope of consolidation, of Euro 1,241 thousand compared to December 31, 2012; they refer to Telecom Italia Media S.p.A. for Euro 687 thousand and to Telecom Italia Media Broadcasting S.r.l. for Euro 1,500 thousand. Surplus provisions used in the year (Euro 2,581 thousand) are attributable to Telecom Italia Media S.p.A. for Euro 1,280 thousand, mainly due to the restatement and conclusion of some disputes. The amounts in the column Provisions and the remainder of the Surplus column mainly refer to Telecom Italia Media Broadcasting and concern a number of requests by AGCOM currently being defined.

NOTE 17 - Miscellaneous accounts payable and other non-current liabilities Euro 11,670 thousand

(Euro 11,675 thousand at December 31, 2012)

(in thousands of euro)	12/31/2013	*of which financial instruments (1)*	12/31/2012	*of which financial instruments (1)*	Change
Capital grants					
Medium/long-term deferred income					
Other medium/long-term debts	11,670	11,510	11,675	11,400	(5)
Total	**11,670**	**11,510**	**11,675**	**11,400**	**(5)**

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

At December 31, 2013 and December 31, 2012, 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, amounting to Euro 11,400 thousand.

NOTE 18 – Trade and miscellaneous payables and other current liabilities (excluding income tax payables) Euro 24,446 thousand

(Euro 148,489 thousand at December 31, 2012)

(in thousands of euro)	12/31/2013	*of which financial instruments (1)*	12/31/2012	*of which financial instruments (1)*	Change
Trade payables:					
- payables to suppliers	9,223	9,223	92,427	92,427	(83,204)
- payables to Group companies and other related parties	4,703	4,703	8,418	8,418	(3,715)
	13,926	**13,926**	**100,845**	**100,845**	**(86,919)**
Tax payables for other taxes	387		4,689		(4,302)
Payables for contract works					
Miscellaneous payables and other current liabilities:					
- amounts due for short-term pay to employees	1,426	1,426	8,098	8,098	(6,672)
- contributions to pension and social security institutions	930		5,516		(4,586)
- current payables to the Parent company for National Tax Consolidation	1,444		3,448		(2,004)
- short-term commercial and other deferred income	251		802		(551)
- advances			82		(82)
- dividends approved, but not yet paid					
- other current liabilities	3,323	3,323	9,442	8,608	(6,119)
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 the portions expected to be paid within 12 months	2,759		15,567		(12,808)
- employee benefits (other than employee termination indemnities) for the portions expected to be paid within 12 months					
	10,133	4,749	42,955	16,706	(32,822)
	10,520	**4,749**	**47,644**	**16,706**	**(37,124)**
Total	**24,446**	**18,675**	**148,489**	**117,551**	**(124,043)**

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

TRADE PAYABLES Euro 13,926 thousand

Trade payables Euro 9,223 thousand

Trade payables decreased by Euro 83,204 thousand compared to December 31, 2012 (Euro 92,427 thousand), primarily following the sale of LA7 S.r.l. and MTV Italia S.r.l. They were mainly attributable to Telecom Italia Media Broadcasting S.r.l. for Euro 10,844 thousand, referring essentially to the maintenance and development of the digital network, and to Telecom Italia Media S.p.A. for Euro 3,080 thousand.

Trade payables due to Group companies and other related parties Euro 4,703 thousand

This item included payables amounting to Euro 4,380 thousand due to the Parent Company Telecom Italia S.p.A. mainly for administrative service contracts, software development, new DTT and telephone use systems. In detail, Euro 4,019 thousand related to Telecom Italia Media Broadcasting S.r.l.

MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES Euro 10,520 thousand

Tax payables for other taxes Euro 387 thousand

This item decreased by Euro 4,302 thousand compared to December 31, 2012 (Euro 4,689 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 1,426 thousand

This item fell by Euro 6,672 thousand compared to December 31, 2012 (Euro 8,098 thousand) and included accrued amounts payable, but not yet paid, mainly to employees of Telecom Italia Media Broadcasting S.r.l. amounting to Euro 742 thousand, and Telecom Italia Media S.p.A amounting to Euro 684 thousand

Contributions to pension and social security institutions Euro 930 thousand

This item referred to contributions to pension and social security institutions that have matured and have not yet been paid, mainly regarding Telecom Italia Media Broadcasting S.r.l. for Euro 494 thousand, and Telecom Italia Media S.p.A. for Euro 436 thousand.

Current payables to the Parent Company for National Tax Consolidation Euro 1,444 thousand

This item refers to payables for the taxable income for 2013 of Telecom Italia Media Broadcasting.

Other current liabilities Euro 3,323 thousand

Other current liabilities dropped by Euro 6,119 thousand and consisted of Euro 750 thousand for other liabilities to Group's companies, other related parties and the Parent Company Telecom Italia S.p.A., and Euro 2,573 thousand for other liabilities to third parties, mainly recognized by Telecom Italia Media S.p.A.
A breakdown of Provisions is given in Note 16.

NOTE 19 – Information on other financial instruments

In accordance with the disclosure required by IFRS 7, the following section includes an analysis of the impact of financial instruments on the 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 2013 and 2012 is provided below.

Accounting value for each class of financial assets/liabilities at 12/31/2013

(in thousands of euro)	Categories IAS 39 [2]	Book value at 12/31/2013	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	180	180				
of which securities	HtM						
Miscellaneous receivables and other non-current assets [1]							
of which loans and receivables	LaR	11,856	11,856				
of which non-hedging derivatives	FAHfT						
	(a)	12,036	12,036				
Current financial assets							
Trade and miscellaneous receivables and other current assets [1]							
of which loans and receivables	LaR	16,897	16,897				
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	46	46				
of which non-hedging derivatives	FAHfT						
Cash and cash equivalents	LaR	17	17				
	(b)	16,960	16,960				
Total	(a+b)	28,996	28,996				
EQUITY AND LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC	4	4				
Miscellaneous payables and other non-current liabilities [1]							
of which liabilities at amortized cost	FLAC	11,510	11,510				
	(c)	11,514	11,514				
Current financial liabilities							
of which liabilities at amortized cost	FLAC	260,116	260,116				
of which non-hedging derivatives	FLHfT						
Trade and miscellaneous payables and other current liabilities [1]							
of which liabilities at amortized cost	FLAC	18,676	18,676				
	(d)	278,792	278,792				
Total	(c+d)	290,306	290,306				

[1] Share of assets or liabilities related to application of IFRS7.

[2] Cf. glossary — page 83

Comparison between accounting value and fair value for each class of financial assets/liabilities at 12/31/2013

(in thousands of euro)	Categories IAS 39 [2]	Book value at 12/31/2013	Book value as per IAS 39				Book value as per IAS 17	Fair value at 12/31/2013
			Amortized cost	Cost	Fair value accounted for at equity	Fair value recognized in the income statement		
ASSETS								
Loans and receivables	LaR	28,996	28,996					28,996
Available-for-sale financial assets	AfS							
Held-for-trading financial assets at fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**28,996**	**28,996**					**28,996**
Liabilities								
Liabilities at amortized cost	FLAC	290,306	290,306					290,306
Held-for-trading financial assets at fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**290,306**	**290,306**					**290,306**

(2) Cf. glossary — page 83

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				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	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				
EQUITY AND 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 83

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						
Held-for-trading financial assets 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
Held-for-trading financial assets 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 83

Management of financial risk: objectives and criteria

The main financial liabilities of the Telecom Italia Media Group refer to outstanding payables to Telecom Italia S.p.A., as part of the centralized treasury model of the Telecom Italia Group and mainly refer to: the Euro 100,000 thousand loan disbursed by the Parent Company Telecom Italia S.p.A. following the expiry (December 21, 2013) of the previous loan agreement, for the same amount, that Telecom Italia S.p.A. had entered into with the EIB; the running account with Telecom Italia S.p.A. for ordinary treasury activities; the payable to Telecom Italia Finance SA for the Euro 140,000 loan granted in July 2013. 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 2012 and 2013.

The Group's main risks arising from financial instruments are interest rate, liquidity, exchange rate and credit risk.

Interest-rate risk

The Telecom Italia Media Group's exposure to interest rate risk is mainly a result of its relations with the Parent Company, Telecom Italia S.p.A., and Telecom Italia Finance SA. Specifically:

- a loan granted by Telecom Italia S.p.A. at a rate of 3.08% on three-month EURIBOR;
- a loan granted by Telecom Italia Finance SA at a variable rate based on EURIBOR;
- a running-account agreement at an average monthly EURIBOR rate of +3.6%, average spread for 2013 (Telecom Italia S.p.A.).

Exchange rate risk

In 2013, 100.0% of revenues earned by the Telecom Italia Media Group were denominated in the functional currency of its 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 4.7% 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, the short-term loan agreement and the loan granted by Telecom Italia Finance SA 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 totaled Euro 3,892 thousand, consisting of the following:

GUARANTEES PROVIDED Euro 1,064 thousand
(Euro 1,781 thousand at December 31, 2012)

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 2,828 thousand
(Euro 857 thousand at December 31, 2012)

This item referred chiefly to guarantees granted by Telecom Italia S.p.A. to Telecom Italia Media S.p.A. in favor of tax authorities (Euro 2,708 thousand) in guarantee of receivables resulting from VAT returns for the year 2012, offset at Group VAT settlement.

CONTINGENT LIABILITIES

Following the sale of LA7 S.r.l. that was completed on April 30, 2013, and the sale of MTV Italia, Telecom Italia Media Group has provided guarantees to the buyers against events or circumstances incorrectly represented in the Representations and Warranties, as long as they are directly attributable to the sole responsibility of Telecom Italia Media, for a maximum amount of Euro 18,500 thousand.

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 had to file its appearance at the hearing of March 24, 2009.
The hearing for the submission of conclusions is scheduled for January 28, 2014.
During this hearing, the proceedings were suspended because Media Holding was declared bankrupt.

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 very unlikely to lose).

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 seemed 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 <u>negotiations are currently underway with Benten S.r.l.</u>, 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 proceedings, both in and out of court. Analogous waivers of all claims, rights and remedies against TI Media are to be effected also 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.

To date the validation of the composition with creditors proposed by Benten S.r.l. has yet to become final, inasmuch as two creditors (i.e., Mariotti and Unicredit) appealed the judgment of the Bankruptcy Court before the Court of Appeal of Rome. The judge reserved decision of the matter at the discussion hearing of February 14, 2014.

iii) Appeal proceedings against the judgment declaring the bankruptcy of FINMAVI

By petition served on TI Media on November 12, 2012, FINMAVI appealed the judgment of the Court of Appeal of Rome dated May 28, 2012, No. 2850, which had upheld the FINMAVI Bankruptcy, applying to the Court of Cassation on the following grounds:

1) the alleged nullity of the previous instances of the proceedings owing to improper service of the appeal on the public prosecutor and certain creditors participating in the pre-bankruptcy phase;
2) the purported contradictory nature of the grounds for the appeal judgment concerning the application to the case in point of the provisions of Article 177 of the Bankruptcy Act, and thus concerning the achievement of the majorities for approval of the composition with creditors.

TI Media appeared in the proceedings by filing a counterclaim.

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 of February 18, 2013, improper service was claimed on two of the defendants within the Made Bankruptcy, Clifford Friedman and AIR P TV Development; on the basis of arguments by the Bankruptcy counsel, the judge decided to grant said counsel a term of 30 days to file explanatory notes, reserving decision following resolution of all matters pending.

The proceedings were then interrupted due to the bankruptcy of AIR P TV Development AB and have recently been resumed. The proceedings were resumed and the judge scheduled the first hearing for **May 5, 2014.**

TI Media and TIMB have sued the insurers (Zurich Insurance, XL Insurance and Chartis Europe), which have appeared in the proceedings.

On August 1, 2013 a settlement agreement was formalized by all defendants. In this agreement, it is provided that the policyholders undertake to pay the following all-inclusive sum, through their respective insurance companies, by way of full and final settlement of the proceedings, in the capacity of settlement alone:
Euro 1,050,000.00, of which Euro 1,000,000.00 by way of claim and Euro 50,000.00 by way of the fees, social-security contributions, VAT and legal costs of MADE's attorney Giovambattista Sgromo.

Efficacy of the settlement agreement is subject to the following conditions precedent: (i) the obtainment of the necessary authorizations pursuant to Article 35 of the Bankruptcy Law in the bankruptcy procedure No. 668/2011 of Made S.r.l. pending before the Court of Rome; and (ii) the approval of the composition with creditors of Dahlia TV S.p.A. No. 21/2012 pursuant to Article 180 of the Bankruptcy Law.

On January 23, 2014, the proposed settlement agreement was duly accepted by the Receiver for the Bankruptcy of Made S.r.l., D'Angiolillo, and by Made's Attorney Sgromo. The above took place following obtainment of the permissions required by the Bankruptcy Act.

When the condition precedent referred to above is satisfied and the payment of the agreed sum is made, the Parties shall discontinue the proceedings pursuant to Articles 181 and 309 of the Italian Code of Civil Procedure.

The aforementioned settlement agreement does not provide for charges to be borne by Telecom Italia Media and/or Telecom Italia Media Broadcasting.

NOTES – INCOME STATEMENT ITEMS

NOTE 22 – Operating revenues and income

Euro 75,728 thousand

(Euro 77,194 thousand in 2012)

Revenues and income decreased by Euro 1,466 thousand (-1.9%) compared to financial year 2012, and consist of the following:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Sales and service revenues	72,188	75,222	(3,034)	(4.0)
Other income	3,540	1,972	1,568	79.5
Total operating revenues and income	**75,728**	**77,194**	**(1,466)**	**(1.9)**

NOTE 23 - Revenues

Euro 72,188 thousand

(Euro 75,222 thousand in 2012)

Revenues decreased by Euro 3,034 thousand (-4.0%) to Euro 72,188 thousand compared to 2012; the breakdown by business unit is as follows:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Telecom Italia Media S.p.A.		138	(138)	(100.0)
Telecom Italia Media Broadcasting S.r.l.	72,188	75,084	(2,896)	(3.9)
Total revenues	**72,188**	**75,222**	**(3,034)**	**(4.0)**

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. In 2013, the channels hosted on TIMB's multiplexes achieved significant performances in terms of share, further confirming the quality of the service offered by TIMB and the solid partnership with the channels, which are now consolidated.
Amongst the top media groups operating on the DTT platform with free-to-air channels hosted on TIMB's MUXes, the top performances in 2013 were as follows:

- Discovery Italia (Discovery Communications Group):
  - Channels hosted on TIMB's MUXes:
    - Real Time;
    - DMAX;
    - Giallo;
    - K2;
    - Frisbee;
- La7 (Cairo Communication Group):
  - Channels hosted on TIMB's MUXes:
    - La7;
    - La7d;
- MTV (Viacom Media Networks Group):
  - Channels hosted on TIMB's MUXes:
    - MTV;
    - MTV:Music.

The breakdown by country is set out in the table below:

REVENUES BY COUNTRY	Year 2013	Year 2012
ITALY	71,868	74,969
UK	110	43
LUXEMBOURG	210	210
Total EUROPEAN UNION	72,188	75,222
TOTAL REVENUES	72,188	75,222

NOTE 24 – Other income

Euro 3,540 thousand

(Euro 1,972 thousand in 2012)

Other income fell by Euro 1,568 thousand and mainly referred to the release of provisions for the extinction of several legal and contractual litigations. This item is broken down as follows:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Use of writedown provisions and provisions for miscellaneous risks	2,554	1,243	1,311	105.5
Recovery of employee benefit expenses	4	535	(531)	(99.3)
Recovery and reimbursements of services, use of property not owned	390	86	304	n.a.
Recovery and reimbursements of acquisition of goods	15		15	100.0
Operating grants	36	-	36	100.0
Other reimbursements	526	(1)	527	n.a.
Other income	15	109	(94)	(86.2)
Total other income	3,540	1,972	1,568	79.5

The value of other compensation amounted to Euro 526 thousand, fully attributable to Telecom Italia Media Broadcasting S.r.l.; it refers to insurance compensation received in June.

NOTE 25 – Acquisition of goods and services

Euro 29,964 thousand

(Euro 29,442 thousand in 2012)

Acquisition of goods and services increased by Euro 522 thousand (1.8%) compared to 2012 and was broken down as follows:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Raw materials, supplies and merchandise	291	457	(166)	(36.3)
Services	19,127	17,944	1,183	6.6
Use of property not owned	10,546	11,041	(495)	(4.5)
Total acquisition of goods and services	29,964	29,442	522	1.8

The item consists of:

- *Raw materials, supplies and merchandise* Euro 291 thousand
  (Euro 457 thousand in 2012)

The item chiefly included fuel purchases for vehicle and plant management and other materials for maintenance and referred for Euro 228 thousand to Telecom Italia Media Broadcasting S.r.l. and for Euro 63 thousand to Telecom Italia Media S.p.A. It decreased by Euro 166 thousand compared to 2012.

- *Services* Euro 19,127 thousand
  (Euro 17,944 thousand in 2012)

Services amounted to Euro 19,127 thousand, up by Euro 1,183 thousand from Euro 17,944 thousand in 2012.

In detail, total services consisted in:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Advertising and promotion expenses	138	156	(18)	(11.5)
Consultancy	473	992	(519)	(52.3)
Professional services	3,186	2,312	874	37.8
Insurance	162	140	22	15.7
Energy and fluids	3,712	4,207	(495)	(11.8)
Distribution and storage	67	70	(3)	(4.3)
Maintenance services	3,987	3,688	299	8.1
Outsourcing	879	300	579	193.0
Telephone and data	631	551	80	14.5
Transmission and postal services	651	536	115	21.5
Travel and accommodation	308	108	200	185.2
T&E services	19	13	6	46.2
Other costs for services	4,914	4,871	43	0.9
Total acquisition of services	**19,127**	**17,944**	**1,183**	**6.6**

- *Use of property not owned* Euro 10,546 thousand
  (Euro 11,041 thousand in 2012)

Costs for use of property not owned amounted to Euro 10,546 thousand, with a decrease of Euro 495 thousand from Euro 11,041 thousand in 2012.

The breakdown by nature is as follows:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Real estate rents	518	210	308	146.7
Rental fees	221	196	25	12.8
Royalties and other rights paid		(1)	1	(100.0)
Fees for the use of satellite and high-frequency systems	10,121	10,059	62	0.6
Other costs for the use of property not owned	-314	577	(891)	(154.4)
Total costs for use of property not owned	**10,546**	**11,041**	**(495)**	**(4.5)**

Fees for the use of satellite and high-frequency systems were mainly attributable to Telecom Italia Media Broadcasting S.r.l. for Euro 10,113 thousand; this item included costs for rental of high-frequency stations and satellite systems.

NOTE 26 – Employee benefits expenses Euro 7,147 thousand

(Euro 11,657 thousand in 2012)

This item was broken down as follows:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Gross wages and salaries	5,625	5,625		-
Social security contributions	1,895	2,003	(108)	(5.4)
Termination indemnities	50	45	5	11.1
Other employee benefit expenses	(1,757)	1,899	(3,656)	n.a.
Costs for assigned stock options	-			
Employee benefits	25	36	(11)	(30.6)
Costs for employees on payroll	**5,838**	**9,608**	**(3,770)**	**(39.2)**
Temporary work	**30**	**41**	**(11)**	**(26.8)**
Other charges for employees and other work services:				
- Fees to external personnel	580	2,008	(1,428)	(71.1)
- Costs for seconded personnel				
- Provisions for employee outflow incentives	943		943	100.0
- Provisions for employee outflow incentives				
- Other employee expenses	(244)		(244)	(100.0)
- Costs for assigned stock options to external personnel	-			
Total other charges	**1,279**	**2,008**	**(729)**	**(36.3)**
Total employee benefits expenses	**7,147**	**11,657**	**(4,510)**	**(38.7)**

Employee benefits expenses for 2013 were Euro 7,147 thousand, down by Euro 4,510 thousand compared to 2012 (Euro 11,657 thousand), and included net expenses totaling Euro -1,389 thousand for 2013 (Euro 1,726 thousand for 2012), mainly attributable to changes in provisions allocated in 2012 for the definition of an employee incentive plan correlated to the successful completion of the disposal of LA7. Moreover, these expenses accounted for accruals for the labor dispute with employees, redundancy incentive costs for 2013 of Euro 943 thousand (not recognized in 2012) and other employee benefits expenses totaling Euro -244 thousand in 2013 (not recognized in 2012). Net of those items, the cost of labor was Euro 7,387 thousand, compared to Euro 9,931 thousand for 2012, down by Euro 2,094 thousand comprised of costs incurred in 2012 for the termination of top managers- contracts and the lower cost recognized in 2013 as a result of the reduction in workforce, as described below.

Average workforce is broken down as follows:

	2013 Average workforce [1]	2012 Average workforce [1]
Executives	9.5	11.4
Middle managers	19.0	18.5
White collars	54.3	57.2
Blue collars	0.9	1.0
Total workforce (restated)	**83.7**	**88.1**
Discontinued operations:	186.4	628.3
Total workforce (restated)	**270.1**	**716.4**

[1] The overall average workforce does not include temporary staff for a total of 0.7 unit for 2013 and 1.0 unit for 2012.

NOTE 27 – Other operating expenses

Euro 8,390 thousand

(Euro 3,099 thousand in 2012)

Operating expenses amounted to Euro 8,390 thousand and are broken down as follows:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Writedowns and charges connected with receivables management	5,981	251	5,730	n.a.
Provisions	1,595	2,527	(932)	(36.9)
Concession fees for the exercise of TLC activities	138	233	(95)	(40.8)
Indirect fees and taxes	79	27	52	n.a.
Associations fees	68	46	22	47.8
Penalties for non-fulfilment of contracts		(37)	37	100.0
Other expenses and charges	529	52	477	n.a.
Other operating expenses	**8,390**	**3,099**	**5,291**	**170.7**

Writedowns and charges connected with receivables management amounted to Euro 5,981 thousand, entirely attributable to Telecom Italia Media Broadcasting; they increased by Euro 5,730 thousand compared to the previous year and referred to provisions for specific credit positions.

Allocation to Provisions totaled Euro 1,595 thousand and included Euro 1,500 thousand of Telecom Italia Media Broadcasting and Euro 95 thousand of Telecom Italia Media S.p.A. In detail, the amount regarding Telecom Italia Media Broadcasting was due to requests by AGCOM, currently under definition.

Other expenses and charges rose by Euro 477 thousand and referred to Telecom Italia Media S.p.A. for Euro 432 thousand and to Telecom Italia Media Broadcasting for 97 thousand.

Concession fees for the exercise of TLC activities stood at Euro 138 thousand and mainly referred to Telecom Italia Media Broadcasting (Euro 137 thousand).

NOTE 28 – Depreciation and amortization

Euro 28,385 thousand

(Euro 27,057 thousand in 2012)

Depreciation and amortization amounted to Euro 28,385 thousand (Euro 27,057 thousand in 2012), with an increase of Euro 1,328 thousand, and included:

- Euro 9,779 thousand in amortization, down by Euro 37 thousand from Euro 9,816 thousand recognized in 2012.

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Industrial patents and intellectual property rights	339	340	(1)	(0.3)
Trademarks				
TV concessions and frequencies	6,807	6,806	1	0.0
Licenses	42	80	(38)	(47.5)
Irrevocable rights of use (IRUs)	2,591	2,590	1	0.0
Total amortization of intangible assets	**9,779**	**9,816**	**(37)**	**(0.4)**

TV concessions and frequencies were entirely referred to Telecom Italia Media Broadcasting and regarded costs sustained for the purchase from third parties of the right to use television frequencies that are bundled together with business units or television broadcasting plant acquired. Frequencies using the digital terrestrial technique are amortized over 20 years, with the enactment of Italian Legislative Decree No. 59 of April 8, 2008, which transformed individual licenses governing the use of digital frequencies (duration of 12 years) into general authorizations (duration of up to 20 years; renewable).

Amortization of Irrevocable Rights of Use (IRUs), also totally attributable to Telecom Italia Media Broadcasting S.r.l., referred 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 18,606 thousand, compared to Euro 17,241 thousand in 2012, increasing by Euro 1,365 thousand, and was broken down as follows:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Industrial and civilian buildings	32	25	7	28.0
Plant and machinery	17,976	16,605	1,371	8.3
Manufacturing and distribution equipment	100	98	2	2.0
Other tangible assets	498	513	(15)	(2.9)
Total depreciation of tangible assets	**18,606**	**17,241**	**1,365**	**7.9**

NOTE 29 – Capital gains (losses) realized on disposals of non-current assets Euro 2 thousand

(Euro 49 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Gains on the disposal of tangible and intangible assets	2	49	(47)	(95.9)
Gains on the disposal of business lines	-	-	-	-
Gains on the disposal of investments in consolidated subsidiaries	-	-	-	-
Total gains realized on disposals of non-current assets	**2**	**49**	**(47)**	**(95.9)**

NOTE 30 – Losses realized on disposals of non-current assets Euro 2 thousand

(Euro 1 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Losses on the disposal of tangible and intangible assets	2	1	1	100.0
Losses on the disposal of business lines	-	-	-	-
Losses on the disposal of investments in consolidated subsidiaries	-	-	-	-
Total losses realized on disposals of non-current assets	**2**	**1**	**1**	**100.0**

NOTE 31– Reversals/(impairment) of non-current assets Euro 0 thousand

(Euro -70,000 thousand in 2012)

In 2012, this item was negative for Euro 70,000 thousand and related to goodwill writedown following the impairment test at December 31, 2012.

NOTE 32– Other Income (expense) from investments Euro -64 thousand

(Euro -188 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Income from investments:				
gains on disposals of investments recognized among non-current assets				
dividends	10	28	(18)	(64.3)
Expense from investments	(74)	(216)	142	65.7
Total income (expenses) from investments	**(64)**	**(188)**	**124**	**66.0**

Expense from investments referred to the impairment loss on the investment in Tiglio 1, applied to bring its carrying amount into line with its fair value, only partially offset by dividends received from Tivù S.r.l. for Euro 10 thousand.

NOTE 33 – Finance income

Euro 741 thousand

(Euro 1,203 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Income from accounts receivable included in long-term investments	2	4	(2)	(50.0)
Interest earned from other financial receivables	715	1,073	(358)	(33.4)
Interest earned from other receivables	24	126	(102)	(81.0)
Other miscellaneous financial income	-	-	-	-
Foreign exchange gains	-	-	-	-
Positive adjustments to fair value relative to:				
Positive adjustments to fair value (derivatives and underlying assets)	-	-	-	-
Total finance income	**741**	**1,203**	**(462)**	**(38.4)**

Finance income, which amounted to Euro 715 thousand in 2013, decreased by Euro 358 thousand from Euro 1,073 thousand in 2012, mainly due to the sale of LA7 S.r.l. and MTV Italia S.r.l.

NOTE 34 – Finance expense

Euro 6,524 thousand

(Euro 6,759 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Interest expense paid and other finance expenses:				
Interest expense paid to suppliers		1	(1)	(100.0)
Interest expense for other financial payables	5,791	5,967	(176)	(2.9)
Interest expense paid for other payables	497	499	(2)	(0.4)
Financial fees paid	164	240	(76)	(31.7)
Expenses related to discounting of non-current liabilities	67	49	18	36.7
Other finance expenses	5	3	2	66.7
Exchange losses				
Negative adjustments to fair value relative to:				
Negative adjustments to fair value (derivatives and underlying assets)				
Total finance expenses	**6,524**	**6,759**	**(235)**	**(3.5)**

In detail, interest paid for other financial payables amounted to Euro 5,791 thousand (Euro 5,967 thousand in 2012) and was entirely attributable to Telecom Italia Media S.p.A. This item mainly included Euro 1,915 thousand for the short-term financial debt towards Telecom Italia Finance for the contract formalized on July 31, 2013 and relating to the credit facility for a total amount of Euro 140,000 thousand, and Euro 3,454 thousand for the current account with Telecom Italia S.p.A.
Charges related to discounting of non-current liabilities include interest expense 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 67 thousand in 2013 and Euro 49 thousand in 2012.

The following table shows interest rate performance by primary loan agreement type:

Type of transaction	Amount (in millions of euro)	Parameter rate	Quarterly evolution of rates Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
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	1.667%	1.151%	0.930%	0.863%	0.318%	0.318%	0.329%	0.329% (3)
Short-term loan granted by the parent company Telecom Italia	100	EURIBOR 3m								3.37% (4)
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia Group	140	EURIBOR 6m							3.198% (5)	3.198%
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia Group	60	EURIBOR 3m	5.867%	4.996%	5.201%	4.771%				
Current account extant with the Parent Company as part of the centralized treasury program of the Telecom Italia Group		EURIBOR 1m	3.272%	4.033%	4.275%	3.229%	3.275%	3.272%	4.301%	4.069%

Notes: (1) rate prevailing through to December 20, 2011
(2) rate prevailing through to December 21, 2011
(3) rate prevailing through to December 21, 2013
(4) rate prevailing through to December 22, 2013
(5) rate prevailing through to July 31, 2013

NOTE 35 – Income tax expense

Euro 35 thousand

(Euro 1,400 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
IRAP	1,026	1,172	(146)	(12.5)
IRES from participation in the National Tax Consolidation	1,568	(15,103)	16,671	n.a.
Other IRES	2		2	100.0
Deferred taxes	(2,044)	16,163	(18,207)	n.a.
Income taxes for previous financial years	56	195	(139)	(71.3)
Extraordinary income for taxes	(573)	(1,027)	454	44.2
Total taxes	**35**	**1,400**	**(1,365)**	**(97.5)**

Income tax expense for 2013 was negative for Euro 35 thousand (Euro 1,400 thousand at December 31, 2012) and included:

- corporate income tax (IRES), arising from the participation in the National Tax Consolidation and totaling Euro 1,568 thousand, 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. The figure was attributable to tax assets of Telecom Italia Media S.p.A. for Euro 2,822 thousand and tax losses of Telecom Italia Media Broadcasting for Euro 4,390 thousand;

- extraordinary income for taxes mainly included Euro 473 thousand of Telecom Italia Media S.p.A. regarding the delta value of taxes resulting from the 2013 Single Form, as against the provisions allocated in the 2012 financial statements;
- deferred taxes of Euro -2,044 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 2013		Year 2012	
		%		%
Result before taxes	**4,005**		**270,195**	
Taxes calculated based on the current tax rate	**(1,101)**	**27.5%**	**(74,304)**	**27.5%**
Permanent differences:				
- Undeductible costs	(54)	(1%)	566	0%
- Undeductible goodwill writedowns	0	0%	28,944	(11%)
- Undeductible writedowns	0		14,150	
- Undeductible writedowns investments	(20)	(1%)	(59)	(0%)
- Other net changes	0	0%	7,745	3%
	(74)	**(2%)**	**51,346**	**19%**
IRAP		0%	1,202	0%
Total taxes	**(1,175)**	**(29%)**	**(21,756)**	**(8%)**
Taxes arising from discontinued operations/assets held for sale	1,210	30%	23,156	9%
Total actual taxes recognized in the income statement from continuing operations	**35**	**1%**	**1,400**	**1%**

NOTE 36 – Profit (loss) from discontinued operations/ Non-current Assets held for sale

Euro -133,588 thousand

(Euro -177,282 thousand in 2012)

The profit (loss) from discontinued operations/assets held for sale amounted to Euro -133,588 thousand for 2013 (Euro -177,282 thousand for 2012) as a result of both the disposal of LA7 S.r.l., finalized on April 30, 2013, and the disposal of MTV Italia S.r.l., finalized on September 12, 2013. The item included, respectively, for 2013 income components (revenues/costs) of LA7 S.r.l. for the first four months of the year and of MTV Italia S.r.l. for the first eight months of the year, beside the capital loss arising on the disposal of LA7 S.r.l. and the capital gain arising on the disposal of MTV Italia S.r.l., both including ancillary charges, and for 2012, income components (revenues/costs) of LA7 S.r.l. and MTV Italia S.r.l. for twelve months of the year. The methods followed for these operations are reported on page 15 of this report.

(in thousands of euro)		LA7 S.r.l. from 1/1/2013 to 4/30/2013	MTV Group from 1/1/2013 to 8/31/2013	TOTAL Discontinued operations	LA7 S.r.l. 12/31/2012	MTV Group 12/31/2013	TOTAL Discontinued operations
Revenues		37,608	25,666	63,274	123,580	55,225	178,805
Other income		408	388	796	2,687	991	3,678
Total operating revenues and other income		**38,016**	**26,054**	**64,070**	**126,267**	**56,216**	**182,483**
Acquisition of goods and services		(48,888)	(28,237)	(77,125)	(146,534)	(52,535)	(199,069)
Employee benefits expenses		(13,701)	(5,052)	(18,753)	(42,891)	(12,925)	(55,816)
Other operating expenses		(1,751)	(805)	(2,556)	(3,490)	(1,668)	(5,158)
Changes in inventories		1,546	9	1,555	(37)	187	150
Internally made assets		-	-	-	-	-	-
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**(24,778)**	**(8,031)**	**(32,809)**	**(66,685)**	**(10,725)**	**(77,410)**
Depreciation and amortization		(372)	(4,312)	(4,684)	(30,188)	(6,161)	(36,349)
Gains /(Losses) realized on disposals of non-current assets		-	-	-	33	1,700	1,733
Impairment reversals /(losses) on non-current assets		-	-	-	(63,655)	(23,052)	(86,707)
OPERATING INCOME (LOSS) (EBIT)		**(25,150)**	**(12,343)**	**(37,493)**	**(160,495)**	**(38,238)**	**(198,733)**
Other income/(expenses) from investments		-	-	-	-	-	-
Finance income		35	229	264	225	176	401
Finance expenses		(617)	(401)	(1,018)	(1,889)	(217)	(2,106)
RESULT BEFORE TAXES		**(25,732)**	**(12,515)**	**(38,247)**	**(162,159)**	**(38,279)**	**(200,438)**
Income tax expense		-	964	964	23,223	(67)	23,156
OPERATING RESULT	(A)	**(25,732)**	**(11,551)**	**(37,283)**	**(138,936)**	**(38,346)**	**(177,282)**
Economic effects generated by the disposal	(B)	**(98,972)**	**3,315**	**(95,657)**	**-**	-	-
Total losses	(A+B)	(124,704)	(8,236)	(132,940)	(138,936)	(38,346)	(177,282)
				-			-
Professional services for Advisors		(683)	(211)	(894)	-	-	-
Tax effects		188	58	246	-	-	-
				-			-
Subtotal	(C)	**(495)**	**(153)**	**(648)**	**-**	-	-
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(A+B+C)	**(125,199)**	**(8,389)**	**(133,588)**	**(138,936)**	**(38,346)**	**(177,282)**
Attributable to:							
- Equity holders of the Parent company		(125,199)	(2,729)	(127,928)	(138,936)	(30,851)	(169,787)
- Minority Interests		-	(5,660)	(5,660)	-	(7,495)	(7,495)

NOTE 37 - Profit (loss) for the year

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

	Year 2013	Year 2012
Attributable to:		
- Equity holders of the Parent company		
> Profit (loss) from continuing operations	(4,043)	(71,157)
> Profit (loss) from discontinued operations/Non-current assets held for sale	(127,928)	(169,787)
- Profit/(loss) for the year attributable to equity holders of the Parent Company	(131,971)	(240,944)
- Minority interests		
> Profit (loss) from continuing operations	3	
> Profit (loss) from discontinued operations/Non-current assets held for sale	(5,660)	(7,495)
- Profit (loss) for the period attributable to Minority Interests	(5,657)	(7,495)

NOTE 38 – Significant non-recurring events and transactions

There were no other significant economic transactions that occurred on an non-recurring 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 statements 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 2013 compared to 2012, are reported on pages 186 and. 187;
- the effects on individual items of the consolidated net financial debt as of December 31, 2013, compared to December 31, 2012, are reported on page 188;
- the effects on other consolidated statement of financial position items at December 31, 2013 compared to other balance sheet items at December 31, 2012, are reported on page 189;
- a description of transactions affecting the income statement and the financial position compared to the previous periods, is reported on pages 190 to 193;
- amounts due to pension funds compared to the previous period are given on page 194;
- a description of purchase and sale contracts with related parties is given on pages 194 and 195;
- the effects on the income statement regarding the amount of discontinued operations are reported on pages 196 to 199.

INCOME STATEMENT	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	2013	2012	2013	2012	2013	2012
Revenues						
Of which attributable to relations with:						
- Parent Company	18	239				
- Subsidiaries and associates of the Parent Company	11,641	31,103				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	11,659	31,342	72,188	75,222	16.2	41.7
of which transactions with Discontinued Operations	11,618	31,063				
Other operating income						
Of which attributable to relations with:						
- Parent Company	-	400				
- Subsidiaries and associates of the Parent Company	115	174				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	115	574	3,540	1,972	3.2	29.1
of which transactions with Discontinued Operations	111	174				
Acquisition of goods and services						
Of which attributable to relations with:						
- Parent Company	(4,629)	(3,820)				
- Subsidiaries and associates of the Parent Company	(2,385)	(2,732)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	(7,014)	(6,552)	(29,964)	(29,442)	23.4	22.3
of which transactions with Discontinued Operations	(248)	(341)				
Employee benefits expenses						
Of which attributable to relations with:						
- Parent Company	(41)	(28)				
- Subsidiaries and associates of the Parent Company	(5)					
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
- Compensation of the Company's Key Management Personnel	-	-				
- Pension funds	(71)	(712)				
Total	(117)	(740)	(7,147)	(11,657)	1.6	6.3
Other operating expenses						
Of which attributable to relations with:						
- Parent Company	-	(4)				
- Subsidiaries and associates of the Parent Company	-	(5)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-					
Total		(9)	(8,390)	(3,099)		0.3
of which transactions with Discontinued Operations		(3)				

INCOME STATEMENT (in thousands of euro)	Transactions with related parties (1) 2013	2012	Corresponding items of consolidated financial statements 2013	2012	% ratio of related parties 2013	2012
Finance income						
Of which attributable to relations with:						
- Parent Company	4	-				
- Subsidiaries and associates of the Parent Company	713	1,073				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	717	1,073	741	1,203	96.8	89
of which transactions with Discontinued Operations	713	1,073				
Finance expenses						
Of which attributable to relations with:						
- Parent Company	(1,915)	(2,870)				
- Subsidiaries and associates of the Parent Company		(2)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	(1,915)	(2,872)	(6,524)	(6,759)	29.4	42
of which transactions with Discontinued Operations	-	(2)				
Income tax expense						
Of which attributable to relations with:						
- Parent Company	(1,322)	15,103				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
- Pension funds	-	-				
Total	(1,322)	15,103	(35)	(1,400)	3,777.1	(1,078.8)

Investments in intangible and tangible assets						
Of which attributable to relations with:						
- Parent Company	61	268				
- Subsidiaries and associates of the Parent Company	-	266				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	61	534	6,492	17,722	0.9	3.0

(1) Breakdown on pages 190 and 191.

NET FINANCIAL DEBT	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
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	-	-	180	877	-	-
Securities, financial receivables and other current financial						
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	-	-	46	215	-	-
Cash and cash equivalents						
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	-	-	17	203	-	-
Non-current financial liabilities						
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	-	-	4	21	-	-
Current financial liabilities						
Of which attributable to relations with:						
- Parent Company	118,198	260,084				
- Subsidiaries and associates of the Parent Company	141,915	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	260,113	260,084	260,116	261,381	100.0	99.5
Total net financial debt						
Of which attributable to relations with:						
- Parent Company	118,198	260,084				
- Subsidiaries and associates of the Parent Company	141,915					
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	260,113	260,084	259,877	260,107	100.1	100.0

(1) Breakdown on pages 192 and 193.

OTHER BALANCE SHEET ITEMS	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Miscellaneous receivables and other non-current assets						
Of which attributable to relations with:						
- Parent Company	4,184	30,450				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	4,184	30,450	16,040	42,485	26.1	71.7
Trade receivables						
Of which attributable to relations with:						
- Parent Company	25	3,524				
- Subsidiaries and associates of the Parent Company	13	44				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	38	3,568	16,585	117,864	0.2	3.0
Miscellaneous receivables and other current assets						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	21,035	8,673				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	21,035	8,673	21,571	17,019	97.5	51.0
Miscellaneous payables and other non-current liabilities						
Of which attributable to relations with:						
- Parent Company	11,560	11,675				
- Subsidiaries and associates of the Parent Company	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	11,560	11,675	11,670	11,675	99.1	100.0
Trade payables						
Of which attributable to relations with:						
- Parent Company	4,432	7,186				
- Subsidiaries and associates of the Parent Company	271	1,232				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	4,703	8,418	13,926	100,845	33.8	8.3
Miscellaneous payables and other current liabilities						
Of which attributable to relations with:						
- Parent Company	2,074	6,822				
- Subsidiaries and associates of the Parent Company	120	231				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
- Pension funds	126	344				
Total	2,320	7,397	10,520	47,644	22.1	15.5

(1) Breakdown on pages 192 and 193.

The following table shows the main items of income statement, balance sheet, and cash flow 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 2013	Year 2012	Type of transaction
Revenues	11,659	31,342	Amounts at December 31, 2013 were broken down as follows: - bandwidth rental, television transmission, signal conveyance and hosting on satellite from Telecom Italia Media Broadcasting to La7 for Euro 5,679 thousand and to MTV Italia for Euro 5,939 thousand; both companies are currently classified as Discontinued Operations; - satellite broadcasting services from Telecom Italia Media Broadcasting to Tm News amounting to Euro 23 thousand; - other revenues from Telecom Italia for the rental of High Frequency workstations amounting to Euro 18 thousand. Amounts at December 31, 2012 were broken down as follows: - bandwidth rental from Telecom Italia Media Broadcasting to La7 for Euro 21,688 thousand and to MTV Italia for Euro 9,375 thousand; both companies are currently classified as Discontinued Operations; - this item also included revenues of Telecom Italia Media Broadcasting from TM News for satellite broadcasting services amounting to Euro 40 thousand; - other revenues from rental of High Frequency workstations for Euro 18 thousand; - Euro 221 thousand other revenues from Telecom Italia, Domestic Market division, for DTT application management.
Other operating income	115	574	The balance at December 31, 2013 referred to recovery of personnel expenses from Tm News amounting to Euro 4 thousand, cost recovery for services rendered to La7 S.r.l. for Euro 10 thousand and to Mtv Italia for Euro 19 thousand, as well as cost recovery for use of property not owned from La7 for Euro 82 thousand. The balance at December 31, 2012, referred to the recovery of personnel expenses from Telecom Italia S.p.A. amounting to Euro 400 thousand and to cost recovery for provision of services from La7 for Euro 174 thousand.
Acquisition of goods and services	7,014	6,552	At December 31, 2013, this item mainly referred to Telecom Italia S.p.A., and was broken down as follows: - acquisition of services related to signal conveyance amounting to Euro 1,410 thousand from the National Wholesale Services division of Telecom Italia S.p.A.; - acquisition of services related to telephone expenses and data transmission amounting to Euro 1,281 thousand from the Domestic Market Operations division of Telecom Italia; - rental of High Frequency workstations and maintenance from the Technology Operations division of Telecom Italia totalling Euro 749 thousand; - acquisition of energy and fluids from Telenergia for Euro 1,991 thousand; - costs for insurance premium, administrative services, rental fees for buildings, condominium expenses, cleaning services, rentals, and energy/gas supply from the Parent Company Telecom Italia S.p.A. amounting to Euro 1,149 thousand; - costs for insurance policies from Assicurazioni Generali amounting to Euro 54 thousand; - purchases from La7, Discontinued Operations, amounting to Euro 248 thousand. At December 31, 2012, this item mainly referred to 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 expenses and data transmission amounting to Euro 1,115 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 634 thousand; - acquisition of energy and fluids from Telenergia by Telecom Italia Media Broadcasting for the amount of Euro 2,382 thousand; - costs for insurance premium, administrative services, other services, rental fees for buildings, condominium expenses, cleaning services and rentals from the Parent Company amounting to Euro 519 thousand; - administration services and other from La7, Discontinued Operations, amounting to Euro 341 thousand. - other costs for Euro 9 thousand.

(in thousands of euro)	Year 2013	Year 2012	Type of transaction
Employee benefits expenses	46	28	Amounts at December 31, 2013 and at December 31, 2012 included other employee benefits expenses for Euro 41 thousand (Euro 28 thousand in 2012) to Telecom Italia S.p.A. - The item also included costs to Assicurazioni generali for Euro 5 thousand.
Other operating expenses	-	9	The balance at December 31, 2013 and December 31, 2012 refer to other miscellaneous costs.
Net finance income (expense)	(5,738)	(5,555)	Amounts at December 31, 2013 referred to interest expense for other financial payables to Telecom Italia S.p.A. amounting to Euro 3,506 thousand, interest expense for other payables to Telecom Italia S.p.A. amounting to Euro 372 thousand, financial fees for Euro 160 thousand, finance expenses to Telecom Italia Finance for Euro 771 thousand, and other net finance expenses for Euro 7 thousand. This item also includes finance income for other financial receivables from LA7 S.r.l. and MTV Italia, both Discontinued Operations, for Euro 622 thousand and Euro 91 thousand, respectively, to Telecom Italia Media. Amounts at December 31, 2012 referred to interest expense for financial payables to Telecom Italia S.p.A. totalling Euro 2,195 thousand and to Telecom Italia Finance SA. totalling Euro 2,208 thousand. They also included financial fees amounting to Euro 160 thousand and other finance expenses amounting to Euro 373 thousand to Telecom Italia, as well as finance income from Telecom Italia Media to La7, Discontinued Operations, totaling Euro 923 thousand and other finance expenses for Euro 1 thousand. Lastly, they also included other finance expenses to the Parent company Telecom Italia amounting to Euro 2 thousand.
Income tax expense	(1,322)	15,103	The balance at December 31, 2013 referred to the receivable from the participation in Telecom Italia's National Tax Consolidation and included an income of Euro 3,068 thousand from Telecom Italia Media S.p.A. and an expense of Euro 4,390 thousand from Telecom Italia Media Broadcasting. The balance at December 31, 2012 referred to the receivable from the participation in Telecom Italia's National Tax Consolidation and included an income of Euro 20,311 thousand from Telecom Italia Media S.p.A. and an expense of Euro 5,208 thousand from Telecom Italia Media Broadcasting.
Investments in tangible and intangible assets	61	534	The balance at December 31, 2013 referred to investments in irrevocable rights of use amounting to Euro 23 thousand and to work in process of Telecom Italia Media Broadcasting amounting to Euro 38 thousand. The balance at December 31, 2012 referred to tangible assets for Euro 150 thousand and to plant and machinery for Euro 21 thousand; to investments in industrial patents for Euro 197 thousand and investments in work in process for Euro 166 thousand.

(in thousands of euro)	12/31/2013	12/31/2012	
Non-current financial assets	-	-	
Miscellaneous receivables and other non-current assets	4,184	30,450	The balance at December 31, 2013 referred to the receivable from Telecom Italia S.p.A. for Euro 4,055 thousand and from Telecom Italia Media Broadcasting for Euro 129 thousand in relation to the participation in Telecom Italia's National Tax Consolidation. The balance at December 31, 2012 of Euro 30,450 referred to amounts due to Telecom Italia Media S.p.A. from La 7 S.r.l. totaling Euro 9,213 thousand, from Telecom Italia Media Broadcasting for Euro 114 thousand and from Telecom Italia Media S.p.a. for Euro 21,123 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)	38	3,568	The balance at December 31, 2013 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 22 thousand, from Telecom Italia amounting to Euro 3 thousand and from TM News totaling Euro 13 thousand. 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, it included trade receivables from TM News for Euro 44 thousand.
Miscellaneous receivables and other current assets	21,035	8,673	The amount at December 31, 2013 included a receivable of Euro 20,779 thousand from Telecom Italia S.p.A. in relation to the participation in the National Tax Consolidation for the 2012 tax loss of Telecom Italia Media S.p.A. The receivable is expected to be collected in June 2014. The item also included prepaid expenses to Telecom Italia divisions totaling Euro 3 thousand and miscellaneous receivables for Euro 253 thousand. Amount at December 31, 2012 included a receivable amounting to Euro 8,665 thousand from Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation for the tax loss incurred in 2011 by La7 Srl. The amount was transferred following the spinoff of the business line of Telecom Italia Media S.p.A. and should be collected in June 2013. Moreover, it included an Euro 8 thousand accrual from Telecom Italia S.p.A.
Financial receivables and other current financial assets	-	-	
Cash and cash equivalents	-	-	
Financial payables owed after 12 months	-	-	
Miscellaneous payables and other non-current liabilities	11,560	11,675	The amounts at December 31, 2013 and December 31, 2012 of Euro 11,400 thousand refer to the purchase from Telecom Italia of receivables claimed by the latter from Dahlia TV and used to underwrite a hybrid financial instrument consisting of redeemable, convertible privileged shares with limited rights as part of the agreement to strengthen Dahlia TV's financial position; this payable is guaranteed by a with recourse clause. They 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 160 thousand.

(in thousands of euro)	12/31/2013	12/31/2012	
Financial payables owed within 12 months	260,113	260,084	The balance at December 31, 2013 was mainly comprised of Euro 100,103 thousand related to a debt towards the parent company Telecom Italia 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 Group's investment program in the Digital Terrestrial network, completed in 2008. The loan is set to expire in December 2013. It also included the payable regarding the current account with Telecom Italia amounting to Euro 18,078 thousand. Moreover, it included a financial payable of Euro 17 thousand, as well as a payable to Telecom Italia Finance totalling Euro 141,915 thousand. The balance at December 31, 2012 was mainly comprised of Euro 100,000 thousand related 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 Group'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 included a payable of Euro 160,058 thousand regarding the current account with Telecom Italia, and another financial payable of Euro 17 thousand, 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.
Trade payables	4,703	8,418	The balances at December 31 , 2013 and December 31, 2012 include trade payables to Telecom Italia S.p.A. and its subsidiaries, mainly referring to the same for services rendered and telephone fees from Telecom Italia S.p.A. to companies of the Telecom Italia Media Group. At December 31, 2013 trade payables referred to Telecom Italia for Euro 4,432 thousand (they amounted to Euro 7,186 at December 31, 2012), to Telenergia for Euro 182 thousand, to TM News for Euro 0 thousand (Euro 361 thousand at December 31, 2012), to A1 International Investment for Euro 0 thousand (Euro 625 thousand at December 31, 2012),and to other companies for Euro 89 thousand (Euro 44 thousand at December 31, 2012).
Miscellaneous payables and other current liabilities	2,194	7,053	The balance at 12/31/2013 and December 31, 2012 included miscellaneous operating and non-operating paybles to the parent company Telecom Italia amounting to Euro 630 thousand (Euro 3,332 thousand at December 31, 2012), to TM News for Euro 120 thousand (Euro 120 thousand at December 31, 2012) and to Telecontact for Euro 0 thousand (Euro 108 thousand at December 31, 2012). The balance at December 31, 2013 included Euro 1,444 thousand (Euro 3,448 thousand at December 31, 2012), and 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.

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 2013	YEAR 2012	Type of transaction
Employee benefits expenses	71	712	At December 31, 2013 this item referred to contributions to Fontedir and INPS amounting to Euro 49 thousand and Euro 22 thousand, respectively. At December 31, 2012 this item referred to contributions to Fontedir and INPS amounting to Euro 56 thousand and Euro 656 thousand, respectively.
	12/31/2013	12/31/2012	
Miscellaneous payables and other current liabilities	126	344	At December 31, 2013 payables to Fontedir and INPS amounted to Euro 63 thousand and Euro 63 thousand, respectively. At December 31, 2012, payables to Fontedir and INPS amounted to Euro 149 thousand and Euro 195 thousand, respectively.

The most significant transactions between the Telecom Italia Media Group and the companies in the Telecom Italia Group are listed below, and the related balances are indicated in the following pages.

Telecom Italia S.p.A.

Assets

- recovery of employee benefits expenses, with Telecom Italia Media liable for expenses and charge-back to Telecom Italia S.p.A. for the secondment of personnel.

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 the Telecom Italia Media 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 (matured in December 2013);

- short-term loan granted to Telecom Italia Media S.p.A. by Telecom Italia S.p.A. in December 2013;
- 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.

Assicurazioni Generali S.p.A.

- effective January 1, 2013, Telecom Italia S.p.A. began entering into insurance policies on behalf of its subsidiaries according to a power of attorney envisaged in the service agreement. Consequently, Telecom Italia Media Group companies have a direct relationship with the Insurer.

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 140,000 thousand overall, whose term runs from July 31, 2013 to July 31, 2015. For Telecom Italia Media S.p.A., this facility qualified as a highly significant transaction pursuant to Article 5 of CONSOB Regulation No. 17221 of March 12, 2010, subsequently amended by Resolution No. 17389 of June 23, 2010, and entailed the publication of a Disclosure Document available from the website www.telecomitaliamedia.it — *Investors* section.

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As regards the impact of the cash flows and earnings of related parties on income tax expense, Telecom Italia Media S.p.A. 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 scheme.

RELATED PARTY TRANSACTIONS – LA 7 DISCONTINUED OPERATIONS

INCOME STATEMENT	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	04/30/2013	2012	04/30/2013	2012	04/30/2013	2012
Revenues						
Of which attributable to relations with:						
- Parent Company	707	2,517				
- Subsidiaries and associates of the Parent Company	131	250				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	838	2,767	37,608	123,580	2.2	2.2
Other operating income						
Of which attributable to relations with:						
- Parent Company	-	55				
- Subsidiaries and associates of the Parent Company	269	408				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	269	463	408	2,687	65.9	17.2
Acquisition of goods and services						
Of which attributable to relations with:						
- Parent Company	(1,139)	(5,400)				
- Subsidiaries and associates of the Parent Company	(6,197)	(24,070)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	(7,336)	(29,470)	(48,888)	(146,534)	15.0	20.1
Employee benefits expenses						
Of which attributable to relations with:						
- Parent Company	(42)	(250)				
- Subsidiaries and associates of the Parent Company	-	(41)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
- Compensation of the Company's Key Management Personnel	-	-				
- Pension funds	(196)	(631)				
Total	(238)	(922)	(13,701)	(42,891)	1.7	2.1
Other operating expenses						
Of which attributable to relations with:						
- Parent Company	-	(4)				
- Subsidiaries and associates of the Parent Company	-	(24)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	0	(28)	(1,751)	(3,490)	0.0	0.8
Finance income						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	30	35				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	30	35	35	225	85.7	16
Finance expenses						
Of which attributable to relations with:						
- Parent Company	(1)	(164)				
- Subsidiaries and associates of the Parent Company	(486)	(1,074)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	(487)	(1,238)	(617)	(1,889)	78.9	65.5

Agreements no longer in force due to the disposal of LA7 S.r.l.

Telecom Italia S.p.A.

<u>Assets</u>

- recovery of employee benefits expenses, with Telecom Italia Media liable for expenses and charge-back to Telecom Italia S.p.A. for the secondment of personnel;
- 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 di Telecom Italia.”

<u>Liabilities</u>

- supply by Telecom Italia of fixed and mobile telephone services;
- rendering of administrative and accounting services;
- regulation contract of the loan and the current 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;
- management, maintenance and cleaning of the buildings leased by La7 from Telecom Italia S.p.A. or third parties.

Telecom Italia Media Broadcasting

<u>Liabilities</u>

- agreement for the supply by Telecom Italia Media Broadcasting S.r.l. of transmission capacity and high-frequency management services.

Telenergia

<u>Liabilities</u>

- electricity supplied to LA7 for buildings used as office space or television studios by said broadcaster.

Assicurazioni Generali S.p.A.

Liabilities

- effective January 1, 2013, Telecom Italia S.p.A. began entering into insurance policies on behalf of its subsidiaries according to a power of attorney envisaged in the service agreement. Consequently, Telecom Italia Media Group companies have a direct relationship with the Insurer.

Feltrinelli Group

Assets

- a service and support agreement for rights management and scheduling following the launch of the new multiplatform entertainment and in-depth information channel on TV, the Internet and mobile devices co-managed by LA7 S.r.l. and Effe 2005-Feltrinelli Group.

RELATED PARTY TRANSACTIONS – MTV GROUP DISCONTINUED OPERATIONS

INCOME STATEMENT	Transactions with related parties (1)		Corresponding items of consolidated financial statements		% ratio of related parties	
(in thousands of euro)	08/31/2013	2012	08/31/2013	2012	08/31/2013	2012
Revenues						
Of which attributable to relations with:						
- Parent Company	196	1,743				
- Subsidiaries and associates of the Parent Company	13	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	209	1,743	25,666	55,225	0.8	3.2
Other operating income						
Of which attributable to relations with:						
- Parent Company	1	-				
- Subsidiaries and associates of the Parent Company	75	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	76	0	388	991	19.6	0.0
Acquisition of goods and services						
Of which attributable to relations with:						
- Parent Company	(634)	(1,101)				
- Subsidiaries and associates of the Parent Company	(6,232)	(9,959)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	(6,866)	(11,060)	(28,237)	(52,535)	24.3	21.1
Employee benefits expenses						
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						
- Compensation of the Company's Key Management Personnel						
- Pension funds	(21)	(30)				
Total	(21)	(30)	(5,052)	(12,925)	0.4	0.2
Other operating expenses						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	(50)	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	(50)	0	(805)	(1,668)	6.2	0.0
Finance income						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	-	2				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	-	2	229	176	-	1
Finance expenses						
Of which attributable to relations with:						
- Parent Company	(4)	(6)				
- Subsidiaries and associates of the Parent Company	(124)	(33)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel	-	-				
Total	(128)	(39)	(401)	(217)	31.9	18.0

NOTE 40 - Stock options

At December 31, 2013, 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 2013 the Company did not undertake any atypical or unusual transactions, as defined in said notice.

NOTE 42 – OTHER INFORMATION

CONTENTS:

SEGMENT REPORTING

As a result of the disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Group, which was completed on September 12, 2013, the relevant Business Units have been classified under “Discontinued Operations”. Moreover, as a result of the foregoing, the methods of representation of the income statement and equity results has been reviewed isolating the Network Operator BU, in line with the previous financial year.
The Network Operator (TIMB) business unit includes the operations of Telecom Italia Media Broadcasting relating to managing the Digital Multiplexes operated by the Group, as well as the offering of accessory services and broadcasting platforms for third parties.

	NETWORK OPERATOR		Other assets cancellations and adjustments		Group Total	
	Year		Year		Year	
(in thousands of euro)	2013	2012	2013	2012	2013	2012
Revenues from third parties	72,188	75,084		138	72,188	75,222
TOTAL REVENUES	72,188	75,084	-	138	72,188	75,222
TOTAL OPERATING REVENUES AND OTHER INCOME	74,253	76,015	1,475	1,179	75,728	77,194
			-	-		
Acquisition of services and other operating expenses	(34,844)	(29,486)	(3,510)	(3,055)	(38,354)	(32,541)
Employee benefits expenses	(3,440)	(3,302)	(3,707)	(8,355)	(7,147)	(11,657)
				-		
OPERATING INCOME(LOSS) BEFORE DEPRECIATION AND AMORTIZATION - EBITDA	35,969	43,227	(5,742)	(10,231)	30,227	32,996
			-	-		
Depreciation and amortization	(28,364)	(27,037)	(21)	(20)	(28,385)	(27,057)
Gains /(Losses) realized on disposals of non-current assets	-	48	-	-		48
Reversals/(Impairment) of non-current assets		(70,000)	-	-		(70,000)
OPERATING INCOME (LOSS)- EBIT	7,605	(53,762)	(5,763)	(10,251)	1,842	(64,013)
			-	-		
Other financial income (expenses) from equity investments	-	-	(64)	(188)	(64)	(188)
Other financial income (expense)	(3,348)	(2,814)	(2,435)	(2,742)	(5,783)	(5,556)
PROFIT (LOSS) BEFORE TAX	4,257	(56,576)	(8,262)	(13,181)	(4,005)	(69,757)
			-	-		
Income tax expense	(2,375)	(4,853)	2,340	3,453	(35)	(1,400)
			-	-		
PROFIT (LOSS) FROM CONTINUING OPERATIONS	1,882	(61,429)	(5,922)	(9,728)	(4,040)	(71,157)
			-	-		
Profit (loss) from discontinued operations/non-current assets held for sale	-	-	(133,588)	(177,282)	(133,588)	(177,282)
PROFIT (LOSS) FOR THE YEAR	1,882	(61,429)	(139,510)	(187,010)	(137,628)	(248,439)
Attributable to:						
Equity holders of the Parent Company	1,882	(61,429)	(133,853)	(179,515)	(131,971)	(240,944)
Minority Interests	-	-	(5,657)	(7,495)	(5,657)	(7,495)

	NETWORK OPERATOR		La7		MTV GROUP		Other assets		Cancellations and adjustments		GROUP TOTAL	
(in thousands of euro)	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Intangible assets	134,273	144,278	-	40,204	-	9,960	-	-	-	(40,204)	134,273	154,238
Tangible assets	60,299	72,253	-	11,251	-	2,484	76	31	-	(11,251)	60,375	74,768
Other assets	7,451	5,673	-	19,351	-	2,199	193,692	211,878	(175,964)	(185,424)	25,179	53,677
TOTAL FIXED CAPITAL	202,023	222,204	-	70,806	-	14,643	193,768	211,909	(175,964)	(236,879)	219,827	282,683
Working capital	1,336	(7,226)	-	7,088	-	374	(2,121)	(27,009)	3,000	3,000	2,215	(23,773)
Employee termination indemnities and other liabilities	(20,853)	(22,095)	-	(7,587)	-	(1,054)	(356)	(441)	-	-	(21,209)	(31,177)
TOTAL INVESTED CAPITAL	182,506	192,883	-	70,307	-	13,963	191,291	184,459	(172,964)	(233,879)	200,833	227,733
TOTAL EQUITY											(59,044)	(32,374)
NET FINANCIAL POSITION											259,877	260,107

	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
INVESTMENTS												
Industrial	6,410	17,713	-		-		82	9	-	-	6,492	17,722
Financial		-	-				9,460	20	-	-	9,460	20

EARNINGS PER SHARE - FINANCIAL YEAR 2013

Earnings per share in the financial year 2013 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	(4,040)		
Profit (loss) attributable to ordinary shares	(4,025)		
Average number of ordinary shares		1,446,317,896	
Basic and diluted earnings per ordinary share			**(0.0028)**

Profit (loss) from discontinued operations			
Profit (loss) from discontinued operations	(133,588)		
Profit (loss) attributable to ordinary shares	(133,082)		
Average number of ordinary shares		1,446,317,896	
Basic and diluted earnings per ordinary share			**(0.0920)**

Profit (loss) for the year			
Profit (loss) for the year	(137,628)		
Profit (loss) attributable to ordinary shares	(137,107)		
Average number of ordinary shares		1,446,317,896	
Basic and diluted earnings per ordinary share			**(0.0948)**

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	(4,040)		
Profit (loss) attributable to savings shares	(15)		
Average number of savings shares		5,496,951	
Basic earnings per savings share			**(0.0028)**

Profit (loss) from discontinued operations			
Profit (loss) from discontinued operations	(133,588)		
Profit (loss) attributable to savings shares	(506)		
Average number of savings shares		5,496,951	
Basic earnings per savings share			**(0.0920)**

Profit (loss) for the year			
Profit (loss) for the year	(137,628)		
Profit (loss) attributable to savings shares	(521)		
Average number of savings shares		5,496,951	
Basic earnings per savings share			**(0.0948)**

ANNEX 1

LIST OF 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. *(Acquisition, 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.
TI MEDIA BROADCASTING S.r.l. *(Acquisition, management and maintenance of systems for the repairing and distribution of radio and television programs)*	Rome	Euro	15,000,000	100.00	Telecom Italia Media S.p.A.
AFFILIATED COMPANIES VALUED USING THE EQUITY METHOD					
TM NEWS S.p.A. *(Multimedia journalistic information)*	Rome	Euro	1,120,000	40.00	Telecom Italia Media S.p.A.
OTHER COMPANIES					
ITALBIZ.COM, INC. *(Internet services)*	Los Angeles	$	4,720	19.50	Telecom Italia Media S.p.A.
DAHLIA TV S.p.A. (in liquidation) *(Pay-per-view services)*	Rome	Euro	11,318,833	10.08	Telecom Italia Media S.p.A.

SUMMARY TABLE OF THE FEES OF THE INDEPENDENT AUDITORS AND ENTITIES BELONGING TO THE SAME CORPORATE NETWORK

The following table shows the total fees owed to PwC S.p.A. and other entities belonging to the PwC network by way of consideration for auditing the 2013 financial statements, in addition to the emoluments accrued in 2013 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 2013 in connection with those services.

(in euro)	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	32,918	13,455	46,373	-	-	-	46,373
Control services involving the issue of an attestation	-	-	-	-	-	-	-
Other services	82,315	-	82,315	-	-	-	-
Total costs accrued in 2013 for auditing services and others to due to PwC network	**115,233**	**13,455**	**128,688**	**-**	**-**	**-**	**46,373**
Out-of-pocket expenses							10,676
TOTAL							**57,049**

NOTE 43 – Events subsequent to December 31, 2013

There were no events to report.

Attestation of the Consolidated Financial Statements pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 dated May 14, 1999 with subsequent amendments and riders

1. The undersigned 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 2013:

   - 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, 2013:

      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 scope of consolidation, along with a description of the primary risks and uncertainties to which they are exposed.

April 10, 2014

/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 2013 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 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.

   The consolidated financial statements present, for comparative purposes, the previous year's figures. As set out in the explanatory notes, the directors have reclassified certain comparative data of the prior year compared with that previously presented that we audited and on which we issued our audit report dated 15 March 2013. The reclassification methods and the related disclosures within the explanatory notes have been examined by us for the purpose of expressing our opinion on the consolidated financial statements for the year ended 31 December 2013.

3. In our opinion, the consolidated financial statements of the Telecom Italia Media Group as of 31 December 2013 comply with 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** 40126 Via Angelo Finelli 8 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. 0521275911 - **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;

   - 25 October 2013 marked the close of the sale of the entire equity interest held in LA7 Srl to Cairo Communication SpA and 12 September 2013 saw the final disposal of the 51% stake in MTV Italia Srl to the Viacom group. Note 36 of the explanatory notes describes the related effects on the consolidated financial statements of Telecom Italia Media SpA at 31 December 2013.

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 2013.

Turin, 17 March 2014

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 of
Telecom Italia Media S.p.A.

CONTENTS:

Statement of Financial Position

ASSETS

(in Euro)	Notes	12/31/2013	of which with related parties	12/31/2012	of which with related parties
NON-CURRENT ASSETS					
Intangible assets:					
Goodwill	3)	6,295,000		6,295,000	
Intangible assets with finite useful lives		-		-	
		6,295,000		6,295,000	
Tangible assets:	4)				
Property, plant and equipment owned		72,084		8,571	
Assets held under finance leases					
		72,084		8,571	
Other non-current assets	5)				
Equity investments		173,641,146		173,715,216	
Non-current financial assets		90,905		233,866	
Miscellaneous receivables and other non-current assets		18,455,515	4,055,000	35,522,817	21,123,000
Deferred tax assets	6)	1,594,896		2,639,300	
		193,782,462		212,111,199	
TOTAL NON-CURRENT ASSETS (A)		200,149,546		218,414,770	
CURRENT ASSETS					
Inventories		-		-	
Trade and miscellaneous receivables and other current assets	7)	21,790,011	21,343,000	2,457,778	1,621,000
Current income tax receivables		26,608		121,660	
Current financial assets					
Securities other than investments, financial receivables and other current financial assets	8)	70,026,856	70,000,000	70,070,923	70,000,000
Cash and cash equivalents	9)	8,109,263	8,103,000	55,386,908	9,483,000
TOTAL CURRENT ASSETS (B)		99,952,738		128,037,269	
TOTAL ASSETS (A+B)		300,102,284		346,452,039	

EQUITY AND LIABILITIES

(in euro)	Notes	12/31/2013	of which with related parties	12/31/2012	of which with related parties
EQUITY	10)				
Share capital		212,188,324		212,188,324	
- Share premium account		-		22,026,207	
- Other reserves and retained earnings (accumulated losses), including profit /(loss) for the year		(196,648,710)		(178,010,387)	
TOTAL EQUITY (A)		15,539,614		56,204,144	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	11)	2,338	-	4,927	-
Employee benefits	13)	356,307		441,500	
Deferred tax liabilities					
Provisions					
Miscellaneous payables and other non-current liabilities	14)	14,400,089	14,400,000	14,400,089	14,400,000
TOTAL NON-CURRENT LIABILITIES (B)		14,758,734		14,846,516	
CURRENT LIABILITIES					
Current financial liabilities	11)	260,262,758	260,261,000	260,210,886	260,209,000
Trade and miscellaneous payables and other current liabilities	15)	9,541,178	1,813,000	15,190,493	1,877,000
Current income tax payables		-		-	
TOTAL CURRENT LIABILITIES (C)		269,803,936		275,401,379	
TOTAL LIABILITIES (D=B+C)		284,562,670		290,247,895	
TOTAL EQUITY AND LIABILITIES (A+D)		300,102,284		346,452,039	

SEPARATE INCOME STATEMENT

(in euro)	Notes	Year 2013	of which related parties	Year 2012 (Restated)	of which related parties
Revenues	19	680,000	680,000	818,000	818,000
Other income	20	3,194,488	1,539,000	3,360,419	2,678,000
Total operating revenues and other income	18	**3,874,488**		**4,178,419**	
Acquisition of goods and services	21	(5,239,618)	(911,000)	(4,750,787)	(338,000)
Employee benefits expenses	22	(3,787,374)	(521,000)	(8,356,084)	(1,076,000)
Other operating expenses	23	(600,133)	-	(1,313,259)	(6,000)
Changes in inventories		-		-	
Internally generated assets		-		-	
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION - EBITDA		**(5,752,637)**		**(10,241,711)**	
Depreciation and amortization	24	(17,603)		(428)	
Gains /(Losses) realized on disposals of non-current assets		-		-	
Reversals /(Impairment losses) on non-current assets	25	-		(40,355,000)	
OPERATING INCOME (LOSS) - EBIT		**(5,770,240)**		**(50,597,139)**	
Other income /(expenses) from investments	26	10,936,430		(187,976)	
Finance income	27	4,168,194	3,438,000	4,091,606	2,892,000
Finance expenses	28	(6,603,481)	(6,580,000)	(6,833,573)	(6,753,000)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**2,730,903**		**(53,527,082)**	
Income tax expense	29	2,341,904	3,068,000	3,453,582	21,128,000
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**5,072,807**		**(50,073,500)**	
Profit (loss) from discontinued operations/Non-current assets held for sale	30	(155,575,471)		(128,036,739)	
PROFIT (LOSS) FOR THE YEAR		**(150,502,664)**		**(178,110,239)**	

STATEMENTS OF COMPREHENSIVE INCOME

		2013	2012
Profit (loss) for the year		**(150,502,664)**	**(178,110,239)**
Other components of the statement of comprehensive income that will not be subsequently reclassified to Separate Income Statement			
° Available-for-sale financial assets:			
° Profit (loss) from adjustment to fair value		(223,265)	(19,804)
° Profit/(loss) transferred to separate income statement		61,398	5,446
	Sub-total	(161,867)	(14,358)
Total profit (loss) for the year		**(150,664,531)**	**(178,124,597)**

Statement of Changes in Equity from January 1 to December 31, 2013

(in euro)	Share capital	Share premium account	Exchange gains from translation of foreign operations	Reserves for redetermination of defined benefit plans (IAS 19) (*)	Retained earnings (accumulated losses), including profit (loss) for the year	Total Equity
Balance at December 31, 2012 (Note 10)	212,188,324	22,026,207		845,412	(178,855,799)	56,204,144
Change in equity for 2013						
Authorized dividends						
Comprehensive profit (loss) for the year					(150,502,664)	(150,502,664)
Capital increases						
Conversion of bonds						
Treasury shares						
Exercise of share options						
Elimination of the financial payable to Telecom Italia S.p.A.					110,000,000	110,000,000
Other movements		(22,026,207)		(176,224)	22,040,565	(161,866)
Balance at December 31, 2013 (Note 10)	212,188,324			669,188	(197,317,898)	15,539,614

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 10)	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						
Comprehensive 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 10)	212,188,324	22,026,207		845,412	(178,855,799)	56,204,144

Cash Flow Statements

(in thousands of euro)	Notes	Year 2013	Year 2012 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the year		5,072	(50,074)
Adjustments for:		-	
Depreciation and amortization	24)	18	1
Impairment losses/reversals of non-current assets (including investments)	25)	74	40,571
Net change in deferred tax assets and liabilities		1,351	(2,645)
Gains/losses realized on disposals of non-current assets (including investments)		-	-
Share of losses/gains of associates accounted for using the equity method		-	-
Change in employee benefits	13)	(329)	(449)
Changes in inventories		-	-
Change in trade receivables and in net receivables for contract works		1,163	(1,665)
Change in trade payables		(843)	1,690
Net change in income tax receivables/payables		95	(95)
Net change in miscellaneous receivables/payables and other assets/liabilities		(8,206)	(47,526)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**(1,605)**	**(60,192)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets on an accrual basis			-
Purchase of tangible assets on an accrual basis	4)	(82)	(9)
Total acquisitions of intangible and tangible assets on an accrual basis (2)		(82)	(9)
Change in trade payables relating to investing activities		(5)	-
Total purchase of intangible and tangible assets on a cash basis		(87)	(9)
Acquisition of subsidiaries and business lines, net of cash acquired		(9,600)	(20)
Acquisition of other investments		-	-
Change in financial receivables and other financial assets		187	(30)
Proceeds from sale of subsidiaries, net of cash disposed of		(146,221)	-
Proceeds from sale/repayment of tangible, intangible and other non-current assets		-	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(155,721)**	**(59)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in current financial liabilities and other liabilities		141,914	(45,090)
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		91	(17,339)
Increases/reductions of share capital and other changes in equity		110,000	
Amount paid for instruments representing equity			
Dividends paid (2)			
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**252,005**	**(62,429)**
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)			**1,487**
AGGREGATE CASH FLOWS (E=A+B+C+D)		**94,679**	**(121,193)**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)		**(104,796)**	**16,397**
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)		**(10,117)**	**(104,796)**

(2) **OF WHICH TRANSACTIONS WITH RELATED PARTIES**		Year 2013	Year 2012 (Restated)
(in thousands of euro)			
Total acquisitions of intangible and tangible assets on an accrual basis	33)	-	-
Dividends paid to Minority Interests (including distribution of reserves)			

Additional Cash Flow Information

(in thousands of euro)	Year 2013	Year 2012 (Restated)
Income tax expense (paid)/received	95	18,988
Interest expense	(4,097)	(6,101)
Interest income	4,106	3,062
Dividends received	11,010	28

BREAKDOWN OF NET CASH AND CASH EQUIVALENTS:

(in thousands of euro)	Year 2013	Year 2012 (Restated)
NET CASH AND CASH EQUIVALENTS AT BEGINNING 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
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR:		
Cash and cash equivalents - from continuing operations	8,109	55,387
Bank overdraft repayable on demand - from continuing operations	(18,226)	(160,183)
	(10,117)	(104,796)

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 as Network Operator for television digital broadcasting through its subsidiary Telecom Italia Media Broadcasting S.r.l.

The separate financial statements of Telecom Italia Media S.p.A. for the financial year ended December 31, 2013 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 2013 Telecom Italia Media applied accounting standards consistent with those followed in the previous year, with the exception of the new standards/interpretations adopted by Telecom Italia Media effective January 1, 2013 and described below.

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, 2013 were authorized for publication with a resolution passed by the Board of Directors on March 4, 2014.
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 income), the alternative performance measure EBITDA (Operating income 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 expense
-	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 income 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 Flow Statements*.

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 investments included among non-current assets, income and expenses deriving from company reorganization processes, income and expenses deriving from fines levied by regulatory entities, and 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 2013 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 considering that conditions envisaged by Article 2446 of the Italian Civil Code are still met, as described in section Other Information, the Parent Company Telecom Italia S.p.A. issued a letter of financial support whereby it confirms its intention and irrevocable commitment to fund and financially support Telecom Italia Media in order to ensure that the latter discharges its obligations and continues to operate regularly as going concern, avoiding any reduction in its capacity, at least for 12 months since the approval by the Shareholders' Meeting of the Annual Financial Report at December 31, 2013. Telecom Italia also irrevocably undertook to refinance the outstanding debt owed by Telecom Italia Media to the Telecom Italia Group companies for a period of no less than 18 months. 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.
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*).

With the first-time adoption of IFRS, the Company elected not to apply IFRS 3 retroactively to the acquisition of businesses occurred before January 1, 2004. As a result, the goodwill generated on acquisitions before this date was maintained 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.

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, in 20 years, following the enactment of Italian Legislative Decree No. 59 of April 8, 2008, which transformed individual licenses governing the use of digital frequencies (duration of 12 years) into general authorizations (duration of up to 20 years; renewable).

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 previously estimated.
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 under leasing contracts, through which all risks and rewards connected with the property of the item are effectively transferred to the Company, are initially recognized at 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 represented in the financial statements under financial liabilities.
Lease payments are broken down into interest (recognized 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, the realized capital gains are deferred over the duration of the lease 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 future cash flows expected to be generated by the asset, 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 units) 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 cash generating units (or group of units) is compared with the carrying amount of all the cash generating units (or group of units), 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 worse economic performance than expected. External sources include the trend of market prices of the assets, any 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 is higher than its market capitalization.

If the Group determines any indications 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 joint ventures

Investments in subsidiaries, associates and joint ventures are measured at cost adjusted for impairment. If objective signs of impairment are detected, the recoverability is verified by comparing the carrying value of the investment and its recoverable value defined as the higher of fair value less costs to sell and value in use.

Other investments

Other investments (other than in subsidiaries, associates and joint ventures) 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 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 — *Financial Instruments: Recognition and Measurement*.
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.
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 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 sales involve the transfer to third parties of substantially all of the risks and rewards associated with the receivables, and thus meet the requirements set forth in IAS 39 for derecognition.

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.

Following the disposal of LA7 S.r.l., which was finalized on April 30, 2013, and the disposal of MTV Italia S.r.l., which was completed on September 12, 2013, earnings results have been classified under the item "Profit (loss) from discontinued operations/assets held for sale", in accordance with IFRS 5. In addition, in the interest of greater clarity in the representation of the Telecom Italia Media S.p.A.'s earnings performance, the historical income statement figures provided for the purposes of comparison with financial year 2013 have been restated taking account of the classification of the profit or loss generated by those assets as discontinued operations.

Employee benefits

Employee termination indemnities

Employee Termination Indemnities, which are 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.

Assessment of changes in actuarial gains/losses (“*remeasurements*”) are to be recognized among the other comprehensive income. Interest expenses relating to the time value component in actuarial calculations are to be recognized in the separate income statement among finance expense.

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.

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 "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 “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 "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 provisions when, in the presence of a current, legal or constructive 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 expense."

Treasury shares

Treasury shares are recognized in reduction of equity. In detail, treasury shares are accounted for as a reduction of issued share capital, for the part equal to the so-called “accounting parity”, which is the ratio of total share capital to the number of shares issued. The excess of purchase value to the accounting parity is recognized as a reduction of "Retained earnings (accumulated losses), including profit (loss) for the period”.

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.

- <u>Services revenues</u>
  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.
- <u>Contract work in progress</u>
  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 expense

Finance income and expense 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 recognized 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. Deferred tax assets and liabilities are offset separately, when there is a legal right to offsetting. 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 18 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 95 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 2,342 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 both prices in regulated markets or quoted prices provided by financial counterparties, and 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*, 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 and in force since January 1, 2013

Pursuant to IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors*, the IFRSs in effect as of January 1, 2013 are briefly indicated and explained below.

Amendments to IAS 1 — *Presentation of Financial Statements*

On June 5, 2012, EC Regulation No. 475-2012 endorsed certain amendments made by IASB to IAS 1 on the presentation of other comprehensive income. In detail, the amendments require entities to group items presented in OCI based on whether they are reclassifiable to profit or loss subsequently, i.e. those that will be reclassified and those that cannot be reclassified.
The adoption of these amendments has not had any effect on the measurement of financial statement items and has had limited effects on the disclosures of these separate financial statements as of December 31, 2013.

Amendments to IFRS 7 — *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*

On December 13, 2012, EC Regulation No. 1256-2012 endorsed certain amendments made by IASB to IFRS 7, regarding disclosures on offsetting of financial assets and financial liabilities.
The adoption of these amendments has not had any effect on the separate financial statements as of December 31, 2013.

Amendments to IAS 12 — *Income Taxes*

On December 11, 2012, EC Regulation No. 1255-2012 endorsed amendments to IAS 12. The Standard requires entities to measure deferred tax relating to an asset based on the future recovery of the carrying amount of the asset through sale or use. The amendment provides for the presumption that recovery of the carrying value is made usually through sale.
The adoption of these amendments has not had any effect on the separate financial statements as of December 31, 2013.

IAS 27 — *Separate Financial Statements*

On December 11, 2012, EC Regulation No. 1254-2012 endorsed amendments to IAS 27 — *Separate Financial Statements*. The Standard outlines the principles of accounting for investments in subsidiaries, joint ventures and associates, when a company decides, or is required by local regulations, to prepare separate (non consolidated) financial statements.
Telecom Italia Media, as allowed by the above-mentioned Regulation, decided to adopt this standard as of financial year 2013; however, its application has not had any effect on the separate financial statements as of December 31, 2013.

IFRS 11 — *Joint Arrangements*

The above-mentioned EC Regulation No. 1254-2012 endorsed IFRS 11, which fully superseded IAS 31 — *Interests in Joint Ventures*, and SIC 13 — *Jointly Controlled Entities – Non Monetary Contributions by Venturers*.
Telecom Italia Media, as allowed by the above-mentioned Regulation, decided to adopt this standard as of financial year 2013; however, its application has not had any effect on the separate financial statements as of December 31, 2013.

IAS 28 — *Investments in Associates and Joint Ventures*
The above-mentioned EC Regulation No. 1254-2012 endorsed IAS 28R.
Telecom Italia Media, as allowed by the above-mentioned Regulation, decided to adopt this standard as of financial year 2013; however, its application has not had any effect on the separate financial statements as of December 31, 2013.

IFRS 13 — *Fair Value Measurement*
On December 11, 2012, EC Regulation No. 1255-2012 endorsed IFRS 13, which provides a single framework for measuring and comparing fair value through a fair value hierarchy. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).
IFRS 13 must be applied prospectively and does not broaden the cases of application of fair value, rather provides guidelines on its application methods.

In detail IFRS 13:
- defines fair value as: “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”;
- sets a single framework for measuring fair value;
- requires disclosures about fair value measurement.

The adoption of these amendments has not had any effect on the separate financial statements as of December 31, 2013.

Improvements to IFRSs *(2009-2011 cycle)*
On March 27, 2013, EC Regulation No. 301-2013 endorsed certain improvements to IFRSs for the 2009-2011 period.
In detail, they concern the following aspects:
- IAS 1 – clarification of the requirements for comparative information;
- IAS 16 – classification of spare parts and servicing equipment;
- IAS 32 – Tax effect of distributions to holders of equity instruments;
- IAS 34 – Interim financial reporting and segment information for total assets and liabilities.

The adoption of these improvements has not had any effects on the measurement of items of the separate Financial Statements as of December 31, 2013.

New Standards and Interpretations endorsed by the EU, not yet in Force

In December 2012, the European Union adopted certain amendments made by IASB to IAS 32 — *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, to clarify the application of some criteria in offsetting financial assets and financial liabilities.
Amendments to IAS 32 are applicable as of January 1, 2014.
The application of these amendments is not expected to have material effects on the Telecom Italia Media’s separate Financial Statements.

NOTE 3 – Goodwill Euro 6,295 thousand

(Euro 6,295 thousand at December 31, 2012)

The item amounted to Euro 6,295 thousand, unchanged compared to December 31, 2012 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 2013 are detailed below:

YEAR 2012	Goodwill
(in thousands of euro)	
Gross value at 12/31/2011	70,697
Investments	
Mergers, demergers, spin-offs	(24,047)
Other movements (Impairment loss)	(40,355)
Gross value at 12/31/2012	6,295

YEAR 2013	Goodwill
(in thousands of euro)	
Gross value at 12/31/2012	6,295
Investments	
Mergers, demergers, spin-offs	
Other movements (Impairment loss)	
Gross value at 12/31/2013	6,295

In April 2013, the sale of LA7 S.r.l. to Cairo Communication was completed, while the sale of 51% of MTV Italia S.r.l. to Viacom was completed in September 2013. As a result, the Company's scope of business was reduced to include only the Network Operator activities (TIMB).
In October 2013, Telecom Italia Media and Gruppo Editoriale L'Espresso announced the signing of a (non-binding) agreement for the possible integration of their digital multiplexes, seeking to leverage the assets of both operators including through the achievement of industrial synergies. The transaction is subject to obtaining the necessary authorizations.
As a result of this proposed integration, TIMB postponed the planning process; the post-integration 2014-2016 Plan will be presented after signing of the merger.
The impairment test at December 31, 2013 was carried out on the basis of the same company operations as at June 30, 2013 (pre-integration), therefore excluding any possible benefit expected from the above mentioned integration; the test was based on TIMB stand alone plan prepared by the management in autumn 2013, and presented to the Board of Directors, which acknowledged it on November 5, 2013.

The impairment test at December 31, 2013 was carried out using the same method as that used for the impairment test at December 31, 2012 and June 30, 2013 and was conducted on two levels:

- Level I: each individual TIMB CGU;
- Level II: the Group as a whole.

In estimating TIMB recoverable value, the underlying Plan forecasts were reduced throughout the planning and simulation period in consideration of the (negative) variances identified in the Plan update (2014-2016 and the 2017-2018 simulation) compared to the previous Plan (2013-2015 and 2016-2017 simulation).

For the purpose of determining the cost of equity, the methodology applied was in keeping with that used at December 31, 2012 making use of the betas (calculated on a monthly basis) with the greater R^2. This required using the 2 year beta (rather than the 5 year beta used at December 31, 2012).
The betas calculated on a higher frequency (daily) were not used because they showed lower R^2 for each interval. This beta was determined based on the covariance between the monthly returns on Telecom Italia Media stock and those on the FTSE Italy All-Share index, adjusted for the return recorded in October 2013 which was affected by the effect of the announcement (of the transaction with ReteA).

In 2013, the market capitalization of Telecom Italia Media fluctuated considerably, showing a markedly downward trend in the first half, followed by an upward trend in the second half of the year. As a result, the market capitalization at December 31, 2013 stood at Euro 183.9 million, down approximately 17% compared to the reference capitalization for last year impairment test (Euro 222.6 million).
The target market cap showed a decreasing trend in the first half of 2013, down to Euro 101.77 million, or about 50% less than the value at the beginning of the year.
In the early months of 2014, the market capitalization stood at approximately the value at year-end 2013, ending the month of February up slightly compared to the end of December 2013 (Euro 196 million); at the same time also the target market cap increased slightly (ending the month of February at Euro 116.29 million).

The above assessments have led to excluding any impairment losses for the year 2013.

NOTE 4 - Tangible assets

Euro 72 thousand

(Euro 8 thousand at December 31, 2012)

Tangible assets increased by Euro 64 thousand compared to December 31, 2012, and were recognized net of the relevant accumulated depreciation of Euro 19 thousand.

The compositions and variations in 2012 and 2013 are detailed below:

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, spin-offs	(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, spin-offs	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, spin-offs	(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**

Year 2013	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 12/31/2012				**6**	**3**	**9**
Investments		13		27	42	82
Mergers, demergers, spin-offs						
Disposals and other movements				(33)	33	
Gross value at 12/31/2013		**13**			**78**	**91**
Depreciation at 12/31/2012					**(1)**	**(1)**
Depreciation for the year		(3)			(15)	(18)
Mergers, demergers, spin-offs						
Disposals and other movements						-
Depreciation at 12/31/2013		**(3)**		**-**	**(16)**	**(19)**
Net value at 12/31/2012				**6**	**2**	**8**
Investments	-	13	-	27	42	82
Depreciation		(3)			(15)	(18)
Mergers, demergers, spin-offs						
Disposals and other movements	-	-	-	(33)	33	
Net value at 12/31/2013		**10**			**62**	**72**

The item Other tangible assets amounted to Euro 62 thousand and mainly includes leasehold improvements in Rome offices totaling Euro 25 thousand and furniture and furnishings amounting to Euro 32 thousand.

The minimum and maximum depreciation rates (reformulation of useful lives in %) for 2013 and 2012 are set out below:

	2013	2012
Industrial and civilian buildings		6.1% - 6.1%
Plant and machinery	11.11% - 33.33%	9.1% - 19.0%
Manufacturing and distribution equipment		13.3% - 16.7%
Other tangible assets	11.11% - 33.33%	10.0% - 40.0%

NOTE 5 – Other non-current assets

Euro 193,783 thousand

(Euro 212,112 thousand at December 31, 2012)

This item decreased by Euro 18,329 thousand compared to December 31, 2012.

The changes in the main items comprising non-current assets are detailed on the following pages.

(in thousands of euro)	12/31/2013	*of which financial instruments (1)*	12/31/2012	*of which financial instruments (1)*	Change
Investments in:					
Subsidiaries	172,922		162,922		10,000
Other companies	720		794		(74)
Payments for future capital increases			10,000	-	10,000
	173,642		173,716		(74)
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	91	91	234	234	(143)
	91	91	234	234	(143)
Miscellaneous receivables and other non-current assets					
Non current receivables due to National Tax Consolidation	4,055		21,123		(17,068)
Other miscellaneous receivables	14,400	14,400	14,400	14,400	
	18,455	14,400	35,523	14,400	(17,068)
Deferred tax assets	1,595		2,639		(1,044)
Total	**193,783**	**14,491**	**212,112**	**14,634**	**(18,329)**

(1) Instruments that qualify for the purposes of IFRS 7 reporting in Note 16

- **Investments** Euro 173,642 thousand

This item is made up as follows:

(in thousands of euro)	12/31/2012	Investments	Transfers / reimbursement of capital	Impairment	Demergers/ spin-offs	Reclassification and other movements	12/31/2013
Investments in:							
Subsidiaries	**162,922**					**10,000**	**172,922**
MTV Italia S.r.l.							
Telecom Italia Media Broadcasting S.r.l.	162,922					10,000	172,922
LA7 S.r.l.							
Other companies	**794**			**(74)**			**720**
Consorzio Valle d'Aosta digitale	7						7
Italbiz.com Inc.	1						1
Tiglio I S.r.l.	751			(74)			677
TIVU' S.r.l.	35						35
Total investments	**163,716**			**(74)**		**10,000**	**173,642**
Payments for future capital increases	**10,000**					**(10,000)**	
Telecom Italia Media Broadcasting S.r.l.	10,000					(10,000)	
Total	**173,716**			**(74)**			**173,642**

Investments at December 31, 2013 amounted to Euro 173,642 thousand, a decrease of Euro 74 thousand over December 31, 2012 (Euro 173,716 thousand). The change is entirely attributable to the writedown of the investment in Tiglio 1 S.r.l., applied to bring its carrying amount into line with its fair value.

- **Securities and financial receivables** Euro 18,546 thousand

This item decreased by Euro 17,211 thousand compared to December 31, 2012.

The composition of this entry is shown in the following table:

(in thousands of euro)	12/31/2013	12/31/2012	Change
Loans to employees	91	234	(143)
Total securities and non-current financial receivables	**91**	**234**	**(143)**
Miscellaneous non-current receivables:			
Receivables from the Parent company for National Tax Consolidation	4,055	21,123	(17,068)
Deposits for third parties as collateral			
Other miscellaneous receivables from third parties	14,400	14,400	
Total non-current miscellaneous receivables	**18,455**	**35,523**	**(17,068)**
Total securities and receivables	**18,546**	**35,757**	**(17,211)**

- Other non-current miscellaneous receivables — Euro 18,455 thousand

This item decreased by Euro 17,068 thousand compared to December 31, 2012.
Receivables from the Parent Company associated with tax consolidation amounted to Euro 4,055 thousand and included 2013 tax losses for Euro 3,129 thousand (of which Euro 3,068 thousand allocated to the income statement and Euro 61 thousand for the tax effect resulting from the application of IAS 19), for which paid-in is expected in June 2015, and Euro 926 thousand (gross of per rata temporis interest on the capital) 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 Legislative Decree 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, 2013 and 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 6 – Deferred tax assets — Euro 1,595 thousand

(Euro 2,639 thousand at December 31, 2012)

This item decreased by Euro 1,044 thousand compared to December 31, 2012.

The composition of this entry is shown in the following table:

(in thousands of Euro)	12/31/2013	12/31/2012	Change
Deferred tax assets:			
Provisions	737	1,781	(1,044)
Provision for doubtful receivables	795	795	
Tax losses			
Other prepaid taxes	63	63	
Total deferred tax assets, net of deferred tax provision	**1,595**	**2,639**	**(1,044)**

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 1,595 thousand at December 31, 2013 and Euro 2,639 thousand at December 31, 2012) were decreased by Euro 1,044 thousand overall at December 31, 2013.
Specifically, deferred tax assets included Euro 737 thousand at December 31, 2013 (Euro 1,781 thousand at December 31, 2012) in relation to provisions.

There are no tax loss carryforwards.

NOTE 7 - Trade and miscellaneous receivables, and other current assets (excluding income tax receivables) Euro 21,789 thousand

(Euro 2,457 thousand at December 31, 2012)

This item increased by Euro 19,332 thousand compared to December 31, 2012, and includes:

(in thousands of euro)	12/31/2013	*of which financial instruments (1)*	12/31/2012	*of which financial instruments (1)*	Change
Receivables for contract works					
Trade receivables:					
- receivables from customers	151	151	12	12	139
- receivables from parent companies			567	567	(567)
- receivables from subsidiaries	362	362	1,098	1,098	(736)
- receivables from other related parties	1	1			1
	514	514	1,677	1,677	(1,163)
Miscellaneous receivables and other current assets:					
- other receivables	21,250	348	773	430	20,477
- commercial and other prepaid expenses	25		7		18
	21,275	348	780	430	20,495
Total	21,789	862	2,457	2,107	19,332

(1) Instruments that qualify for the purposes of IFRS 7 reporting in Note 16

Trade receivables — Euro 514 thousand

Trade receivables — Euro 151 thousand

At December 31, 2013, they amounted to Euro 151 thousand, up by Euro 139 thousand compared to December 31, 2012 (Euro 12 thousand).

The evolution of the provisions for receivables was as follows:

(in thousands of euro)	12/31/2012	Increase	Decrease	Release to income statement	Other movements	12/31/2013
Provision for doubtful receivables	109					109

Receivables from subsidiaries — Euro 362 thousand

This item refers for Euro 360 thousand to receivables from Telecom Italia Media Broadcasting S.r.l. and for Euro 2 thousand to receivables from Beigua S.r.l.

Miscellaneous receivables and other current assets — Euro 21,275 thousand

Other receivables — Euro 21,250 thousand

This item increased by Euro 20,477 thousand compared to December 31, 2012, and includes:

(in thousands of euro)	12/31/2013	12/31/2012	Change
Advances to suppliers		254	(254)
Receivables from employees	18	17	1
Advance payments for other taxes	99	100	(1)
Current receivables from the parent company for National Tax Consolidation	20,779		20,779
Other items	354	402	(48)
Total	**21,250**	**773**	**20,477**

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)	12/31/2013	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	862	862				

(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	2,107	2,107				

NOTE 8 – Financial receivables and other current financial assets

Euro 70,027 thousand

(Euro 70,071 thousand at December 31, 2012)

This item decreased by Euro 44 thousand compared to December 31, 2012 (Euro 70,071 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, 2012) and loans to personnel amounting to Euro 27 thousand.

(in thousands of euro)	12/31/2013	12/31/2012	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	70,027	70,071	(44)
Hedging derivatives relating to hedged elements classified among current financial assets/liabilities			
Total	**70,027**	**70,071**	**(44)**

NOTE 9 – Cash and cash equivalents

Euro 8,109 thousand

(Euro 55,387 thousand at December 31, 2012)

(in thousands of euro)	12/31/2013	12/31/2012	Change
Cash at bank, financial and postal institutes			
Cheques			
Cash	6	5	1
Receivables and deposits for cash flexibility	8,103	55,382	(47,279)
Securities other than investments (with maturity not exceeding 90 days)			
Total	**8,109**	**55,387**	**(47,278)**

Cash and cash equivalents were Euro 8,109 thousand, decreasing by Euro 47,278 thousand compared to Euro 55,387 thousand at December 31, 2012. This reduction is primarily attributable both to the zeroing of receivables from La7 S.r.l., as a result of the disposal (Euro 45,899 thousand at December 31, 2012), and to the reduction of receivables from Telecom Italia Media Broadcasting which amounted to Euro 1,380 thousand.

Receivables and deposits for cash flexibility, which amounted to Euro 8,103 thousand, include short-term financial receivables from subsidiaries and parent companies established in connection with the Telecom Italia Media Group's centralized treasury program, consistently with Telecom Italia Group's centralized treasury procedures, which require that the Parent Company provide financial resources to its subsidiaries through running accounts, and are entirely attributable to Telecom Italia Media Broadcasting S.r.l.

NOTE 10 – Equity

Euro 15,540 thousand

(Euro 56,204 thousand at December 31, 2012)

Changes for the year are shown in the following table:

(in thousands of euro)	12/31/2013	12/31/2012	Change
Capital issued	**212,188**	**212,188**	-
Less treasury shares			
Share capital	**212,188**	**212,188**	-
Share premium account		22,027	(22,027)
Other reserves:			
Other	(46,145)	99	(46,244)
Total other reserves	(46,145)	99	(46,244)
Retained earnings (accumulated losses), including profit (loss) for the year	(150,503)	(178,110)	27,607
Total	**15,540**	**56,204**	**(40,664)**

During 2013, 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 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 Euro 0.30 per share.

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 Euro 0.30 per share.

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 ordinary 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** was fully used to replenish losses for the previous year (Euro 22,027 thousand).

Other reserves totaled Euro -46,145 thousand (Euro 99 thousand at December 31, 2012), showing a decrease of Euro 46,244 thousand. The amount of Euro -46,145 thousand includes both Telecom Italia S.p.A.'s waiver of its financial receivable in the amount of Euro 110,000 thousand in 2013 and the amount of losses carried forward for 2012 amounting to Euro -155,984 thousand, as well as Euro -161 thousand from the reserve arising on the remeasurement of defined benefit plans set aside following the early adoption of IAS 19R —*Employee Benefits*.

Accumulated profit (loss), including profit (loss) for the year, was negative for Euro 150,503 thousand compared to December 31, 2013 and included the loss of the year.

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 financial years: to replenish losses	Summary of uses made in the previous three financial years: for other reasons
Share capital	**212,188**				
Capital reserves:					
Share premium account		A,B,C		235,995	
Legal reserve		A,B,C			
Reserve Re. Law No. 342 of 11/21/2000		A,B,C			
Capital grant reserve		A,B,C			
Extraordinary reserve		A,B,C			
Revaluation reserve Re. Law No. 413/91		A,B,C			
Euro reserve		A			
Other reserves	109,838	B	109,838		
Retained earnings:					
Legal reserve		A,B,C			
Total			109,838		
Non-distributable portion			(109,838)		
Remaining distributable portion			0		

A: for capital increase
B: to replenish losses
C: for distribution to shareholders

At December 31, 2013, Telecom Italia Media S.p.A. did not have any more authorized capital increases for stock option plans.

NOTE 11 – Financial liabilities (current and non-current)

Euro 260,265 thousand

(Euro 260,217 thousand at December 31, 2012)

Financial liabilities increased by Euro 48 thousand compared to the previous year, and can be broken down as follows:

(in thousands of euro)	12/31/2013	12/31/2012	Change
Financial payables (medium/long-term share):			
- Bonds			
- Convertible and exchangeable bonds			
- Due to banks			
- Other financial liabilities			
Medium/long-term finance lease liabilities			
Other medium/long-term liabilities	2	5	(3)
Total medium/long-term financial liabilities (A)	**2**	**5**	**(3)**
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	260,261	260,209	52
	260,261	260,209	52
Short-term finance lease liabilities			
Other short-term financial liabilities	2	3	(1)
Total short-term financial liabilities (B)	**260,263**	**260,212**	**51**
Total financial liabilities C= (A+B)	**260,265**	**260,217**	**48**

NOTE 12 – Net financial debt

TELECOM ITALIA MEDIA S.p.A. - BREAKDOWN OF NET FINANCIAL DEBT [1]

(in thousands of euro)		12/31/2013	12/31/2012	Change
Non-current financial liabilities[2]:				
Financial payables		-	-	-
Finance lease liabilities				-
Liabilities for hedging derivatives				-
Other financial liabilities		2	5	(3)
	(1)	2	5	(3)
TOTAL NON-CURRENT FINANCIAL LIABILITIES [2]	(A)	2	5	(3)
Current financial liabilities [2]:				
Financial payables		260,261	260,209	52
Finance lease liabilities				-
Liabilities for hedging and non-hedging derivatives				-
Other financial liabilities		2	3	(1)
	(2)	260,263	260,212	51
TOTAL CURRENT FINANCIAL LIABILITIES [2]	(B)	260,263	260,212	51
TOTAL FINANCIAL DEBT [2]	(C=A+B)	260,265	260,217	48
Current financial assets [2]				
Securities		-	-	-
Financial receivables and other current financial assets		(70,027)	(70,071)	44
Cash and cash equivalents		(8,109)	(55,387)	47,278
	(3)	(78,136)	(125,458)	47,322
		(78,136)	(125,458)	47,322
TOTAL CURRENT FINANCIAL ASSETS [2]	(D)	(78,136)	(125,458)	47,322
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION No.DEM/6064293/2006	(E=C+D)	182,129	134,759	47,370
Non-current financial assets [2]				
Securities other than investments		-	-	-
Financial receivables and other non-current financial assets		(91)	(234)	143
	(4)	(91)	(234)	143
TOTAL NON-CURRENT FINANCIAL ASSETS [2]	(F)	(91)	(234)	143
NET FINANCIAL DEBT	(G=E+F)	**182,038**	**134,525**	**47,513**
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial liabilities	(1)	2	5	(3)
Current gross financial liabilities	(2)	260,263	260,212	51
		260,265	260,217	48
Total gross financial assets:				-
Non-current gross financial assets	(4)	(91)	(234)	143
Current gross financial assets	(3)	(78,136)	(125,458)	47,322
		(78,227)	(125,692)	47,465
		182,038	**134,525**	**47,513**

(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 receivables for net investments of lessors.

At December 31, 2013, net financial debt was Euro 182,038 thousand, increasing by Euro 47,513 thousand compared to Euro 134,525 thousand at December 31, 2012. The change referred mainly to Telecom Italia's waiver of a Euro 100,000 thousand financial receivable in March 2013, as part of the agreements for the disposal of LA7 S.r.l., and a further waiver of Euro 10,000 thousand in October 2013.

In detail, figures for 2013 refer to:

- **Current financial liabilities.** At December 31, 2013, this item amounted to Euro 260,261 thousand (Euro 260,209 thousand at December 31, 2012), up by Euro 52 thousand. The item mainly consists of the following:
  - Euro 100,103 thousand, including interest for the year, related to the debt towards the Parent Company Telecom Italia arising from a loan granted by the Parent Company following the expiry (on December 21, 2013) of the previous loan agreement of the same amount between Telecom Italia S.p.A. and the European Investment Bank. The main details of the loan, which was issued on December 21, 2013, are outlined below:

Amount	Euro 100 million
Duration	1 year
Interest rate	3.08% on EURIBOR 3M;
  - Euro 141,915 thousand, including interest for the period, related to the short-term financial payable owed by Telecom Italia Media to Telecom Italia Finance SA as per variable-rate (based on EURIBOR) loan agreement signed on July 31, 2013, and providing for the credit facility totaling Euro 140,000 thousand;
  - Euro 18,078 thousand for the debt relating to the current account with Telecom Italia.

- **Financial receivables and other non-current financial assets.** This item stood at Euro 91 thousand, down by Euro 143 thousand compared to Euro 234 thousand at December 31, 2012 and related to loans to employees.

- **Financial receivables and other current financial assets.** The item amounted to Euro 70,027 thousand, down by Euro 44 thousand compared to December 31, 2012 (Euro 70,071 thousand) and included a loan of Euro 70,000 thousand to Telecom Italia Media Broadcasting, renewed in September 2013, and Euro 27 thousand for loans to employees.

- **Cash and cash equivalents.** Cash and cash equivalents amounted to Euro 8,109 thousand, down by Euro 47,278 thousand compared to Euro 55,387 thousand at December 31, 2012. It should be noted that previous year's figure included Euro 45,899 thousand receivables from LA7 for the current account within the framework of centralized treasury system, and the 2013 figure accounted for a Euro 1,380 thousand decrease in receivables from Telecom Italia Media Broadcasting S.r.l. for the current account.

NOTE 13 – Employee benefits

Euro 356 thousand

(Euro 441 thousand at December 31, 2012)

The following changes occurred during the year:

(in thousands of euro)	12/31/2012	Mergers, demergers, spin-offs	Discounts	Provisions	Decreases	Other movements	12/31/2013
Provision for employee termination indemnities	441		21	215	(321)		356
Provision for pensions and similar obligations							
Provision for personnel outflow incentives (payable after 12 months)							
Total	**441**		**21**	**215**	**(321)**		**356**

The Provision for employee termination indemnities TFR) decreased by Euro 85 thousand overall. The decrease of Euro 321 thousand recorded under "Decreases" refers to utilizations of the provision made during 2013 for indemnities paid to personnel no longer in office and advances. The increase of Euro 21 thousand reported in column "Discounting" and that in column "Provisions" represent the provisions for interest accrued in the year and actuarial adjustments made at December 31, 2013, reflecting the changes in the underlying financial assumptions (discount rate and inflation rate).
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.
Legislation was complemented by Legislative Decree No. 252/2005 and Law No. 296/2006 (2007 Financial Law), which set forth that employees have the right to decide how benefits accrued since 2007 must be paid, i.e., either to the INPS Treasury Fund or a supplementary pension scheme (Defined Benefit Plan). The employee termination indemnities continue to include the write-ups of amounts extant at option dates.
Pursuant to IAS 19 (2011), this provision is recognized as a "defined benefit plan". In application of IAS 19 (2011), employee termination indemnities were determined using the same actuarial method applied before the introduction of the revised standard, i.e., through the Projected Unit 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 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 Company defined the liability according to the average current value of the future benefits to be generated by the provision as carried at the date of assessment, without considering any future allocation.

More in detail, the Group adopted the following assumptions:

Economic forecasts	Executives	Non-executives
Annual discount rate	4.1%	4.1%
Annual inflation rate	2.0%	2.0%
Annual termination indemnity increase rate	3.0%	3.0%
Annual real wages increase rate		
- up to 40 years of age	1.0%	1.0%
- over 41 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 of age	4.0% each year	4.0% each year
- more than 40 but up to 50 years of age	2.5% each year	2.5% each year
- over 50 years of age	non-existent	non-existent
Retirement probability:	AGO (general compulsory insurance) requirements	AGO (general compulsory insurance) requirements
Probability of receiving at year start a 70% advance on allowances for termination indemnities	3.0% each year	3.0% each year

NOTE 14 - Miscellaneous accounts payable and other non-current liabilities — Euro 14,400 thousand

(Euro 14,400 thousand at December 31, 2012)

(in thousands of euro)	12/31/2013	*of which financial instruments (1)*	12/31/2012	*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) Instruments that qualify for the purposes of IFRS 7 reporting in Note 16

The figure at December 31, 2013 and December 31, 2012 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 15 – Trade and miscellaneous payables and other current liabilities (excluding income tax payables) Euro 9,541 thousand

(Euro 15,190 thousand at December 31, 2012)

The item decreased by Euro 5,649 thousand compared to the previous year, and can be broken down as follows:

(in thousands of Euro)	12/31/2013	*of which financial instruments (1)*	12/31/2012	*of which financial instruments (1)*	Change
Trade payables:					
- payables to suppliers	2,638	2,638	3,434	3,434	(796)
- payables to parent companies	361	361	559	559	(198)
- payables to subsidiaries	75	75			75
- payables to related parties	81	81	10	10	71
	3,155	**3,155**	**4,003**	**4,003**	**(848)**
Tax payables for other taxes	265		1,038		(773)
Payables for contract works:					
- amounts due for short-term pay to employees	684	684	959	959	(275)
- contributions to pension and solcial security institutions	436		431		5
- short-term commercial and other deferred income					
- advances					
- dividends approved, but not yet paid					
- other current liabilities	3,813	3,813	3,835	3,835	(22)
- provisions for taxes, for the portions expected to be paid within 12 months					
- provisions, for the portions expected to be paid within 12 months	1,188		4,924		(3,736)
- employee benefits (other than employee termination indemnities) for the portions expected to be paid within 12 months					
	6,121	4,497	10,149	4,794	(4,028)
	6,386	**4,497**	**11,187**	**4,794**	**(4,801)**
Total	**9,541**	**7,652**	**15,190**	**8,797**	**(5,649)**

(1) Instruments that qualify for the purposes of IFRS 7 reporting in Note 16

TRADE PAYABLES Euro 3,155 thousand

- **Trade payables** Euro 2,638 thousand

Trade payables decreased by Euro 796 thousand compared to December 31, 2012 (Euro 3,434 thousand) and included above all payables for outsourced services.

- **Trade payables to parent companies** Euro 361 thousand

They related mainly to administrative service and audit service contracts.

- **Trade payables to subsidiaries** Euro 75 thousand

This item entirely referred to payables to Telecom Italia Media Broadcasting S.r.l. associated with Information Technology and Purchasing services rendered in November and December 2013.

MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES — Euro 6,121 thousand

- **Amounts due for short-term pay to employees** — Euro 684 thousand

This item fell by Euro 275 thousand from December 31, 2012 (Euro 959 thousand). It includes accrued but unpaid employee compensation.

- **Contributions to pension and social security institutions** — Euro 436 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 3,813 thousand

Other current liabilities declined by Euro 22 thousand and included Euro 1,189 thousand in miscellaneous payables to Group companies and other related parties, mainly the Parent Company Telecom Italia S.p.A. for Euro 630 thousand, and other miscellaneous payables to third parties for Euro 2,624 thousand.

- **Provisions (current amount)** — Euro 1,188 thousand

The composition of this entry is shown in the following table:

(in thousands of Euro)	12/31/2012	Provisions	Use: Direct	Use: Release to income statement	Other changes/reclassifications	12/31/2013
Provisions for taxes and tax risks						
Provisions for litigations risks	45	15				60
Provisions for commmercial and contractural risks						
Provisions for investments and corporate transactions						
Provisions for litigations with personnel and social securities institutions	1,726		(541)	(744)		441
Other provisions for personnel	1,026		(807)	(219)		
Other provisions	2,127	80	(240)	(1,280)		687
Total provisions (current portion)	**4,924**	**95**	**(1,588)**	**(2,243)**		**1,188**

The **Provision for litigation with personnel and social security institutions** totaled Euro 441 thousand. The use of provisions during the financial year, amounting to Euro 1,285 thousand (Euro 541 thousand for direct uses and Euro 744 thousand), are attributable to Telecom Italia Media S.p.A. and were made in relation to the sale of LA7 S.r.l.

Other provisions amounted to Euro 687 thousand, decreasing by Euro 1,440 thousand compared to December 31, 2012. Surplus uses for the year (Euro 1,280 thousand) referred to both the revision and the conclusion of some litigations.

NOTE 16 – 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 2013 and 2012 is provided below.

Accounting value for each class of financial assets/liabilities at 12/31/2013

(in millions of euro)	Categories IAS 39 [2]	Book value at 12/31/2013	Book value as per IAS 39				Book value as per IAS 17
			Amortized cost	Cost	Fair value in equity	Fair value through profit or loss	
ASSETS							
Non-current financial assets							
Other investments	AfS						
Securities, financial receivables and other non-current financial assets							
of which loans and receivables	LaR	91	91				
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)	14,491	14,491				
Current financial assets							
Trade and miscellaneous receivables and other current assets [1]							
of which loans and receivables	LaR	862	862				
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	70,027	70,027				
of which non-hedging derivatives	FAHfT						
Cash and cash equivalents	LaR	8,109	8,109				
	(b)	78,998	78,998				
Total	(a+b)	93,489	93,489				
EQUITY AND LIABILITIES							
Non-current financial liabilities							
of which liabilities at amortized cost	FLAC	2	2				
Miscellaneous payables and other non-current liabilities [1]							
of which liabilities at amortized cost	FLAC	14,400	14,400				
	(c)	14,402	14,402				
Current financial liabilities							
of which liabilities at amortized cost	FLAC	260,263	260,263				
of which non-hedging derivatives	FLHfT						
Trade and miscellaneous payables and other current liabilities [1]							
of which liabilities at amortized cost	FLAC	7,652	7,652				
	(d)	267,915	267,915				
Total	(c+d)	282,317	282,317				

[1] Share of assets or liabilities related to application of IFRS7.

[2] Cf. glossary — page 83

Comparison between accounting value and fair value for each class of financial assets/liabilities at 12/31/2013

(in thousands of euro)	Categories IAS 39 [2]	Book value at 12/31/2013	Book value as per IAS 39			Book value as per IAS 17	Fair value at 12/31/2013
			Amortized cost	Cost	Fair value accounted for at equity	Fair value recognized in the income statement		
ASSETS							
Loans and receivables	LaR	93,489	93,489				93,489
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		**93,489**	**93,489**				**93,489**
Liabilities							
Liabilities at amortized cost	FLAC	282,317	282,317				282,317
Financial liabilities held for trading at fair value through profit or loss	FLHfT						
of which non-hedging derivatives	FLHfT						
Total		**282,317**	**282,317**				**282,317**

[2] Cf. glossary — page 83

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 equity 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				
EQUITY AND 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 83.

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	142,199	142,199					142,199
Available-for-sale financial assets	AfS							
Financial assets held for trading at fair value through profit or loss	FLHfT							
of which non-hedging derivatives	FLHfT							
Total		**142,199**	**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 83.

Management of financial risk: objectives and criteria

The main financial liabilities of Telecom Italia Media S.p.A. refer to outstanding payables to Telecom Italia S.p.A., as part of the centralized treasury model of the Telecom Italia Group and mainly refer to: the Euro 100,000 thousand loan disbursed by the Parent Company Telecom Italia S.p.A. following the expiry (December 21, 2013) of the previous loan agreement, for the same amount, that Telecom Italia S.p.A. had entered into with the EIB; the running account with Telecom Italia S.p.A. for ordinary treasury activities; the payable to Telecom Italia Finance SA for the Euro 140,000 loan granted in July 2013. 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 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 2012 or 2013.

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., and Telecom Italia Finance SA. Specifically:

- a loan granted by Telecom Italia S.p.A. at a rate of 3.08% on three-month EURIBOR;
- a loan granted by Telecom Italia Finance SA at a variable rate based on EURIBOR;
- a running-account agreement at an average monthly EURIBOR rate +3.6%, average spread for 2013 (Telecom Italia S.p.A.).

Exchange rate risk

In 2013, 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. mainly refer 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 7, 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, the short-term loan agreement and the loan granted by Telecom Italia Finance SA guarantee the companies adequate financial resources to meet their needs in terms of current assets and investments.

NOTE 17 – Commitments and other contingent liabilities

This item amounted to Euro 3,800 thousand, consisting of the following:

GUARANTEES PROVIDED — Euro 1,064 thousand
(Euro 1,064 thousand at December 31, 2012)

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 2,736 thousand
(Euro 389 thousand at December 31, 2012)

This item referred chiefly to guarantees granted by Telecom Italia S.p.A. in favor of tax authorities (Euro 2,708 thousand), in guarantee of receivables resulting from VAT returns for the year 2012, offset at Group VAT settlement.

CONTINGENT LIABILITIES

Following the sale of LA7 S.r.l. that was completed on April 30, 2013, and the disposal of MTV Italia, Telecom Italia Media S.p.A. has provided guarantees to the buyer against events or circumstances incorrectly represented in the Representations and Warranties, as long as they are directly attributable to the sole responsibility of Telecom Italia Media, for a maximum amount of Euro 18,500 thousand.

NOTES – INCOME STATEMENT ITEMS

NOTE 18 – Operating revenues and income

Euro 3,874 thousand

(Euro 4,175 thousand in 2012)

Revenues and income decreased by Euro 304 thousand compared to financial year 2012, and consist of the following:

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change Abs.	Change %
Sales and service revenues	680	818	(138)	(16.9)
Total revenues	**680**	**818**	**(138)**	**(16.9)**
Other income	3,194	3,360	(166)	(4.9)
Total operating revenues and other income	**3,874**	**4,178**	**(304)**	**(7.3)**

NOTE 19 - Revenues

Euro 680 thousand

(Euro 818 thousand in 2012)

Revenues amounted to Euro 680 thousand in 2013, decreasing by Euro 138 thousand compared to December 31, 2012 (Euro 818 thousand). They were broken down as follows:

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change Abs.	Change %
Other revenues	680	818	(138)	(16.9)
Total revenues	**680**	**818**	**(138)**	**(16.9)**

Following the disposal of LA7, Telecom Italia Media S.p.A.'s revenues referred exclusively to top management services to be billed to the subsidiary Telecom Italia Media Broadcasting.

The breakdown by country is set out in the table below:

REVENUES BY COUNTRY	Year 2013	Year 2012 (Restated)
ITALY	680	818
Total EUROPEAN UNION	**680**	**818**
Total REST OF EUROPE	-	-
Total OTHER COUNTRIES	-	-
TOTAL REVENUES	**680**	**818**

NOTE 20 – Other income Euro 3,194 thousand

(Euro 3,360 thousand in 2012)

Other revenues declined by Euro 166 thousand compared to Euro 3,360 thousand for 2012. Euro 1,280 thousand regarding the use of provisions was mainly attributable to both the reclassification and conclusion of some litigation; Euro 1,570 thousand relating to other income was primarily generated by administrative services rendered to Telecom Italia Media Broadcasting S.r.l. (Euro 1,517 thousand).

An analysis is provided below:

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change Abs.	Change %
Use of writedown provisions, operating provisions and extraordinary provisions	1,280	500	780	156.0
Recovery of personnel benefit expenses	84	535	(451)	(84.3)
Recovery and reimbursements of acquisition of goods, services, use of property not owned	260	266	(6)	(2.3)
Other revenues and extraordinary income	1,570	2,059	(489)	(23.7)
Total other income	**3,194**	**3,360**	**(166)**	**(4.9)**

NOTE 21 – Acquisition of goods and services Euro 5,240 thousand

(Euro 4,752 thousand in 2012)

Acquisitions of goods and services increased by Euro 488 thousand compared to 2012, and are broken down as follows:

(in thousands of euro)	Year 2013	Year 2012 (restated)	Change Abs.	Change %
Raw materials, supplies and merchandise	63	44	19	43.2
Sub-total	**63**	**44**	**19**	**43.2**
Services	4,943	4,006	937	23.4
Use of property not owned	234	702	(468)	(66.7)
Sub-total	**5,177**	**4,708**	**469**	**10.0**
Total acquisition of goods and services	**5,240**	**4,752**	**488**	**10.3**

The item consists of:

- **Raw materials, supplies and merchandise** Euro 63 thousand
  (Euro 44 thousand in 2012)

This item increased by Euro 19 thousand compared to 2012 and includes:

(in thousands of euro)	Year 2013	Year 2012 (restated)	Change Abs.	Change %
Consumables used in the management of generic corporate assets	52	39	13	33.3
Books, newspapers, magazines and subscriptions	11	5	6	120.0
Total acquisition of raw materials, supplies and merchandise	**63**	**44**	**19**	**43.2**

- Services — Euro 4,943 thousand
  (Euro 4,006 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012 (restated)	Change Abs.	Change %
Consultancy	352	822	(470)	(57.2)
Professional services	2,203	1,404	799	56.9
Maintenance services	57	23	34	147.8
Transmission and postal services	33	1	32	n.a.
Travel and accommodation	115	-	115	100.0
Distribution and storage	3	-	3	100.0
Electricity	12	21	(9)	(42.9)
Advertising and promotion expenses	106	101	5	5.0
Outsourcing	83	141	(58)	(41.1)
Insurance	40	17	23	135.3
T&E services	12	6	6	100.0
Other costs for services	1,927	1,470	457	31.1
Total acquisition of services	**4,943**	**4,006**	**937**	**23.4**

Purchase costs for services amounted to Euro 4,943 thousand, up Euro 937 thousand from Euro 4,006 thousand in 2012. The item Professional services refer to operating services, mainly of legal nature (Euro 1,525 thousand); the other costs for services primarily include the service contract with LA7, which ended in June 2013, for Euro 369 thousand, and the directors' and auditors' remuneration, inclusive of expense refunds and social security charges, for Euro 860 thousand.

- Use of property not owned — Euro 234 thousand
  (Euro 702 thousand in 2012)

Costs for use of property not owned amounted to Euro 234 thousand, with a decrease of Euro 468 thousand from Euro 702 thousand in 2012.

The breakdown by nature is as follows:

(in thousands of euro)	Year 2013	Year 2012 (restated)	Change Abs.	Change %
Real estate rents	171	54	117	216.7
Rental fees	63	18	45	250.0
Other costs for the use of property not owned	-	630	(630)	(100.0)
Total costs for use of property not owned	**234**	**702**	**(468)**	**(66.7)**

NOTE 22 – Employee benefits expenses

Euro 3,787 thousand

(Euro 8,355 thousand in 2012)

This item was broken down as follows:

(in thousands of euro)	Yare 2013	Year 2012 (Restated)	Change Abs.	Change %
Gross wages and salaries	3,248	3,489	(241)	(6.9)
Social security contributions	1,044	1,252	(208)	(16.6)
Termination indemnities				
Other employee benefit expenses	(1,811)	1,845	(3,656)	(198.2)
Employee benefits	17	6	11	183.3
Costs for employees on payroll	**2,498**	**6,592**	**(4,094)**	**(62.1)**
Temporary work	**30**	**41**	**(11)**	**(26.8)**
Other charges for employees and other work services:				
- Fees to external personnel	538	1,722	(1,184)	(68.8)
- Costs for seconded personnel				
- Provisions for employee outflow incentives	943		943	100.0
- Other employee expenses	(222)		(222)	(100.0)
Sub-total other charges	**1,259**	**1,722**	**(463)**	**(26.9)**
Total employee benefits expenses	**3,787**	**8,355**	**(4,568)**	**(54.7)**

Employee benefits expenses for 2013 were Euro 3,787 thousand, down by Euro 4,568 thousand compared to Euro 8,355 thousand in 2012 (-54.7%), and included net expenses totaling Euro -1,389 thousand (Euro 1,726 thousand for 2012), mainly attributable to changes in provisions allocated in 2012 for the definition of an employee incentive plan correlated to the successful completion of the disposal of LA7. Moreover, these expenses accounted for accruals for the labor dispute with employees, redundancy incentive costs for 2013 of Euro 943 thousand (not present in 2012) and other employee benefits expenses totaling Euro 222 thousand (not present in 2012). Net of those items, the cost of labor decreased by Euro 2,174 thousand, comprised of costs incurred in 2012 for the termination of top managers' contracts and the lower cost recognized in 2013 as a result of the reduction in workforce, as described below.

Average workforce is broken down as follows:

	Year 2013 Average workforce [1]	Year 2012 Average workforce [1] (Restated)
Executives	7.0	8.9
Middle managers	11.1	13.0
Journalists		
White collars	13.0	17.6
Blue collars		
Total workforce	**31.1**	**39.5**

[1] The overall figure of workforce does not include temporary personnel for a total of 0.7 units at December 31, 2013 and 1.0 units at December 31, 2012.

NOTE 23 – Other operating expenses

Euro 600 thousand

(Euro 1,312 thousand in 2012)

Other operating expenses amounted to Euro 600 thousand and are broken down as follows:

(in thousands of euro)	Year 2013	Year 2012	Change Abs.	%
Writedowns and charges related to receivables management				
Allocations to provisions	95	1,250	(1,155)	(92.4)
Concession fees for the exercise of TLC activities	1	1		
Indirect fees and taxes	22	1	21	n.a.
Associations fees	50	36	14	38.9
Other expenses and charges	432	24	408	n.a.
Other operating expenses	**600**	**1,312**	**(712)**	**(54.3)**

Other operating expenses decreased by Euro 712 thousand, from Euro 1,312 thousand in 2012 to Euro 600 thousand in 2013. This change is mainly due to the reduction in provisions which went from Euro 1,250 thousand in 2012 to Euro 95 thousand in 2013.

NOTE 24 – Depreciation and amortization

Euro 18 thousand

(Euro 1 thousand in 2012)

This item amounted to Euro 18 thousand, with an increase by Euro 17 thousand compared to 2012 (Euro 1 thousand).

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change Abs.	%
Industrial and civilian buildings			-	-
Plant and machinery	3		3	100.0
Manufacturing and distribution equipment			-	-
Other tangible assets	15	1	14	n.a.
Leased assets			-	-
Total depreciation of tangible assets	**18**	**1**	**17**	**n.a.**

NOTE 25 – Impairment reversal/(losses) on non-current assets

Euro 0 thousand

(Euro –40,355 thousand in 2012)

The amount for 2013 was Euro 0 thousand (Euro -40,355 thousand in 2012).

NOTE 26 – Income and expense from investments

Euro 10,936 thousand

(Euro -188 thousand in 2012)

This item amounted to Euro 10,936 thousand in 2013, up by Euro 11,124 thousand compared to 2012 (Euro -188 thousand).

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change Abs.	Change %
Income from investments:		-		
gains on disposals of investments recognized among non-current assets				
dividends	11,010	28	10,982	n.a.
Expenses from investments:				
losses on disposals of investments recognized among non-current assets				
other expenses from investments				
allowance for doubtful account	(74)	(216)	142	(65.7)
allocation to provisions for investee companies				
Net income (expense) from investments	**10,936**	**(188)**	**11,124**	**n.a.**

The amount for 2013 included a total of Euro 11,010 thousand for dividends received, of which Euro 11,000 thousand from the subsidiary Telecom Italia Media Broadcasting S.r.l. and Euro 10 thousand from the investee company TIVU' S.r.l. It also included the writedown of the investment in Tiglio 1 for Euro 74 thousand, to bring its carrying amount into line with its fair value.

NOTE 27 – Finance income

Euro 4,168 thousand

(Euro 4,092 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change Abs.	Change %
Income from receivables included in long-term investments	1	3	(2)	(66.7)
Income from other receivables included in long-term investments				
Interest income received from parent companies				
Interest income received from subsidiaries	3,434	2,892	542	18.7
Interest income received from third parties	715	1,073	(358)	(33.4)
Interest income received from bank and postal accounts		-		
Interest income received on current receivables		-		
Other finance income	18	124	(106)	(85.5)
Exchange gains				-
Total finance income	**4,168**	**4,092**	**76**	**1.9**

Finance income amounted to Euro 4,168 thousand in 2013, compared to Euro 4,092 thousand in 2012. The Euro 76 thousand increase was mainly attributable to interest income received from subsidiaries (Euro 542 thousand), partially offset by the reduction of the interest income from third parties (Euro 358 thousand). Interest income from subsidiaries is entirely attributable to Telecom Italia Media Broadcasting S.r.l. The item Other finance income referred to interest determined based on an IRES tax refund following the deductibility of IRAP tax on staff costs established by the entry into force of Legislative Decree No. 16/2012.

NOTE 28 – Finance expenses

Euro 6,603 thousand

(Euro 6,834 thousand in 2012)

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change Abs.	Change %
Interest expense paid to parent companies	6,288	6,464	(176)	(2.7)
Interest expense paid to subsidiaries	131	131	-	-
Interest expense paid to third parties		-	-	-
Interest expense paid to suppliers		-	-	-
Financial fees paid	163	239	(76)	(31.8)
Expenses related to discounting of non-current liabilities	21	-	21	100.0
Exchange losses		-	-	-
Total finance expenses	**6,603**	**6,834**	**(231)**	**(3.4)**

Finance expense amounted to Euro 6,603 thousand in 2013, with a decrease by Euro 231 thousand compared to 2012 (Euro 6,834 thousand). This performance, which reflected Telecom Italia's waiver of the Euro 100,000 thousand financial receivable in March 2013, as part of the process of selling LA7 S.r.l., and a further waiver in October 2013 of Euro 10,000 thousand, was mainly attributable to the Euro 140,000 thousand loan granted by Telecom Italia Finance in July 2013 at lower interest rates than those of the loan matured in December 2012 (Euro 60,000 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 IAS 19R.

The following table shows interest rate performance by primary loan agreement type:

Type of transaction	Amount (in millions of euro)	Parameter rate	Quarterly evolution of rates Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
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	1.667%	1.151%	0.930%	0.863%	0.318%	0.318%	0.329%	0.329% (3)
Short-term loan granted by the parent company Telecom Italia	100	EURIBOR 3m								3.37% (4)
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia Group	140	EURIBOR 6m							3.198% (5)	3.198%
Short-term loan granted by Telecom Italia Finance as part of the centralized treasury program of the Telecom Italia Group	60	EURIBOR 3m	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	3.272%	4.033%	4.275%	3.229%	3.275%	3.272%	4.301%	4.069%

Notes: (1) rate prevailing through to December 20, 2011
(2) rate prevailing through to December 21, 2011
(3) rate prevailing through to December 21, 2013
(4) rate prevailing through to December 22, 2013
(5) rate prevailing through to July 31, 2013

NOTE 29 – Income taxes

Euro 2,342 thousand *(Euro 3,453 thousand in 2012)*

Income taxes for 2013 were positive at Euro 2,342 thousand (Euro 3,453 thousand in 2012) and included:

- corporate income tax (IRES) associated with participation in the National Tax Consolidation (Euro 2,822 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 473 thousand of Telecom Italia Media S.p.A., associated with the delta value of taxes resulting from the 2013 Single Form for 2012 income, and Euro 92 thousand regarding an IRES tax refund following the deductibility of IRAP tax on staff costs established by the entry into force of Legislative Decree No. 16/2012;
- deferred tax assets for Euro 1,045 thousand.

(in thousands of euro)	Year 2013	Year 2012 (Restated)	Change Abs.	Change %
IRAP				
Deferred taxes	1,045	17,638	16,593	94.1
Income taxes for previous financial years		119	119	100.0
Extraordinary income for taxes	(565)	(899)	(334)	(37.2)
Substitute tax				
IRES from participation in the National Tax Consolidation	(2,822)	(20,311)	(17,489)	(86.1)
Total taxes	**(2,342)**	**(3,453)**	**(1,111)**	**(32.2)**

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 2013	%	Year 2012 (Restated)	%
Result before taxes	(2,730)		53,527	
Taxes calculated based on the current tax rate	751	27.5%	(14,720)	27.5%
- Undeductible writedowns and capital loss related to investments	(8)	0%		
- Undeductible goodwill writedowns			11,098	21%
- Undeductible costs	(2,858)	105%	973	2%
- Tax adjustment and other	(473)	17%	(804)	(2%)
IRAP	-		-	
Total taxes	(2,588)	95%	(3,453)	(6%)
Taxes on costs relating to discontinued operations/assets held for sale	246	(9%)		
Total actual taxes recognized in the income statement	(2,342)	86%	(3,453)	(6%)

NOTE 30 – Profit (loss) from discontinued operations/ Non-current Assets held for sale

Euro -155,575 thousand

(Euro -128,036 thousand in 2012)

Profit (loss) from discontinued operations/assets held for sale amounted to Euro -155,575 thousand for 2013 (Euro -128,036 thousand for 2012) and included economic effects for the year resulting from the disposal of LA7 S.r.l. and MTV Italia S.r.l. for Euro -148,057 thousand and Euro -7,518 thousand, respectively. In 2012, this item included LA7 S.r.l.'s operations for eight months and Telecom Italia Media S.p.A.'s writedown of the investment for 2012. The description of such transactions has been given on page 15 of this report).

(in thousands of euro)		LA7 S.r.l. December 31, 2013	MTV Italia S.r.l. December 31, 2013	TOTAL Discontinued operations	LA7 S.r.l. December 31, 2012	TOTAL Discontinued operations
Revenues				-	79,396	79,396
Other income				-	2,209	2,209
Total operating revenues and other income		-	-	-	81,605	81,605
Acquisition of goods and services				-	(94,610)	(94,610)
Employee benefits expenses				-	(28,859)	(28,859)
Other operating expenses				-	(2,275)	(2,275)
Changes in inventories				-	535	535
Internally generated assets		-	-	-	-	-
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		-	-	-	(43,604)	(43,604)
Depreciation and amortization				-	(19,370)	(19,370)
Gains /(Losses) realized on disposals of non-current assets		-	-	-	-	-
Reversals /(Impairment losses) on non-current assets		-	-	-	-	-
OPERATING INCOME (LOSS) (EBIT)		-	-	-	(62,974)	(62,974)
Other income / (expenses) from investments		-	-	-	-	-
Finance income				-	142	142
Finance expenses				-	(1,582)	(1,582)
RESULT BEFORE TAXES		-	-	-	(64,414)	(64,414)
Income tax expense		-		-	17,658	17,658
OPERATING RESULT	(A)	-	-	-	(46,756)	(46,756)
Writedown of the investment in LA7					(81,280)	
Economic effects generated by the disposal	(B)	(147,562)	(7,365)	(154,927)	-	-
Total capital loss	(A+B)	(147,562)	(7,365)	(154,927)	(128,036)	(128,036)
				-		-
Professional services - Advisors		(683)	(211)	(894)	-	-
Tax effects		188	58	246	-	-
				-		-
Subtotal	(C)	(495)	(153)	(648)	-	-
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(A+B+C)	(148,057)	(7,518)	(155,575)	(128,036)	(128,036)

NOTE 31 – Significant non-recurring events and transactions

There were no other significant economic transactions that do not occur on a regular basis.

NOTE 32 – Events Subsequent to December 31, 2013

There were no events to report.

NOTE 33 – 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 income statement and the investments for 2013, compared with 2012, are illustrated on pages 282 and 283;
- the effects on individual items of the cash flow statements at December 31, 2013, compared with the position at December 31, 2012, are illustrated on page 284;
- the effects on other items of the statement of financial position at December 31, 2013, compared with other balance sheet items at December 31, 2012, are described on page 285;
- a description of transactions affecting the income statement and financial position of the previous year is given on pages 286 to 288;
- amounts due to pension funds compared to the previous year are shown on page 289;
- a description of purchase and sale contracts with related parties is given on pages 289 and 290.

INCOME STATEMENT	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	2013	2012	2013	2012	2013	2012
Revenues						
Of which attributable to relations with:						
- Parent Company	-	138				
- Subsidiaries and associates of the Parent Company	-					
- Subsidiaries and associates of TI Media S.p.A.	680	680				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	680	818	680	818	100.0	100.0
Other operating income						
Of which attributable to relations with:						
- Parent Company	-	400				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	1,539	2,278				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	1,539	2,678	3,194	3,360	48.2	79.7
Acquisition of goods and services						
Of which attributable to relations with:						
- Parent Company	(643)	(329)				
- Subsidiaries and associates of the Parent Company	(84)	(9)				
- Subsidiaries and associates of TI Media S.p.A.	(184)					
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	(911)	(338)	(5,240)	(4,752)	17.4	7.1
Employee benefits expenses						
Of which attributable to relations with:						
- Parent Company	(39)	(9)				
- 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						
- Remuneration of the Company's Key Management Personnel	(445)	(385)				
- Pension funds	(37)	(682)				
Total	(521)	(1,076)	(3,787)	(8,356)	13.8	12.9
Other operating expenses						
Of which attributable to relations with:						
- Parent Company		(4)				
- Subsidiaries and associates of the Parent Company		-				
- Subsidiaries and associates of TI Media S.p.A.		(2)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total		(6)	(600)	(1,313)	-	0.5

Finance income						
Of which attributable to relations with:						
- Parent Company	4	-				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	3,434	2,892				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	3,438	2,892	4,168	4,092	82.5	70.7
Finance expenses						
Of which attributable to relations with:						
- Parent Company	(4,534)	(3,754)				
- Subsidiaries and associates of the Parent Company	(1,915)	(2,868)				
- Subsidiaries and associates of TI Media S.p.A.	(131)	(131)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	(6,580)	(6,753)	(6,603)	(6,834)	99.6	98.8
Income tax expense						
Of which attributable to relations with:						
- Parent Company	3,068	21,128				
- 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	3,068	21,128	2,342	3,453	131.0	611.9

(1) Breakdown on pages 286 and 287.

NET FINANCIAL DEBT	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
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	-	-	91	234	-	-
Financial receivables and other 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.	70,000	70,000				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	70,000	70,000	70,027	70,071	100.0	99.9
Cash and cash equivalents						
Of which attributable to relations with:						
- Parent Company	-	-				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	8,103	9,483				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	8,103	9,483	8,109	55,387	99.9	17.1
Non-current financial liabilities						
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	-	-	2	5	-	-
Current financial liabilities						
Of which attributable to relations with:						
- Parent Company	118,198	260,084				
- Subsidiaries and associates of the Parent Company	141,915	-				
- Subsidiaries and associates of TI Media S.p.A.	148	125				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	260,261	260,209	260,263	260,212	100.0	100.0
Total net financial debt						
Of which attributable to relations with:						
- Parent Company	118,198	260,084				
- Subsidiaries and associates of the Parent Company	141,915	-				
- Subsidiaries and associates of TI Media S.p.A.	(77,955)	(79,358)				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	182,158	180,726	182,038	134,525	100.1	134.3

[1] Breakdown on page 288

OTHER BALANCE SHEET ITEMS	Transactions with related parties (1)		Corresponding items of financial statements		% ratio of related parties	
(in thousands of euro)	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Miscellaneous receivables and other non-current assets						
Of which attributable to relations with:						
- Parent Company	4,055	21,123				
- 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	4,055	21,123	18,456	35,523	22.0	59.5
Trade receivables						
Of which attributable to relations with:						
- Parent Company	-	567				
- Subsidiaries and associates of the Parent Company	363	1,054				
- Subsidiaries and associates of TI Media S.p.A.	-	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	363	1,621	514	1,677	70.6	96.7
Miscellaneous receivables and other current assets						
Of which attributable to relations with:						
- Parent Company	20,939	-				
- Subsidiaries and associates of the Parent Company	-	-				
- Subsidiaries and associates of TI Media S.p.A.	41	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	20,980	-	21,275	780	98.6	-
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	361	559				
- Subsidiaries and associates of the Parent Company	81	10				
- Subsidiaries and associates of TI Media S.p.A.	75	-				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
Total	517	569	3,155	4,003	16.4	14.2
Miscellaneous payables and other current liabilities						
Of which attributable to relations with:						
- Parent Company	630	631				
- Subsidiaries and associates of the Parent Company	-	108				
- Subsidiaries and associates of TI Media S.p.A.	559	429				
- Other related parties through Directors, Statutory Auditors and Key Management Personnel						
- Pension funds	107	140				
Total	1,296	1,308	6,386	11,187	20.3	11.7

(1) Breakdown on page 288

The following table shows the main items of income statement, balance sheet, and cash flow 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)	2013	2012	
Revenues	680	818	For 2013, this item referred to revenues from the rebilling for management fees of the same amount to the subsidiary Telecom Italia Media Broadcasting amounting to Euro 680 thousand. For 2012, this item referred to revenues generated by Telecom Italia S.p.A. from Telecom Italia Media S.p.A. and other subsidiaries, broken down as follows: - rebilling of management fee to the subsidiary Telecom Italia Media Broadcasting amounting to Euro 680 thousand.
Other operating income	1,539	2,678	For 2013, this item mainly referred to administrative and other services rendered to the subsidiary Telecom Italia Media Broadcasting for Euro 1517 thousand and to Beigua for Euro 2 thousand. Recovery of services from Telecom Italia Media Broadcasting amounted to Euro 15 thousand. For 2012, this item mainly referred to administrative and other services rendered to the subsidiary Telecom Italia Media Broadcasting for Euro 2,049 thousand and to Beigua for Euro 2 thousand; recovery of personnel costs from Telecom Italia Media S.p.A. amounting to Euro 400 thousand; recovery of services from Telecom Italia Media Broadcasting amounting to Euro 227 thousand.
Acquisition of goods and services	911	338	For 2013, 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 administrative services from Telecom Italia S.p.A. totaling Euro 78 thousand; - telephone expenses, data transmission and rental of phone devices amounting to Euro 24 thousand from Telecom Italia S.p.A.; - rental fees, real estate management, cleaning and maintenance amounting to Euro 176 thousand from Telecom Italia S.p.A.; - insurance costs amounting to Euro 40 thousand from Telecom Italia S.p.A.; - audit and compliance services amounting to Euro 92 thousand from Telecom Italia S.p.A.; ; - purchase of software licenses and professional services from the Technology Operation division of Telecom Italia totaling Euro 50 thousand; 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: - telephone expenses, data transmission and rental of phone devices amounting to Euro 29 thousand from Telecom Italia S.p.A.; - insurance costs amounting to Euro 17 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; - purchase of software licenses and professional services from the Technology Operation division of Telecom Italia totaling Euro 20 thousand.

(in thousands of euro)	2013	2012	
Employee benefits expenses	39	9	The balance for 2013 included expenses for seconded personnel amounting to Euro 39 thousand to Telecom Italia (Euro 9 thousand in 2012).
Other operating expenses		6	For 2012, this item referred to other expenses and charges.
Net finance income (expenses)	(3,142)	(3,861)	For 2013, this item mainly referred to: - interest income related to current account and borrowing account of Telecom Italia Media Broadcasting amounting to Euro 3,434 thousand; - interest paid to Telecom Italia S.p.A. totaling Euro 3,876 thousand and to Telecom Italia Finance amounting to Euro 1,915 thousand; - financial fees due to Telecom Italia S.p.A. amounting to Euro 161 thousand; - other finance expenses paid to Telecom Italia Media Broadcasting totaling Euro 131 thousand and to Telecom Italia totaling Euro 497 thousand. For 2012, this item mainly referred to : - interest income related to current account and borrowing account of Telecom Italia Media Broadcasting amounting to Euro 2,892 thousand; - interest paid to Telecom Italia S.p.A. totaling Euro 3,097 thousand and to Telecom Italia Finance amounting to Euro 2,868 thousand; - financial fees due to Telecom Italia S.p.a. amounting to Euro 158 thousand; - other finance expenses to Telecom Italia Media Broadcasting totaling Euro 131 thousand and to Telecom Italia totaling Euro 499 thousand.
Income tax expense	3,068	21,128	For 2013, Euro 3,068 thousand to Telecom Italia S.p.A. in relation to participation in the National Tax Consolidation, for the tax loss for 2013. It was Euro 21,128 thousand for the tax loss for 2012.

(in thousands of euro)	12/31/2013	12/31/2012	
Miscellaneous receivables and other non-current assets	4,055	21,123	The balance at December 31, 2013 was Euro 4,055 thousand due from Telecom Italia in relation to the participation in the National Tax Consolidation for the 2013 tax loss. The receivable is expected to be collected in June 2015. The balance at December 31, 2012 of Euro 21,123 thousand was due from Telecom Italia in relation to the participation in the National Tax Consolidation for the 2012 tax loss. The receivable is expected to be collected in June 2014.
Trade receivables (due within and after 12 months)	363	1,621	The balance at December 31, 2012 mainly included receivables from Telecom Italia Media Broadcasting totaling Euro 360 thousand (Euro 1,053 thousand in 2012).
Miscellaneous receivables and other current assets	20,980		The balance at December 31, 2013 included a receivable of Euro 20,779 thousand from Telecom Italia S.p.A. in relation to the participation in the National Tax Consolidation for 2012 (the receivable is expected to be collected in June 2014), other receivables from Telecom Italia S.p.A. for Euro 160 thousand, as well as from Telecom Itali Media Broadcasting S.r.l. for Euro 41 thousand.
Financial receivables and other current financial assets	70,000	70,000	The balance at December 31, 2013 includes financial receivables from Telecom Italia Media Broadcasting for the short-term loan (1 year) granted on September 30, 2008 and renewed in September 2013 in the amount of Euro 70,000 thousand. 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.
Cash and cash equivalents	8,103	9,483	The balance at December 31, 2013 referred to a receivable from Telecom Italia Media Broadcasting totaling Euro 8,103 thousand. The balance at December 31, 2012 referred to a receivable from Telecom Italia Media Broadcasting totaling Euro 9,483 thousand.
Miscellaneous payables and other non-current liabilities	14,400	14,400	The balance at December 31, 2013 and December 31, 2012 of Euro 11,400 thousand refer to the purchase from Telecom Italia of receivables claimed by the latter from Dahlia TV and used to underwrite a hybrid financial instrument consisting of redeemable, convertible privileged shares with limited rights as part of the agreement to strengthen Dahlia TV's financial position. This payable is guaranteed by a with recourse clause. A payable of Euro 3,000 thousand to Telecom Italia Media S.p.A. is also included.
Financial payables owed within 12 months	260,261	260,209	The balance at December 31, 2013 referred to short-term financial payables for Euro 118,181 thousand owed to Telecom Italia, short-term financial payables to Italia Finance SA for Euro 141,915 thousand, as well as other payables to Telecom Italia S.p.A. for Euro 17 thousand and to Beigua for Euro 148 thousand. The balance 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.
Trade payables	517	569	The balance at December 31, 2013 included to Telecom Italia S.p.A.'s trade accounts payable amounting to Euro 361 thousand for services rendered and telephone charges payable to Telecom Italia Media Broadcasting for Euro 75 thousand, Mediobanca for Euro 75 thousand, Olivetti for Euro 2 thousand, and H.R. Services for Euro 4 thousand. The balance at December 31, 2012 included Telecom Italia S.p.A.'s trade accounts payable amounting to Euro 559 thousand for services rendered and telephone charges payable to Olivetti for Euro 2 thousand and Mediobanca for Euro 8 thousand.
Miscellaneous payables and other current liabilities	1,189	1,168	The balances at December 31, 2013 and at December 31, 2012 included miscellaneous operating payables to Telecom Italia S.p.A. and Telecom Italia Media Group companies totaling, respectively, Euro 630 thousand (Euro 631 thousand at December 31, 2012) and Euro 559 thousand (Euro 429 thousand at December 31, 2012). The amount at December 31, 2012 also included payables to subsidiaries of Telecom Italia amounting to Euro 108 thousand.

Amounts due to pension funds

The following table shows the main items of income statement, balance sheet, and cash flow pertaining to transactions with employee pension funds of Telecom Italia Media S.p.A.

(in thousands of euro)	Year 2013	Year 2012	Type of transaction
Employee benefits expenses	37	682	This item refers to social contributions to Fontedir for Euro 37 thousand. This item referred to social contributions to Fontedir and INPS amounting to Euro 44 thousand and Euro 638 thousand, respectively.
	12/31/2013	12/31/2012	
Miscellaneous payables and other current liabilities	107	140	At December 31, 2013, payables to Fontedir and INPS amounted to Euro 49 thousand and Euro 58 thousand, respectively. At December 31, 2012, payables to Fontedir and INPS amounted to Euro 62 thousand and Euro 78 thousand, respectively.

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

- recovery of employee benefits expenses, with Telecom Italia Media liable for expenses and charge-back to Telecom Italia S.p.A. for the secondment of personnel.

Liabilities

- supply by Telecom Italia of fixed and mobile telephone services;
- rendering of administrative and accounting services;
- medium-/long-term loan granted in relation with the loan obtained by the latter from the European Investment Bank to finance the company's Digital Terrestrial initiatives (expired in December 2013);
- short-term loan granted in December 2013;
- regulation contract of the loan and the current account held with the Parent Company, Telecom Italia S.p.A., in connection with the Telecom Group's centralized treasury program;

- rebilling of certain costs 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;

- management, maintenance and cleaning of the buildings leased by the Company from Telecom Italia S.p.A. or third parties.

Telecom Italia Media Broadcasting S.r.l.

Assets

- regulation contract of the loan and the running account held in connection with the Group's centralized treasury program;

- short-term loan (renewed in September 2013);

- rendering of administrative and accounting services.

Telenergia

Liabilities

- electricity supply for building used as office space.

Assicurazioni Generali S.p.A.

- effective January 1, 2013, Telecom Italia S.p.A. began entering into insurance policies on behalf of its subsidiaries according to a power of attorney envisaged in the service agreement. Consequently, the Company has a direct relationship with the Insurer.

Telecom Italia Finance S.A.

Liabilities

- a short-term variable-rate (based on EURIBOR) loan agreement for a credit facility amounting to Euro 140,000 thousand overall, whose term runs from July 31, 2013 to July 31, 2015. This facility qualified as a highly significant transaction pursuant to Article 5 of CONSOB Regulation No. 17221 of March 12, 2010, subsequently amended by Resolution No. 17389 of June 23, 2010, and entailed the publication of a Disclosure Document available from the website www.telecomitaliamedia.it — *Investors* section.

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 34 - Stock options

At December 31, 2013, Telecom Italia Media S.p.A. did not have any more authorized capital increases for stock option plans.

NOTE 35 – 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 2013 the Company did not undertake any atypical or unusual transactions, as defined in said notice.

NOTE 36 – OTHER INFORMATION

CONTENTS:

REMUNERATION PAID TO THE MEMBERS OF GOVERNING AND CONTROL BODIES, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Remuneration Paid to the Members of the Governing Bodies

(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	1/1/2013-12/31/2013	2013 Financial Statements approval	540,000						540,000		
BIGNARDI IRENE	Director	1/1/2013-12/31/2013	2013 Financial Statements approval	60,000						60,000		
PELUSO PIERGIORGIO (2)	Director	1/1/2013-12/31/2013	2013 Financial Statements approval	60,000						60,000		
DE MAIO ADRIANO (3)	Director	1/1/2013-12/31/2013	2013 Financial Statements approval	60,000	33,000					93,000		
GIUSTO MAURO	Director	1/1/2013-2/27/2013	2013 Financial Statements approval	10,000						10,000		
RAMPELLO DAVIDE	Director	1/1/2013-12/31/2013	2013 Financial Statements approval	60,000						60,000		
GORGONI LORENZO (4)	Director	1/1/2013-12/31/2013	2013 Financial Statements approval	60,000	59,000					119,000		
ROVERSI MONACO F.ALBERTO (5)	Director	1/1/2013-12/31/2013	2013 Financial Statements approval	60,000	26,000					86,000		
FOIS CANDIDO	Director	1/1/2013-12/31/2013	2013 Financial Statements approval	60,000						60,000		
RISTUCCIA SERGIO (6)	Director	1/1/2013-12/31/2013	2013 Financial Statements approval	62,603	59,000					121,603		
(I) Remuneration in the company preparing the financial statements				1,032,603	177,000	0		0	0	1,209,603		0
(II) Remuneration from subsidiaries and affiliates												
(III) Total				1,032,603	177,000	0		0		1,209,603		0.00

(1) "Fixed remuneration" includes: Euro 480,000 gross for serving as Chairman of the Board of Directors from 1/1/2013 to 12/31/2013, pursuant to Article No. 2389 paragraph 3; Euro 60,000 gross for serving as a member of the Board of Directors from 1/1/2013 to 12/31/2013, pursuant to Article No. 2389 paragraph 1.

(2) "Fixed remuneration" is paid to Telecom Italia and not directly to the person concerned.

(3) Euro 33,000 gross for serving as a member of the Control and Risk Committee from 1/1/2013 to 12/31/2013.

(4) Euro 33,000 gross for serving as member of the Control and Risk Committee from 1/1/2013 to 12/31/2013, and Euro 26,000 gross for serving as member of the Nomination and Remuneration Committee.

(5) Euro 26,000 gross for serving as a member of the Nomitation and Remuneration Committee from 1/1/2013 to 12/31/2013.

(6) "Fixed remuneration" includes Euro 2,602.74 gross for serving as member of Supervisory Body from 1/1/2013 to 4/5/2013.
(4) "Remuneration for participation in committees" includes Euro 33,000 gross for serving as member of the Control and Risk Committee from 1/1/2013 to 12/31/2013, and Euro 26,000 gross for serving as member of the Nomination and Remuneration Committee.

Remuneration Paid to the Members of the Control Bodies

(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					
SPINIELLO SALVATORE	Chairman of the Board of Statutory Auditors	1/1/2013-4/5/2013	Approval of 2012 Financial Statements	11,192						11,192		
SPINIELLO SALVATORE	Standing Auditor and member of the Supervisory Body	4/5/2013-12/31/2013	Approval of 2014 Financial Statements	14,849						14,849		
ZEME MICHELA (7)	Standing Auditor and Chairman of the Supervisory Body	1/1/2013-4/5/2013	Approval of 2014 Financial Statements	10,932						10,932		
ZEME MICHELA	Standing Auditor and member of the Supervisory Body	4/5/2013-12/31/2013	Approval of 2014 Financial Statements	14,849								
DE NIGRO ALBERTO	Standing Auditor	1/1/2013-4/5/2013	Approval of 2012 Financial Statements	8,239						8,239		
CASIRAGHI ROSALBA	Chairman of the Board of Statutory Auditors and Supervisory Body	4/5/2013-12/31/2013	Approval of 2014 Financial Statements	22,274						22,274		
(I) Remuneration in the company preparing the financial statements				82,335						67,485		
(II) Remuneration from subsidiaries and affiliates												
(III) Total				82,335						67,485		

(7) "Fixed remuneration" from 1/1/2013 to 4/5/2013 includes the remuneration as Standing Auditor amounting to Euro 8,328.77 gross and as Chairman of the Supervisory Body amounting to Euro 2,602.74 gross.

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 2013 financial statements, in addition to the emoluments accrued in 2013 for all other auditing/verification services rendered to the companies of Telecom Italia Media by PwC S.p.A. and other companies belonging to its network. The table also includes the out-of-pocket expenses incurred in 2013 in connection with those services.

(in euro)	Telecom Italia Media S.p.A.		
	PwC S.p.A.	Other entities of PwC network	Total PwC network
Auditing services:			
- Legal audit of separate financial statements	12,282	-	12,282
- Legal audit of consolidated financial statements	10,027	-	10,027
- Limited auditing of consolidated condensed half-year financial statements	10,609	-	10,609
- Other	-	-	0
Control services involving the issue of an attestation	-	-	-
Other services	82,315	-	82,315
Total 2013 costs for auditing services and others due to the PwC network	115,233	-	115,233
Out-of-pocket expenses	8,806		8,806
TOTAL	124,039		124,039

ANNEX 1

LONG-TERM INVESTMENTS

	Initial value			Change for the year						Final value		
(in thousands of euro)	Cost	Provision	Net value	Purchases / increase in share capital	Spinoff	Writedowns	Disposals and other	Writeups	Other movements	Cost	Provision	Net value
a) Subsidiaries	**244,202**	**(81,280)**	**162,922**						10,000	**172,922**		**172,922**
LA7 S.r.l.	81,280	(81,280)										
TELECOM ITALIA MEDIA BROADCASTING S.r.l.	162,922		162,922						10,000	172,922		172,922
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	**13,854**	**(13,060)**	**794**			**(74)**				**13,854**	**(13,134)**	**720**
AREE URBANE S.r.l. (in liquidation)	240	(240)								240	(240)	
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
TIGLIO 1 S.r.l.	3,731	(2,980)	751			(74)				3,731	(3,054)	677
TIVU' S.r.l.	35		35							35		35
Total investments	**268,086**	**(104,370)**	**163,716**			**(74)**			**10,000**	**196,806**	**(23,164)**	**173,642**

ANNEX 2

LIST OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND OTHER COMPANIES

Company name	Registered offices	Currency	Share capital (in Euro)	Equity	Profit (loss)	% held	Value of investment	Book value
(in thousands of euro)			(1)	(1)	(1)			
AREE URBANE S.r.l. (in liquidation)	Milan	Euro	100,000.00	(61,635)	(21,165)	0.97	(598)	
CONSORZIO VALLE D'AOSTA DIGITALE (in liquidation)	Aosta	Euro	50,000.00	n.a.	n.a.	n.a.	n.a.	7
DAHLIA TV S.p.A. (2)	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
TELECOM ITALIA MEDIA BROADCASTING S.r.l.	Rome	Euro	15,000,000.00	31,071	5,369	100	31,071	172,922
TM NEWS S.p.A.	Rome	Euro	1,120,000.00	5,546	(781)	40	2,218	-
TIGLIO 1 S.r.l.	Milan	Euro	5,255,704.00	33,162	(5,143)	2.1	696	677
TIVU' S.r.l.	Rome	Euro	1,001,886.00	4,121	1,069	3.5	144	35

(1) Taken from the most recent financial statements approved.

(2) 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, 2012. 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, 2012, 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)		**31/12/2012**
STATEMENTS OF FINANCIAL POSITION		
Intangible assets		35,337,495
Tangible assets		10,493,182
Other non-current assets		13,598,463
Total non-current assets		59,429,140
Current assets		7,340,781
Discontinued operations/non-current assets held for sale		-
TOTAL ASSETS		**66,769,921**
EQUITY		17,728,804
Share capital	*10,672,908*	
Other reserves	*6,063,004*	
Retained earnings (accumulated losses) for the year	*992,892*	
Non-current financial liabilities		34,887,389
Employee benefits		728,065
Deferred tax liabilities		1,870
Provisions		477,212
Miscellaneous payables and other non-current liabilities		518,265
Total non-current liabilities		36,612,801
Current liabilities		12,428,316
TOTAL LIABILITIES		49,041,117
TOTAL EQUITY AND LIABILITIES		**66,769,921**
INCOME STATEMENT		
Revenues		16,940,020
Operating income (loss) before depreciation and amortization, gains/losses, and writeups/writedowns of non-current assets (EBITDA)		**8,433,098**
OPERATING INCOME (LOSS) (EBIT)		**943,627**
Income/ (expenses) from equity investments		36,610
Finance income		2,232,683
Finance expenses		(4,238,119)
Profit (loss) before taxes		(1,025,199)
Income tax expense		(795,904)
Profit (loss) for the year		**(1,821,103)**

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 Financial Statements for 2013:

   - are appropriate in relation to the company's features; and
   - have been consistently applied.

2. Telecom Italia Media has adopted the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* as reference framework used to prepare and assess its internal control system, with specific reference to internal audits applied in preparing the financial statements.

3. The undersigned further declare that:

   3.1 the Financial Statements at December 31, 2013:

   a) have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union pursuant to EC Regulation No. 1606/2002 of the European Parliament and Council on July 19, 2002, and applicable current Italian laws and regulations, with specific reference to the provisions issued in accordance with Article 9 of Legislative Decree No. 38 of February 28, 2005;

   b) reflect the accounting books and records;

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer;

   3.2 the Report on Operations includes a reliable analysis of the operating performance and income and financial situation of the issuer, along with a description of the primary risks and uncertainties to which it is exposed.

April 10, 2014

/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 2013 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 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.

   The separate financial statements present, for comparative purposes, the previous year's figures. As set out in the explanatory notes, the directors have reclassified certain comparative data of the prior year compared with that previously presented that we audited and on which we issued our audit report dated 15 March 2013. The reclassification methods and the related disclosures within the explanatory notes have been examined by us for the purpose of expressing our opinion on the separate financial statements for the year ended 31 December 2013.

3. In our opinion, the separate financial statements of Telecom Italia Media SpA as of 31 December 2013 comply with 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** 40126 Via Angelo Finelli 8 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. 0521275911 - **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;

   - 25 October 2013 marked the close of the sale of the entire equity interest held in LA7 Srl to Cairo Communication SpA and 12 September 2013 saw the final disposal of the 51% stake in MTV Italia Srl to the Viacom group. Note 30 of the explanatory notes describes the related effects on the separate financial statements of Telecom Italia Media SpA at 31 December 2013.

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 2013.

Turin, 17 March 2014

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, 2013, 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 and the Nomination and Remuneration Committee. Moreover, by virtue of the internal "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, major events affecting the Company's operations, financial position and capital structure, 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 disclosure.

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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 2013, also through direct or indirect investee companies, are basically the following:

- in execution of the resolution passed by the Board of Directors on March 4, 2013, the agreement for the sale of 100% of La7 S.r.l. ("La7") was signed on March 6, 2013 between TI Media and Cairo Communication;
- in April, TI Media purchased from La7 S.r.l. a 51% stake in MTV Italia S.r.l. ("MTV Italia"); simultaneously, under a separate agreement, TI Media took over the loan agreement in place with La7 and, consequently, the corresponding loan to MTV Italia, amounting to approximately Euro 4.7 million**;**
- on April 30, 2013, the sale of La7 to Cairo Due S.r.l., a wholly owned subsidiary of Cairo Communication S.p.A., was completed under the terms and conditions approved by the Board of Directors. The transaction was finalized in accordance with the provisions of the agreement signed between TI Media and Cairo Communication and the Company was paid a consideration for the sale of Euro 1,020,000, corresponding to the nominal value of the investment;

- in the month of July, an agreement was signed for the sale of the 51% stake in MTV Italia S.r.l. held by TI Media to companies of the Viacom Group. In the month of September the deed of sale of the 51% stake in MTV Italia to Viacom Global (Netherlands) B.V. was signed for a consideration of approximately Euro 13.4 million; this amount took into account the adjustment made on the basis of the change in working capital. In the context of the transaction, Telecom Italia Media waived financial receivables claimed from MTV Italia at the date of signing of the agreement, in the amount of Euro 9.3 million;
- in the month of July, a loan agreement with Telecom Italia Finance S.A. was entered into with the aim of reducing the short-term intercompany exposure with Telecom Italia S.p.A. ("Telecom Italia").

  The essential terms of the agreement are as follows:

Beneficiary company:	Telecom Italia Media S.p.A.
Lending company:	Telecom Italia Finance S.A.
Amount:	Euro 140,000,000.00
Term:	from July 31, 2013 to July 31, 2015
Rate:	Variable, Euribor + spread of 2.8564%
Repayment:	at maturity or early repayment for the full or partial amount without charges

- in the month of October, with reference to the sale of La7, the due diligence procedure for the accounting situation at execution was completed, following which, in light of the higher amount of La7 equity identified at such date compared to that provided for in the agreement, Cairo Communication Group paid Euro 4.8 million to TI Media, by way of price adjustment;
- on October 7, a non-binding *term sheet* between TI Media and Gruppo Editoriale L'Espresso was signed for the merger of Telecom Italia Media Broadcasting S.r.l. and Rete A S.p.A. operations;
- in November, a loan agreement was signed with Telecom Italia S.p.A., replacing the loan granted by the EIB to Telecom Italia in relation to TI Media project for the digitalization and coverage extension of the terrestrial television networks in Italy, due to expire on December 21, 2013. According to the agreement, the funds will be available as of the maturity date of the previous loan (December 21, 2013). The new loan will expire on December 22, 2014 and interest shall be paid quarterly. The essential terms of the agreement are as follows:

Beneficiary company:	Telecom Italia Media S.p.A.
Lending company:	Telecom Italia S.p.A.
Amount:	Euro 100,000,000.00
Term:	from December 21, 2013 to December 22, 2014
Rate:	Variable, Euribor + 3.08%
Repayment:	at maturity or early repayment for the full or partial amount without charges

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 2013 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).

With reference to transactions involving potential conflicts of interest, the Directors have indicated and explained the main intra-group transactions and related party transactions 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 in this regards, including for 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 2013" to which the reader is referred.

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 17, 2014, 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, 2013 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.

The reports contained two emphases of matter paragraphs concerning the following information provided by the Directors:

- the paragraph "Going Concern" included in Note 2 of the Notes to the financial statements concerning the reasons underlying the preparation of the financial statements on the basis of the going concern assumption;
- Note 30 of the Notes to the financial statements of TI Media, and Note 36 of the consolidated financial statements regarding the effects on the financial statements of the sale to Cairo Communication S.p.A. of the entire stake held in La7 S.r.l. and the sale to Viacom group of 51% of MTV Italia S.r.l. that took place in financial year 2013.

5. In 2013, the Board of Statutory Auditors filed no briefs, pursuant to Article 2408 of the Italian Civil Code.

6. In 2013, the Board of Statutory Auditors did not receive petitions**.**

7. In 2013, at the request of the Parent Company, the Company appointed PricewaterhouseCoopers SpA to carry out a limited review of the consolidated results as at March 31, and September 30, 2013. These appointments also concerned the comparative results as at March 31, 2012 and September 30, 2012. The Company also appointed PricewaterhouseCoopers S.p.A. to conduct an audit of the activities carried out in 2013 in relation to the sale of La7.

In 2013, the Company did not assign any tasks to any parties involved in ongoing working relationships with the independent auditors PricewaterhouseCoopers S.p.A.

8. The Board of Statutory Auditors verified compliance with laws and regulations, the nature and extent of services other than auditing provided to the Company and monitored the independence of the independent auditors who, on March 17, 2014, issued the annual confirmation of independence pursuant to Article 17, paragraph 9, letter a) of Legislative Decree No. 39/2010.

9. In 2013, the Board of Statutory Auditors did not issue any of the opinions that are required by law pursuant to Articles 2386 and 2389 of the Italian Civil Code. We should note the Remarks pursuant to Article 2446 of the Italian Civil Code made at the Annual Shareholders' Meeting held on April 5, 2013.

10. In 2013, the Board of Directors held eleven meetings, the Control and Risk Committee held five, and the Nomination and Remuneration Committee held five. In the reporting year, the Board of Statutory Auditors held thirteen meetings (five 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, 2012; (ii) all the meetings of the Board of Directors; (iii) all the meetings held in 2013 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 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, for the extent falling within its remit, has supervised the adequacy of the organizational structure of the Company and its functioning.
Following the disposal of television assets finalized in September, the Company organization was structured as illustrated here below:

- the following functions report to the Chairman, Severino Salvemini, who has been granted the power of legal representation of the Company, in compliance with law and Bylaws, and is also responsible for the strategic management and overall governance of the Group:
  - the Administration, Control and Legal function, headed by Luigino Giannini, to whom the Investor relations function reports as well;
  - the Human Resources, Facility & Security function entrusted to Fabio Locatelli (subsequently renamed People Value, Facility & Security);
  - the Communications function, headed by Federica Moroni.

In addition, the company TI Media Broadcasting S.r.l., headed by Paolo Ballerani, also reports to the Chairman.

13. The Board of Statutory Auditors has monitored the Company's internal control system, evaluating its adequacy also 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 and the Executive in charge of Company's financial reports; and (iii) obtaining documentation. No significant issues were found.
The Company has adopted and continues to implement Telecom Italia Group's Organizational Model, pursuant to Legislative Decree No. 231 of June 8, 2001, for the prevention of crimes. In this respect, making use of the option provided by Law No. 183 of November 12, 2011, and in accordance with the decisions taken on this matter by the Parent, Telecom Italia, the Board of Directors of TI Media, at its meeting of May 6, 2013, entrusted the Board of Statutory Auditors with the functions of the supervisory body referred to in Article 6, paragraph 1, letter b) of Legislative Decree No. 231 of June 8, 2001, until expiration of its office. Therefore, as of the said Board of Directors' resolution, the Board of Statutory Auditors of TI Media performs the functions of 231 Supervisory Body, pursuant to the legislation in force.

14. The Board of Statutory Auditors also evaluated and monitored the adequacy of the administrative and accounting system and its reliability in fairly representing operating events, obtaining information from the appropriate Company function supervisors, examining Company documents and analyzing the results of the work carried out by the independent auditors PricewaterhouseCoopers SpA.

The Board of Statutory Auditors acknowledged the statements issued by the 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 2013 of the administrative and accounting procedures to be followed in preparing the annual Separate and Consolidated Financial Statements. On June 30, 2013, the goodwill impairment test was repeated for the only asset, namely the Network Operator, Telecom Italia Media Broadcasting, as a result of which no impairment losses were found at that date. The impairment test at December 31, 2013 was carried out on the basis of the same operations as at June 30, 2013, thus excluding any possible benefit expected from the integration with Rete A; the test was based on Telecom Italia Media Broadcasting stand alone plan submitted to the Board of Directors on November 5, 2013. Again, the results of the impairment test at December 31, 2013 did not show any need for an asset write-down.

On March 17, 2014, the independent auditors also issued the Report pursuant to Article 19 of Legislative Decree No. 39/2010, which revealed no "fundamental issues" or "significant deficiencies" in the internal control system in relation to the financial reporting process.

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. 58/1998, 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 certain Self-regulatory Principles, 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 Board of Directors of the Company includes eight non-executive directors, six of whom have been qualified as independent directors by the Board itself.

The Board of Statutory Auditors monitored the verification of the requirements and the correct application of the criteria of independence. The Board of Statutory Auditors also verified compliance of its own members with the independence requirements, pursuant to Article 148, paragraph 3, of Legislative Decree No. 58 of 1998.

The Board of Directors has established an internal Nomination and Remuneration Committee, entirely composed of independent Directors, and an internal Control and Risk Committee which also consists solely of independent Directors.

Moreover, in November 2013, the Board of Directors has set up an internal Advisory Committee, composed of a majority of independent Directors and tasked with supporting the full Board of Directors of Telecom Italia Media in adopting decisions on the merger process of Telecom Italia Media Broadcasting and Rete A, as well as activities related to the adoption of provisions, pursuant to Article 2446 of the Italian Civil Code.

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 Corporate Governance is provided in the specific section entitled “Corporate Governance and Company Ownership of Telecom Italia Media S.p.A. for Financial Year 2013”

The Board of Statutory Auditors has monitored that the above-mentioned Report gives a complete disclosure of the manner in which the Company has adopted and implemented the recommendations of the Corporate Governance Code published in December 2011 by Borsa Italiana S.p.A.

In addition, the Board of Statutory Auditors verified that the Remuneration Report, issued in accordance with Article 123-*ter* of Legislative Decree No. 58/1998 and approved by the Board of Directors on March 4, 2014, has been prepared in accordance with regulatory requirements and provides adequate disclosure on the Company's remuneration policy and the remunerations paid during the year.

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 for the year ended December 31, 2013, the Board of Statutory Auditors has no objections to make regarding the Board of Directors’ proposal to cover the loss for the year.

Furthermore, given that the statement of financial position as at December 31, 2013 shows an overall loss of Euro 196,648,710.41, while the subscribed and paid up share capital amounts to Euro 212,188,324.10, the loss exceeds one third of the share capital; as a result, the Company continues to be in the conditions referred to in Article 2446 of the Italian Civil Code. The overall loss consists of the aggregate of the following items:

- Euro 150,502,663.67 resulting from losses recorded between January 1, 2013 and December 31, 2013;
- Euro 155,984,179.94 resulting from the 2012 loss brought forward, and Euro 161,866.80 resulting from negative reserves for remeasurement of defined benefit retirement plans;
- Euro 110,000,000.00 deriving from the other positive reserves pertaining to the waiver of two accounts receivable of Euro 100,000,000.00 and Euro 10,000,000.00 by the parent Telecom Italia S.p.A. in March and October 2013, respectively.

In light of the foregoing, the Shareholders' Meeting has to take the appropriate measures pursuant to Article 2446 of the Italian Civil Code and, in this regard, the Board of Statutory Auditors provides its assessments in a special report.

With the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2013, the Board of Directors appointed by the Company's Shareholders' Meeting on April 8, 2011 has expired; the Board of Statutory Auditors therefore asks the shareholders to appoint a new Board of Directors.

****

Rome, March 18, 2014

THE BOARD OF STATUTORY AUDITORS

Rosalba Casiraghi
Salvatore Spiniello
Michela Zeme

PROPOSED RESOLUTIONS

EXPLANATORY REPORTS

GENERAL SHAREHOLDERS' MEETING

APRIL 10, 2014 - 3.00P.M. (SINGLE CALL)

ROZZANO (MILAN) - VIALE TOSCANA 3

AGENDA

Ordinary Session

- Financial Statements as of December 31, 2013 - related and ensuing resolutions.
- Remuneration Report - related resolutions.
- Appointment of the Board of Directors - related and ensuing resolutions

Extraordinary Session

- Provisions pursuant to Article 2446 of the Italian Civil Code: proposal to reduce the share capital due to the losses reported in the Company's Statement of Financial Position at December 31, 2013 - related and consequent resolutions

- **FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013; RELATED AND ENSUING RESOLUTIONS**

Shareholders,

The draft Financial Statements being submitted to the Shareholders' Meeting for approval closed with a loss of Euro 150,502,663.67. Given that during the extraordinary session of the same Shareholders' Meeting a proposal was made, pursuant to Article 2446 of the Italian Civil Code, also with regard to the coverage of the net loss for the year, we propose you to postpone to that occasion the implementation of appropriate action in such regard.

Given the above, we invite you 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, 2013;

- having regard to the Report on Operations;

- having regard to the attestation mentioned in Article 154-*bis*, paragraph 5, of Legislative Decree No. 58 of February 24, 1998, submitted by the Executive in charge of the Company's financial reports, and the relevant delegated Board members and committees;

- having acknowledged the Report of the Board of Statutory Auditors and of the independent auditors PricewaterhouseCoopers S.p.A.;

hereby resolve

1) to approve the Directors' Report on Operations, the Balance Sheet, the Income Statement and the Notes on the Financial Statements of Telecom Italia Media S.p.A., which closed with a loss of Euro 150,502,663.67;

2) to postpone to the extraordinary session of the General Shareholders' Meeting the resolutions regarding coverage of the loss for the year amounting to Euro 150,502,663.67 and the loss for the prior year not allocated to reserves amounting to Euro 155,984,179.94.

- **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 10, 2014. 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 2014;
- Section 2 provides a breakdown of the various items comprising the remuneration of the above-mentioned persons, together with an analytical illustration of the remuneration paid to the same in financial year 2013.

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 respect of the foregoing, 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.

- **APPOINTMENT OF THE BOARD OF DIRECTORS; RELATED AND ENSUING RESOLUTIONS**

Shareholders,

The term of office of the Board of Directors appointed by the General Shareholders' Meeting of April 8, 2011 will expire upon the approval of the Financial Statements for the year ended December 31, 2013.

In order to appoint the new Board of Directors, the Shareholders shall:

- set the composition of the Board of Directors (pursuant to the Bylaws: from seven to twenty-one members), set their term of office (up to three financial years) and remuneration;
- appoint the members of the Board of Directors.

Pursuant to the laws and Bylaws, a new Board of Directors 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 or according to a different procedure required by the applicable regulations issued by CONSOB. The latter has set the minimum participation requirement for the submission of lists of candidates for the election of Telecom Italia Media’s Board of Directors and Board of Statutory Auditors at 2.5% (Resolution No. 18775 of January 29, 2014). Nonetheless, by adopting an interpretation of the Bylaws that is more favorable to minorities, consistently with the approach shared by the Parent Company, 0.5% of share capital will be considered to be the minimum threshold for submitting lists.

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.

It should be noted that, upon the election of the new Board of Directors, to be appointed by the General Shareholders' Meeting of April 10, 2014, for the first time the principle of gender balance will be applied as provided for by Article 148 of Legislative Decree No. 58 of February 24, 1998. Therefore, pursuant to the Bylaws (Article 13.12), one fifth of total seats will be reserved to the less represented gender and in the event of a fractional number, it shall be rounded up to the nearest whole number.

The application methods of this provision are given in Article 13 of the Bylaws.

In accordance with the recommendations of the Self-Regulatory Code, the Board of Directors will make its position on the new Board’s composition available to the public.

In respect of the foregoing, the Board of Directors

invites the Shareholders’ Meeting

to pass appropriate resolutions in order to appoint the Board of Directors.

- **PROVISIONS PURSUANT TO ARTICLE 2446 OF THE ITALIAN CIVIL CODE: PROPOSAL TO REDUCE SHARE CAPITAL DUE TO THE LOSSES REPORTED IN THE COMPANY'S STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2013; RELATED AND ENSUING RESOLUTIONS**

Shareholders,

The Board of Directors has convened the Extraordinary Shareholders' Meeting to resolve upon the appropriate measures to be taken, pursuant to Article 2446 of the Italian Civil Code, in light of the losses resulting from the Statement of Financial Position of Telecom Italia Media S.p.A. ("TI Media" or the "Company") at December 31, 2013, drawn up also pursuant to Article 2446 of the Italian Civil Code, Article 72, paragraph 1, and Article 74, paragraph 1, of the Rules adopted by CONSOB through Resolution No. 11971/1999, as further amended and extended, as well as in accordance with Tables 3 and 5, Annex 3A, of the above-mentioned Regulation.
TI Media's Statement of Financial Position and Income Statement at December 31, 2013, described in this Report ("Report"), is shown in the Company's draft Financial Statements as at December 31, 2013 ("Draft Annual Report for 2013"), approved by the Board of Directors on March 4, 2014 and submitted for approval to the Ordinary Shareholders' Meeting convened on April 10, 2014 in a single call, as the first item on the agenda. The 2013 Draft Annual Report is available to the public within the legal terms and may be consulted on the Company's website, www.telecomitaliamedia.it (in the *Investors – Financial Statements and Company Reports* section).
The Report, accompanied by the observations of the Board of Statutory Auditors on 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 (*Governance – Shareholders' Meeting 2014* section).
As is known, on March 4, 2013, the Board of Directors of TI Media had verified that the company had been in the situation as per Article 2446 of the Italian Civil Code as of December 31, 2012. In detail, the Draft Annual Report as of December 31, 2012 showed statutory equity of less than one third of subscribed and paid-in share capital, presenting a loss of Euro 178,110,238.85, which the Board of Directors proposed to cover as limited to the amount of Euro 22,126,058.91 through the full use of the "share premium reserve" for Euro 22,026,206.87, the "extraordinary reserve" for Euro 39,339.15 and "other reserves" for Euro 60,512.89, while carrying forward the residual loss of Euro 155,984,179.94. The Board of Directors will thus include in the notice of calling of the Shareholders' Meeting the passage of resolutions pursuant to Article 2446 of the Italian Civil Code.
On April 5, 2013, TI Media's General Shareholders' Meeting approved, in its ordinary session, the Financial Statements for the year ended December 31, 2012, in accordance with the terms proposed by the Board of Directors during its meeting held on March 4, 2013 and, in its extraordinary session, the statement of financial position of TI Media at March 8, 2013, which showed an overall loss of Euro 152.7 million, and, in compliance with Article 2446 of the Italian Civil Code, resolved, *inter alia*, to postpone any resolutions regarding the related provisions.

On March 4, 2014, the Board of Directors approved the Draft Annual Report 2013, which showed an overall loss of Euro 150,502,663.67, thus higher than one third of the share capital, with the ensuing continuation for the company of the situation as per Article 2446 of the Italian Civil Code. Given the above situation, it is necessary to submit to the General Shareholders' Meeting the approval of the appropriate provisions pursuant to Article 2446 of the Italian Civil Code and therefore the proposal to reduce the Company's share capital as described below.

1. Statement of financial position and income statement at December 31, 2013, pursuant to Article 2446 of the Italian Civil Code

TI Media Income Statement

TI Media's income statement as of December 31, 2013 is given below compared to figures as of December 31, 2012.

SEPARATE INCOME STATEMENT

(in euro)	Notes	Year 2013	Year 2012 (Restated)
Revenues	19	680,000	818,000
Other income	20	3,194,488	3,360,419
Total operating revenues and other income	**18**	**3,874,488**	**4,178,419**
Acquisition of goods and services	21	(5,239,618)	(4,750,787)
Employee benefits expenses	22	(3,787,374)	(8,356,084)
Other operating expenses	23	(600,133)	(1,313,259)
Changes in inventories		-	-
Internally generated assets		-	-
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION - EBITDA		**(5,752,637)**	**(10,241,711)**
Depreciation and amortization	24	(17,603)	(428)
Gains /(Losses) realized on disposals of non-current assets		-	-
Reversals /(Impairment losses) on non-current assets	25	-	(40,355,000)
OPERATING INCOME (LOSS) - EBIT		**(5,770,240)**	**(50,597,139)**
Other income /(expenses) from investments	26	10,936,430	(187,976)
Finance income	27	4,168,194	4,091,606
Finance expenses	28	(6,603,481)	(6,833,573)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**2,730,903**	**(53,527,082)**
Income tax expense	29	2,341,904	3,453,582
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**5,072,807**	**(50,073,500)**
Profit (loss) from discontinued operations/Non-current assets held for sale	30	(155,575,471)	(128,036,739)
PROFIT (LOSS) FOR THE YEAR		**(150,502,664)**	**(178,110,239)**

Further information is provided in the 2013 Draft Annual Report, which is available to the public in compliance with the law and can be consulted on the corporate website www.telecomitaliamedia.it (in the *Investors — Financial Statements and Company Reports* section)

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TI Media Statement of Financial Position

The table below reports the TI Media Statement of Financial Position at December 31, 2013, pursuant to Article 2446 of the Italian Civil Code, with a comparison with figures at December 31, 2012.

ASSETS

(in Euro)	Notes	12/31/2013	12/31/2012
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	3)	6,295,000	6,295,000
Intangible assets with finite useful lives		-	-
		6,295,000	6,295,000
Tangible assets:	4)		
Property, plant and equipment owned		72,084	8,571
Assets held under finance leases			
		72,084	8,571
Other non-current assets	5)		
Equity investments		173,641,146	173,715,216
Non-current financial assets		90,905	233,866
Miscellaneous receivables and other non-current assets		18,455,515	35,522,817
Deferred tax assets	6)	1,594,896	2,639,300
		193,782,462	212,111,199
TOTAL NON-CURRENT ASSETS (A)		200,149,546	218,414,770
CURRENT ASSETS			
Inventories		-	-
Trade and miscellaneous receivables and other current assets	7)	21,790,011	2,457,778
Current income tax receivables		26,608	121,660
Current financial assets			
Securities other than investments, financial receivables and other current financial assets	8)	70,026,856	70,070,923
Cash and cash equivalents	9)	8,109,263	55,386,908
TOTAL CURRENT ASSETS (B)		99,952,738	128,037,269
TOTAL ASSETS (A+B)		300,102,284	346,452,039

EQUITY AND LIABILITIES

(in euro)	Notes	12/31/2013	12/31/2012
EQUITY	10)		
Share capital		212,188,324	212,188,324
- Share premium account		-	22,026,207
- Other reserves and retained earnings (accumulated losses), including profit /(loss) for the year		(196,648,710)	(178,010,387)
TOTAL EQUITY (A)		15,539,614	56,204,144
NON-CURRENT LIABILITIES			
Non-current financial liabilities	11)	2,338	4,927
Employee benefits	13)	356,307	441,500
Deferred tax liabilities			
Provisions			
Miscellaneous payables and other non-current liabilities	14)	14,400,089	14,400,089
TOTAL NON-CURRENT LIABILITIES (B)		14,758,734	14,846,516
CURRENT LIABILITIES			
Current financial liabilities	11)	260,262,758	260,210,886
Trade and miscellaneous payables and other current liabilities	15)	9,541,178	15,190,493
Current income tax payables		-	-
TOTAL CURRENT LIABILITIES (C)		269,803,936	275,401,379
TOTAL LIABILITIES (D=B+C)		284,562,670	290,247,895
TOTAL EQUITY AND LIABILITIES (A+D)		300,102,284	346,452,039

Further information is provided in the 2013 Draft Annual Report, which is available to the public in compliance with the law and can be consulted on the corporate website www.telecomitaliamedia.it (in the *Investors — Financial Statements and Company Reports* section).

2. Net financial position at December 31, 2013

The table below reports TI Media's Net financial position at December 31, 2013, compared to figures at December 31, 2012.

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 [1]

(in thousands of euro)		12/31/2013	12/31/2012	Change
Non-current financial liabilities[2]:				
Financial payables		-	-	-
Finance lease liabilities				-
Liabilities for hedging derivatives				-
Other financial liabilities		2	5	(3)
	(1)	2	5	(3)
TOTAL NON-CURRENT FINANCIAL LIABILITIES [2]	(A)	2	5	(3)
Current financial liabilities [2]:				
Financial payables		260,261	260,209	52
Finance lease liabilities				-
Liabilities for hedging and non-hedging derivatives				-
Other financial liabilities		2	3	(1)
	(2)	260,263	260,212	51
TOTAL CURRENT FINANCIAL LIABILITIES [2]	(B)	260,263	260,212	51
TOTAL FINANCIAL DEBT [2]	(C=A+B)	260,265	260,217	48
Current financial assets [2]				
Securities		-	-	-
Financial receivables and other current financial assets		(70,027)	(70,071)	44
Cash and cash equivalents		(8,109)	(55,387)	47,278
	(3)	(78,136)	(125,458)	47,322
		(78,136)	(125,458)	47,322
TOTAL CURRENT FINANCIAL ASSETS [2]	(D)	(78,136)	(125,458)	47,322
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION No.DEM/6064293/2006	(E=C+D)	182,129	134,759	47,370
Non-current financial assets [2]				
Securities other than investments		-	-	-
Financial receivables and other non-current financial assets		(91)	(234)	143
	(4)	(91)	(234)	143
TOTAL NON-CURRENT FINANCIAL ASSETS [2]	(F)	(91)	(234)	143
NET FINANCIAL DEBT	(G=E+F)	182,038	134,525	47,513
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current gross financial liabilities	(1)	2	5	(3)
Current gross financial liabilities	(2)	260,263	260,212	51
		260,265	260,217	48
Total gross financial assets:				-
Non-current gross financial assets	(4)	(91)	(234)	143
Current gross financial assets	(3)	(78,136)	(125,458)	47,322
		(78,227)	(125,692)	47,465
		182,038	134,525	47,513

Further information is provided in the 2013 Draft Annual Report, which is available to the public in compliance with the law and can be consulted on the corporate website www.telecomitaliamedia.it (in the *Investors — Financial Statements and Company Reports* section).

3. Proposals concerning measures to be taken to cover losses

An account is given below of the proposals concerning the appropriate measures to be taken pursuant to Article 2446 of the Italian Civil Code to cover the losses — including the pertinent draft resolution — as presented in TI Media's statement of financial position as of December 31, 2013, which are to be submitted to the Company's extraordinary Shareholders' Meeting called for April 10, 2014, in single call, as the first item on the agenda for the extraordinary session.

TI Media Board of Directors:

(a) acknowledged that the statement of financial position at December 31, 2013 shows a subscribed and paid-up share capital of Euro 212,188,324.10 and an overall loss of Euro 196,648,710.41 given by the aggregate result of the following items:
   - Euro 150,502,663.67 resulting from losses recorded between January 1, 2013 and December 31, 2013;
   - Euro 155,984,179.94 resulting from the 2012 loss brought forward;
   - Euro 161,866.80 resulting from negative reserves for redetermination of defined benefit retirement plans;
   - Euro 110,000,000.00 from Other positive reserves arising on the Parent Company Telecom Italia S.p.A.'s waiver of receivables amounting to Euro 100,000,000.00 and 10,000,000.00, respectively in March and October 2013;

(b) submitted to the Extraordinary Shareholders' Meeting a proposal (i) to cover the overall loss amounting to Euro 196,648,710.41 through the cancellation of 1,343,009,473 ordinary shares, in the proportion of 13 ordinary shares out of each 14 outstanding ordinary shares, in addition to a share capital reduction from Euro 212,188,324.10 to Euro 15,539,613.69; and (ii) concurrently, merely for purposes of accounting consistency, to bring forward the losses for Euro 362.709,95 and cancel 2 ordinary shares held by the Parent Company Telecom Italia S.p.A.

In order to facilitate the management of residual shares, the Company can appoint, where required, an authorized intermediary, in respect of the applicable laws.

Following the aforementioned reduction, the subscribed and fully paid-up share capital will be equal to Euro 15,539,613.69, divided into 108,805,372 shares with no par value, of which 103,308,421 ordinary shares and 5,496,951 savings shares.

It should be noted that, pursuant to Article 6.12 of the Bylaws, a share capital 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. Accordingly, as indicated above, the methods of covering losses that are proposed are such as to affect only outstanding ordinary shares. It should also be noted that, following the proposed cancellation of shares to cover losses, the percentage of share capital represented by ordinary shares will be reduced from 99.6% to 94.9%, with a symmetrical increase in the percentage of capital represented by savings shares.

4. Measures TI Media intends to implement to improve operations whilst maintaining going-concern conditions

The Company intends to continue with the process of valorizing its subsidiary Telecom Italia Media Broadcasting S.p.A., and in this regard it should be noted that on October 7, 2013 a non-binding agreement was signed with Gruppo Editoriale L'Espresso concerning the integration of the assets owned by Rete A (the reader is referred to the press release issued on that same date for further details).

Negotiations aimed at reaching a final, binding agreement are in progress.

It should be noted that Telecom Italia S.p.A. issued to TI Media a letter of financial support whereby the Parent Company confirms its intention and irrevocable commitment to fund and financially support Telecom Italia Media in order to ensure that the latter discharges its obligations and continues to operate regularly as going concern, avoiding any reduction in its capacity, at least for 12 months since the approval by the Shareholders' Meeting of the Annual Report at December 31, 2013. Telecom Italia also irrevocably undertook to refinance the outstanding debt owed by Telecom Italia Media to the Telecom Italia Group for a period of no less than 18 months.

5. Amendments to the Bylaws and right of withdrawal

As a result of the reduction of share capital from Euro 212,188,324.10 to Euro 15,539,613.69, we propose to amend the first paragraph of Article 5 of the Bylaws, without prejudice to the rest of the Article, which remains unaltered.

Current text **Article 5 (SHARE CAPITAL)**	**Proposed text** **Article 5 (SHARE CAPITAL)**
5.1 The Company Share Capital, which is fully subscribed and paid in, amounts to 212,188,324.10 euros divided among 1,451,814,847 shares with no par value, of which 1,446,317,896 consists of common stock and 5,496,951 of saving stock.	5.1. The Company Share Capital, which is fully subscribed and paid in, amounts to ~~212,188,324.10~~15,539,613.69 euros divided among ~~1,451,814,847~~108,805,372 shares with no par value, of which ~~1,446,317,896~~103,308,421 consists of common stock and 5,496,951 of saving stock.
5.2 In resolutions to increase the share capital by issuing shares for cash, the right of preemption may be excluded for up to a maximum of ten per cent of the previously existing capital, provided the issue price corresponds to the market value of the shares and this is confirmed in a report prepared by the firm appointed as statutory auditor.	Unchanged.

It should be noted that this amendment to the Bylaws does not give rise to any right of withdrawal pursuant to Article 2437 of the Italian Civil Code.

* * *

Shareholders,

In consideration of the foregoing, if you agree on the proposal, you are invited to pass the following resolution:

"*The Shareholders of Telecom Italia Media S.p.A., during their Extraordinary Meeting, having acknowledged:*

- *the statement of financial position of Telecom Italia Media S.p.A. pursuant to Article 2446 of the Italian Civil Code as of December 31, 2013, represented by the financial statements approved by the ordinary Shareholders' Meeting;*
- *the Board of Directors' Report drafted pursuant to Article 2446 of the Italian Civil Code and Articles 72 and 74 of the regulation adopted by Consob in Resolution No. 11971/99, as amended and extended, as well as the proposal formulated therein;*
- *the observations made by the Board of Statutory Auditors pursuant to Article 2446 of the Italian Civil Code;*

hereby resolve

1) *pursuant to Article 2446 of the Italian Civil Code, as the appropriate measure, to proceed with full coverage of the total loss of Euro 196,648,710.41 through the cancellation of a total of 1,343,009,473 ordinary shares in the ratio of 13 ordinary shares per each 14 outstanding ordinary shares and the reduction of share capital from Euro 212,188,324.10 to Euro 15,539,613.69; concurrently, merely for the purposes of accounting reconciliation, losses of Euro 362,709.95 are to be carried forward and two ordinary shares held by the parent, Telecom Italia S.p.A., are to be cancelled;*
2) *to amend the first paragraph of Article 5 of the Bylaws to read as follows (without prejudice to the rest of Article 5):*
   "5.1 The Company Share Capital, which is fully subscribed and paid in, amounts to 15,539,613.69 euros divided among 108,805,372 shares with no par value, of which 103,308,421 consists of common stock and 5,496,951 of saving stock."
3) *to grant the Board of Directors, and the Chairman of the Board of Directors and Chief Executive Officer pro tempore on the Board's behalf, separately or jointly between them, within the legal limits, the broadest powers to take action required, necessary or useful — including through attorneys — for the implementation of the foregoing resolutions, as well as to discharge the formalities required for the resolutions to be entered into the Companies Register, with the powers of making any non-substantive changes, adjustments or additions thereto that might prove appropriate or be required by the competent authorities, including during the registration process, and, generally, to do all that is required for the full execution of those resolutions, with any and all powers necessary and appropriate to that end, with no exclusions or exceptions.*

Annex

A. Observations of the Board of Statutory Auditors pursuant to Article 2446 of the Italian Civil Code

Annex A

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. (also referred to hereinafter as “TI Media”) has called you to meeting with an agenda including measures pursuant to Article 2446 of the Italian Civil Code and the ensuing resolutions.

On a preliminary basis, the Board of Statutory Auditors considers it necessary to recall that, as a consequence of the losses accrued as of March 8, 2013, in excess of one third of share capital, the Shareholders’ Meeting was called pursuant to Article 2446 of the Italian Civil Code to pass the related and ensuing resolutions, in view of which the Board of Statutory Auditors drafted its Observations pursuant to Article 2446 of the Italian Civil Code, to which the reader is referred.

The Shareholders’ Meeting held on April 5, 2013 resolved to “*postpone the assumption of appropriate measures with respect to the loss presented in the Company’s Statement of Financial Position at March 8, 2013, in accordance with Article 2446 of the Italian Civil Code.*”

Given the foregoing, since the Directors have determined that the Company remains in the situation governed by Article 2446 of the Italian Civil Code, the Board of Statutory Auditors formulates the following observations concerning (i) the calling of the meeting, (ii) the Company’s statement of financial position, income statement and cash flow as of December 31, 2013; (iii) going concern; (iv) the Directors’ Explanatory Report pursuant to Article 2446 of the Italian Civil Code (also referred to hereinafter as the “Report”); and (v) the draft resolutions formulated by the Board of Directors.

1. <u>Calling of the Shareholders’ Meeting</u>

At its session of March 4, 2014, the Company’s Board of Directors approved the Draft Annual Report for the year ended December 31, 2013 (the “2013 Draft Annual Report”), which closed with a total loss of Euro 196,648,710.41 and equity of Euro 15,539,613.69, in the presence of subscribed, paid-in share capital of Euro 212,188,324.10, with the Company thus remaining in the conditions set forth in Article 2446 of the Italian Civil Code.

The overall loss consists of the aggregate of the following items:

- Euro 150,502,663.67 resulting from losses recorded between January 1, 2013 and December 31, 2013;
- Euro 155,984,179.94 resulting from the 2012 loss brought forward; and Euro 161,866.80 resulting from negative reserves for redetermination of defined benefit retirement plans;
- Euro 110,000,000.00 deriving from the other positive reserves pertaining to the waiver of two accounts receivable of Euro 100,000,000.00 and Euro 10,000,000.00 by the parent Telecom Italia S.p.A. in March and October 2013, respectively.

Having consequently acknowledged the aforesaid result, the Board of Directors convened a General Shareholders' Meeting for April 10, 2014, to include items requiring resolutions to be passed in the Extraordinary Session of the meeting in respect of matters falling within the scope of Article 2446 of the Italian Civil Code.
At the same time, the Directors drew up and issued the specific Report required under Article 2446 of the Italian Civil Code, as well as Article 72, paragraph 1, and Article 74, paragraph 1, of the Rules for Issuers (CONSOB Regulation No. 11971 of May 14, 2009, as further amended and extended), and in accordance with Tables 3 and 5, Annex 3A, of the above-mentioned Regulation.

2. **<u>Statement of Financial Position, Income Statement and Cash Flow at December 31, 2013</u>**

In the Report, the Directors have illustrated to you:

- the Statement of Financial Position at December 31, 2013, and the Income Statement for the period from January 1, 2013 to December 31, 2013, duly accompanied by explanatory notes,
- the Net Financial Position as of December 31, 2013.

The above-mentioned documents show:

- a loss for the year of Euro 150,502,663.67;
- a carrying value of equity, including the previously cited loss, amounting to Euro 15,539,613.69 at year-end;
- a negative net financial position of Euro 182,128,978.

In this regard, it should be noted that the carrying value of equity as of December 31, 2013 resulting from this Report was as follows:

• Share capital	Euro	212,188,324
• Share premium account	Euro	-
• Other reserves and retained earnings (accumulated losses), included Profit (loss) for the year	Euro	(196,648,710)
• Equity	Euro	15,539,614

Given that residual losses exceed one third of its share capital, it is confirmed that the Company is in a situation falling within the scope of Article 2446 of the Italian Civil Code. In the Report, the Directors referred the reader to the 2013 Draft Annual Report available to the public, in accordance with applicable laws, from the Company's website www.telecomitaliamedia.it (*Investors — Financial Statements and Company Reports* section) for further information concerning the Company's statement of financial position, income statement and cash flow. The Draft Annual Report for 2013 provides, *inter alia*, a detailed account of the causes underlying the trends of the main economic results that have led to the loss for the period, which can be directly referred to for further information.

The Board of Statutory Auditors has no comments to put forward in respect of the aforesaid Statement of Financial Position, Income Statement and Cash Flow as of December 31, 2013, the information contained therein, and the related explanatory notes.

3. <u>Going concern</u>

In the Directors' Report, it is stated that "*the Company intends to continue with the process of valorizing its subsidiary Telecom Italia Media Broadcasting S.p.A., and in this regard it bears recalling that on October 7, 2013 a non-binding agreement was signed with Gruppo Editoriale L'Espresso concerning the integration of the assets owned by Rete A. Negotiations aimed at reaching a final, binding agreement are in progress*."

Moreover, the Draft Annual Report for 2013 illustrates the reasons for which the financial statements have been prepared on the assumption that the Company is a going concern. In addition, the Directors underlined in their Report that Telecom Italia S.p.A. issued to TI Media a letter of financial support whereby the Parent Company confirms its intention and irrevocable commitment to fund and financially support Telecom Italia Media in order to ensure that the latter discharges its obligations and continues to operate regularly as going concern, avoiding any reduction in its capacity, at least for 12 months since the approval by the Shareholders' Meeting of the Annual financial report at December 31, 2013. Telecom Italia also irrevocably undertook to refinance the outstanding debt owed by Telecom Italia Media to the Telecom Italia Group for a period of no less than 18 months.

The Board of Statutory Auditors has no comment to put forward in respect of the above.

4. <u>Directors' Explanatory Report</u>

The Directors' Explanatory Report was prepared pursuant to Article 2446 of the Italian Civil Code and in accordance with Article 72, paragraph 1, and Article 74, paragraph 1, of the Rules adopted by CONSOB through Regulation No. 11971/1999, as further amended and extended, as well as in accordance with Tables 3 and 5, Annex 3A, of the above mentioned Regulation. The said Report provides an exhaustive account of the Company's Statement of Financial Position, Income Statement and Cash Flow at December 31, 2013, as well as the proposal on the measures to be taken with regard to the same.

5. <u>The draft resolutions formulated by the Directors</u>

The Directors propose that the total losses and negative reserves of Euro 196,648,710.41 be covered as follows:

- through the cancellation of 1,343,009,473 ordinary shares, in the proportion of 13 ordinary shares out of each 14 outstanding ordinary shares, and a share capital reduction from Euro 212,188,324.10 to Euro 15,539,613.69;
- concurrently, merely for purposes of accounting consistency, losses for Euro 362,709.95 are to be brought forward and 2 ordinary shares held by the Parent Company Telecom Italia S.p.A. are to be cancelled.

As a result, the Directors also propose to amend Article 5 of the Bylaws in order to include the share capital reduction.

The Board of Statutory Auditors has no objection to raise against the proposal of the Directors, as it deems it to be compliant with applicable laws and the Bylaws.

Rome, March 14, 2014

THE BOARD OF STATUTORY AUDITORS

Rosalba Casiraghi
Salvatore Spiniello
Michela Zeme

USEFUL INFORMATION

Free copies of this report may be requested

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