PRESS RELEASE

Telecom Italia: Board of Directors examines and approves the Group First Half Financial Report at 30 June 2015

- **REVENUES: 10.1 BILLION EUROS, -3.3% IN ORGANIC TERMS COMPARED TO THE FIRST HALF OF 2014**
- **EBITDA: ORGANIC REDUCTION OF 5% ALSO EXCLUDING NON-RECURRING CHARGES FOR 399 MILLION EUROS. IN REPORTED TERMS EBITDA WAS 3.6 BILLION EUROS, -16,4% COMPARED TO THE FIRST HALF OF 2014, ACCOUNTING FOR 36% OF REVENUES**
- **NET PROFIT ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS: 29 MILLION EUROS. THE FIGURE WOULD HAVE EXCEEDED 650 MILLION, WITHOUT COUNTING NON-RECURRING ITEMS AND INCOME AND THOSE CONNECTED WITH THE BOND BUYBACK, AS WELL AS BY THE DYNAMICS OF THE VALUATION OF THE MANDATORY CONVERTIBLE BOND**
- **RECCHI: WE ARE KEEPING THE PROMISES MADE TO SPEED UP DEVELOPMENT OF THE ULTRABROADBAND THANKS TO THE 2015-2017 PLAN. OUR INVESTMENTS, WHICH CAME TO 2.1 BILLION EUROS DURING THE FIRST SIX MONTHS, HAVE INCREASED BY 25.7% ON THE FIRST HALF OF 2014. IN ITALY, WE HAVE NOW REACHED 37% OF THE POPULATION (+5% IN JUST ONE QUARTER) WITH FIXED ULTRABROADBAND (183 CITIES CONNECTED) AND MORE THAN 83% OF THE POPULATION WITH MOBILE ULTRABROADBAND**
- **PATUANO: MARKED IMPROVEMENT IN THE PERFORMANCE OF THE DOMESTIC MARKET. REVENUES FOR THE SECOND QUARTER HAVE GROWN BY 113 MILLION EUROS ON THE FIRST QUARTER OF 2015, WITH POSITIVE PERFORMANCE RECORDED BY MOBILE AND FIXED ALIKE. WE HAVE CONFIRMED OUR STATUS AS THE TOP MOBILE OPERATOR AND OUR AGREEMENTS WITH NATIONAL AND INTERNATIONAL TV PLAYERS ARE DRIVING THE DEMAND FOR ULTRABROADBAND CONNECTION**
- **LIQUIDITY MARGIN AS OF 30 JUNE 2015: 13.4 BILLION EUROS, ALLOWS MATURITIES TO BE COVERED FOR AT LEAST THE NEXT 24 MONTHS**
- **ADJUSTED NET FINANCIAL DEBT AT 30 JUNE 2015 DOWN BY 438 MILLION EUROS IN THE SECOND QUARTER COMPARED TO THE FIRST QUARTER**

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The results of the Second Half of 2015 will be illustrated to the financial community during a conference call scheduled for Friday 7 August 2015, 12 pm (CET). Journalists may listen to the conference call, without asking questions, by calling: +39 0633168.
Those unable to connect live may follow the presentation until 14 August by calling: +39 06334843 (access code 824743#).
The presentation Slides, with an opportunity to follow the event in audio streaming, will be available at: www.telecomitalia.com/1H2015/eng

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The Telecom Italia Group First Half Financial Report at 30 June 2015 was drafted in accordance with art. 154–ter (Financial Reporting) of Leg. Decree 58/1998 (Consolidated Finance Law - CFL) and subsequent amendments and supplements and prepared in accordance with the international accounting principles issued by the International Accounting Standards Board and approved by the European Union (defined as "IFRS"), as well as the provisions issued in implementation of art. 9 of Leg. Decree 38/2005. The First Half Financial Report at 30 June 2015 is submitted to a limited audit. This activity is currently taking place.

The accounting policies and consolidation principles adopted in the preparation of the Condensed Half-Year Consolidated Financial Statements at 30 June 2015 are consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2014, to which reference can be made, except for the new Principles/Interpretations adopted by the Group starting from 1 January 2015, which had no impact on the Group's Consolidated Financial Statements.

In addition to the conventional financial performance indicators contemplated under IFRS, the Telecom Italia Group uses certain alternative performance indicators in order to give a clearer picture of the trend of operations and the company's financial position. Specifically, the alternative performance measures refer to: EBITDA; EBIT; organic change in revenues, EBITDA and EBIT; net financial book debt and adjusted net financial debt. Further details regarding these indicators are provided in the annex.

Note that the section "Business Outlook for the 2015 financial year", contains forward-looking statements about the Group's intentions, beliefs and current expectations with regard to its financial results and other aspects of Group's operations and strategies. Readers of the present press release should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the above-mentioned forecasts owing to a number of factors, the majority of which are beyond the Group's control.

Rome, 7 August 2015

The Telecom Italia Board of Directors chaired by Giuseppe Recchi yesterday examined and approved the Group's First Half Financial Report at 30 June 2015.

"During the second quarter of the year too, Telecom Italia has continued to invest in our country's future: we have invested more than 2 billion on developing new fixed and mobile ultrabroadband networks, making for a 25.7% increase on the same period of last year. We are certain that, thanks to our great efforts, Italy will be able to achieve the Digital Agenda targets and play a leading role in Europe", the Chairman, Giuseppe Recchi, commented.

"The results of the second quarter of the year show solid improvement in turnover in Italy, which has grown by 113 million euros as compared with the first three months of the year, rising both in fixed and mobile. TIM is once again confirmed as the country's top mobile operator, increasing revenues from innovative services by 21.8% on 2014", Marco Patuano, Telecom Italia's Chief Executive Officer, adds. "The fixed ultrabroadband clearly shows the benefits of the agreements we are stipulating with contents providers, increasing the demand for connection. Industrial margins have also continued to improve, whilst the absolute figure is affected by non-recurring factors and technical provisions connected with regulatory and legal affairs that are still underway and which we trust will have a successful outcome." The Chief Executive Officer in fact emphasized, "the underlying result of the domestic EBITDA - excluding the impact of both non-recurring charges and other exceptional items - shows a trend of sequential improvement, with a drop in the second quarter of 2015 of 2.7% on an annual basis, showing a recovery compared to the figure recorded in the first three months of the year (-4.8%)."

The Financial Report highlights that the domestic market, during the first half of 2015, confirmed the trend to progressive recovery on a quarterly basis in domestic turnover, with a lesser drop than in previous quarters, thanks to the attenuation of the dynamic of contraction of traditional services and the development of innovative ones. In particular, there was a continuous strengthening of competitive positioning in the Mobile segment, where market shares were maintained and limited erosion of average revenues per user (ARPU) was seen, supported in particular by greater penetration of mobile internet. In the Fixed segment, the revenue recovery trend was supported by positive growth in broadband ARPU, progressive growth in ADSL customers, with premium bundle/flat offers and the development of ICT services.

The economic-financial results of the first half of 2015 were also characterised by the impacts of certain non-recurring events and by the start-up of some projects for the rationalisation and improvement of operative efficiency.

More specifically, the Financial report shows how the results posted for the first half of 2015 recorded non-recurring charges for a total of 399 million euros; these charges - connected with events and operations that, by nature, do not take place continuously in normal operations - are highlighted insofar as of significant amount and include charges deriving from company reorganisation/restructuring, charges consequent to regulatory disputes and sanctions and related liabilities, charges for disputes with former employees and liabilities with customers and/or suppliers.

At the end of 2014, Telecom Italia launched an important Real estate project, which envisages a restructuring plan, the closure of some properties and renegotiation of leases with the related owners, with a view to ensuring efficiency and savings, mainly achieved through an extension of contractual expiry dates and a reduction in rental fees.
In greater detail, with reference to the first half of 2015 alone, please note that two properties that are considered strategic have been purchased; the relevant contracts were previously classified as finance leases. Negotiations have also drawn to a close on a first set of approximately 500 lease contracts and/or new contracts have been stipulated.
More specifically, more than half these contracts were previously posted according to the operating lease method; following the contractual changes made, the latter have now been posted to the financial condition as at 30 June 2015, in accordance with the finance method (Tangible assets held under finance lease agreements).
The renegotiation and/or stipulation of new contracts, together with the different accounting treatment, have determined an overall impact on the equity position as at 30 June 2015 of 676 million euros in terms of greater tangible assets and related finance lease payables.

Activities connected with the development of the Project will in fact continue over the next few months and will - when fully up and running - entail a significant reduction in the rental costs as well as savings on energy, facility services, a rationalisation of spaces and the costs connected with the dispersion of the offices.

In June 2015, the listing process (IPO) of the ordinary shares of INWIT S.p.A. on the Electronic Share Market organised and managed by Borsa Italiana S.p.A. was completed successfully. This entailed the sale of the minority share (36.33%) of the ordinary shares (and, in July, the sale of 3.64% for the shares for which the greenshoe option had been exercised) and the collection, net of ancillary charges, of 784 million euros. As the transaction did not result in the loss of control over INWIT by Telecom Italia, in compliance with the accounting standards, it was treated as a transaction between shareholders, hence no impacts were noted on the profit and loss account and the positive effects of the transaction were posted directly to increase the Shareholders' Equity attributable to the Shareholders of the Parent company, for a total of 253 million euros, net of ancillary charges and tax.

The Tim Brasil Group concluded the sale of the first block of telecommunications towers (4,176 sites) to American Tower do Brasil; the transaction entailed the collection of 1,897 million reais (approximately 585 million euros) and the simultaneous stipulation of a finance lease contract (IAS 17) for the part share of the towers used by the Tim Brasil Group, with the posting of a financial debt of 977 million reais (approximately 301 million euros); a capital gain was recorded on the profit and loss account, net of ancillary charges, of 918 million reais (approximately 277 million euros).

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In Brazil, the market has been affected by a deterioration in the macroeconomic scenario, which caused a contraction in internal demand, an increase in inflation and a strong devaluation of the reais. These

elements contributed to a general slowing of growth in the mobile market compared to the preceding quarters.
In such a context, Tim Brasil substantially maintained its market share in the Mobile segment, significantly increasing its postpaid customer base, but, at the same time, a worsening trend in turnover due to acceleration of the phenomenon of migrating from traditional voice/SMS services to innovative-IP solutions, and a further reduction in mobile termination rates (MTR) in force since the end of February 2015. The negative dynamic in mobile revenues was partly mitigated by growth in the turnover of the Fixed segment, in particular in the business wholesale segment of Intelig and Broadband segment of TIM Live.

MAIN VARIATIONS TO THE TELECOM ITALIA GROUP CONSOLIDATION AREA

During the course of the first half of 2015, the perimeter changed as follows:
- INWIT S.p.A. (Domestic Business Unit): was established in January 2015.

The following changes to the consolidation scope occurred during 2014:
- Telecom Italia Ventures S.r.l. (Domestic Business Unit): was established in July 2014;
- Rete A S.p.A. (Media Business Unit): on 30 June 2014 Persidera S.p.A. acquired 100% of the company, and as a consequence, Rete A became part of the consolidation scope of the Group and was fully consolidated; on 1 December 2014 the merger by incorporation of Rete A into Persidera was completed;
- TIMB2 S.r.l. (Media Business Unit): was established in May 2014;
- Trentino NGN S.r.l. (Domestic Business Unit): on 28 February 2014, the Telecom Italia Group acquired a controlling stake in the company, that therefore entered the Group's consolidation scope.

TELECOM ITALIA GROUP

Revenues in H1 2015 amounted to **10,097 million euros**, down 4.3% from the 10,551 million euros recorded in H1 2014 (-454 million euros). In terms of organic change, calculated by excluding the effect of changes in exchange rates and consolidation area, consolidated revenues were down 3.3% (-347 million euros).

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

(million euros)	**H1 2015**		**H1 2014**		**Changes**		
		% of total		% of total	absolute	%	% organic
Domestic	7,375	73.0	7,531	71.4	(156)	(2.1)	(2.5)
Core Domestic	*6,818*	*67.5*	*7,007*	*66.4*	*(189)*	*(2.7)*	*(2.7)*
International Wholesale	*635*	*6.3*	*601*	*5.7*	*34*	*5.7*	*0.6*
Olivetti	*90*	*0.9*	*106*	*1.0*	*(16)*	*(15.1)*	*(15.1)*
Brazil	2,688	26.6	3,009	28.5	(321)	(10.7)	(6.1)
Media and Other Assets	57	0.6	31	0.3	26		

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Adjustments and eliminations	*(23)*	*(0.2)*	*(20)*	*(0.2)*	*(3)*		
Consolidated Total	**10,097**	**100.0**	**10,551**	**100.0**	**(454)**	**(4.3)**	**(3.3)**

EBITDA in H1 2015 was **3,633 million euros** (4,345 million euros during H1 2014), down 712 million euros compared with H1 2014, accounting for 36.0% of revenues (41.2% in H1 2014).

Organic EBITDA decreased by 684 million euros (-15.8%) compared with H1 2014, accounting for a percentage of revenues down by 5.3 percentage points from 41.3% in H1 2014 to 36.0% in H1 2015.

EBITDA in H1 2015 suffered the negative impact of non-recurring items in the total amount of 399 million euros.
Without these items, the organic change in EBITDA would have been -5.0%, accounting for 39.9% of revenues, down 0.8 percentage points on H1 2014.

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

(million euros)	H1 2015		H1 2014		Changes		
		% of total		% of total	absolute	%	% organic
Domestic	2,846	78.3	3,501	80.6	(655)	(18.7)	(18.9)
% of Revenues	*38.6*		*46.5*			*(7.9) pp*	*(7.8) pp*
Brazil	784	21.6	840	19.3	(56)	(6.7)	(1.8)
% of Revenues	*29.2*		*27.9*			*1.3 pp*	*1.3 pp*
Media and Other Assets	2	0.1	6	0.1	(4)		
Adjustments and eliminations	*1*	*–*	*(2)*	*–*	*3*		
Consolidated Total	**3,633**	**100.0**	**4,345**	**100.0**	**(712)**	**(16.4)**	**(15.8)**
% of Revenues	*36.0*		*41.2*			*(5.2) pp*	*(5.3) pp*

EBIT in H1 2015 was **1,782 million** euros (2,225 million euros during H1 2014), down 443 million euros (-19.9%) compared with H1 2014, accounting for 17.6% of revenues (21.1% in H1 2014).
Organic EBIT was down 432 million euros, accounting for 17.6% of revenues (21.2% in H1 2014).
EBIT for H1 2015 suffered the negative impact of net non-recurring items for a total of 122 million euros: the non-recurring charges already mentioned in the comment on EBITDA (399 million euros) were offset by the positive impact of the capital gain of 277 million euros deriving from the sale of the telecommunications towers in Brazil. Without these net non-recurring items, the organic change in EBIT would have been -9.5%, accounting for 18.9% of revenues.

Net consolidated profits attributable to Shareholders of the Parent company were **29 million euros** (543 million euros during the same period of 2014). In addition to non-recurring charges and income, they also suffered the negative impact of the bond buyback transactions during the half-year and some items of a purely accounting and valuation nature, which do not generate any financial adjustments, particularly in connection with the valuation at fair value of the implicit option included in the Mandatory Convertible Bond issued late 2013 with a maturity at three years. In the absence of these impacts the profits of the first half of 2015 would have been over 650 million euros.

Capex in H1 2015 were **2,146 million euros**, up 439 million euros (+25.7%) on H1 2014, and breaks down as follows by operational sector:

(million euros)	H1 2015	% of total	H1 2014	% of total	Change
Domestic	1,506	70.2	1,177	69.0	329
Brazil	637	29.7	526	30.8	111
Media and Other Assets	3	0.1	4	0.2	(1)
Adjustments and eliminations	–	–	–	–	–
Consolidated Total	**2,146**	**100.0**	**1,707**	**100.0**	**439**
% of Revenues	*21.3*		*16.2*		*5.1 pp*

Capital expenditure for the **Domestic Business Unit** recorded an increase of 329 million euros compared to the first half of 2014. Much of this is due to the expenditure of 117 million euros for the renewal for three years of the GSM licence, as well as the growth in innovative investments dedicated to developing new generation networks and services (+257 million euros), which represented more than 40% of total investment (about 30% in the corresponding period of 2014).
Industrial investments in the **Brazil Business Unit** show an increase of 111 million euros compared to the first half of 2014, including the negative exchange rate effect of 26 million euros; these investments were primarily directed to the evolution of the industrial infrastructure and the sales support platforms.

The **cash flow from operations** is positive by **701 million euros** (1,044 million euros in H1 2014) and is affected in particular by the seasonal dynamics of disbursements related to liabilities accrued in the last quarter of the previous financial year.

Adjusted net financial debt as of 30 June 2015 was **26,992 million euros**, down by 366 million euros compared with 30 June 2014 (27,358 million euros), an increase of 341 million euros compared to 31 December 2014 (26,651 million euros); it incorporates not only the impacts connected with the operative and financial management and payment of tax and dividends, but also income from the INWIT I.P.O. on the domestic market and the sale of ownership of the towers in Brazil, offset by the recording of a greater debt for finance leases (IAS 17) for the real estate project and the leaseback of the part share of the towers in Brazil.

Net financial book debt was equal to **28,358 million euros** (28,021 million euros as of 31 December 2014).

During **Q2 2015, adjusted net financial debt** dropped by 438 million euros against 31 March 2015: the positive financial trend, together with the effects of the sale of the transmission towers in Brazil and the non-controlling share of INWIT absorbed the outlay deriving from the payment of dividends and the impacts of the posting of greater debt for finance leases (IAS 17) for the real estate project and the leaseback of the part share of the towers in Brazil.

The **liquidity margin** as of 30 June 2015 is **13.4 billion euros**, (13.1 billion euros as of 31 December

2014), and consists of 6.4 billion euros in cash (6.1 billion euros as of 31 December 2014) and unused committed credit lines totalling 7 billion euros (equal to those existing as of 31 December 2014). This margin covers the financial liabilities of the Group falling due for at least the next 24 months.

Group **headcount** for the Group as of 30 June 2015, excluding the 16,290 units related to Discontinued Operations, was **65,917**, including 52,747 in Italy (66,025 as of 31 December 2014, including 52,882 in Italy).

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BUSINESS UNIT RESULTS

Figures for Telecom Italia Media as of 30 June 2015 can be found in the press release issued on 30 July, following the Board of Directors' meeting.

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DOMESTIC

Domestic revenues fell by 2.1% in reported terms and 2.5% in organic terms to **7,375 million euros** (7,531 million euros in H1 2014).

Performance in the first half of 2015 in terms of the change compared to the same period of 2014 showed a further reduction (-2.1%, -156 million euros), but confirmed the trend of recovery that started in the second half of the previous year. More specifically, the second quarter of 2015 recorded a reduction of -1.6%, which is more limited than the previous quarters (-2.6% for the first quarter of 2015 and -5.0% for the fourth quarter of 2014).
This recovery can be attributed to a progressive dynamic of improvement in the market context, particularly in terms of the competitive performance featuring action to defend/improve market shares - particularly in the Mobile segment - and accelerate the development of broadband and ultrabroadband services that have enabled ARPU levels to stabilise against the structural downturn of prices and use of more traditional services.

Highlights:

- <u>Core Domestic Revenues</u>

  Core Domestic **revenues** amount to **6,818 million euros** and fell by 2.7% (7,007 million euros in the first six months of 2014).

The performance of the various market segments as compared with the same period of 2014 is as follows:

- **Consumer**: the revenues of H1 for the Consumer segment amounted to 3,521 million euros, with a reduction of 54 million euros (-1.5%) compared to the same period of 2014 (-1.6% during the second quarter, -1.5% during the first quarter), with further confirmation of the specific gradual recovery seen as from the second half of 2014. In particular the revenues from Mobile services recorded a reduction of -49 million euros, equal to -3.2% (-2.1% in the second quarter of 2015 and -4.3% in the first quarter) compared to the same period of the previous year, an improvement in performance due to the cooling off of competitive pressure, the progressive stabilisation of the market share and the constant growth of mobile internet. Service revenues in the Fixed sector (-28 million euros, -1.5% compared to the same period of the previous year, -1.6% in the second quarter, -1.4% in the first quarter) also confirmed the trend of an appreciable improvement shown from the second half of 2014 onwards, thanks to the action taken to develop ARPU in recent months, such as the development of flat and bundle offers, re-pricing and customer upgrades to fibre;

- **Business:** during the first half of 2015, revenues from the Business segment came to 2,304 million euros, down 100 million euros (-4.2%), showing significant recovery on the performance recorded during the same period of the previous year (-8.5%) both in Mobile (-4.4% as compared with -9.4% for the first half of 2014, recovering 5.0 percentage points) and in Fixed (-4.0% as compared with the -8.3% of the first half of 2014, improving by 4.3 percentage points). The action taken has successfully reduced the decline in revenues from Mobile services in the first half of 2015 (-29 million euros, -4.8% on the same period of 2014), thanks to a lesser erosion of the traditional voice and messaging services component, which highlight a downturn of 48 million euros (the first six months of 2014 had recorded a reduction of -107 million euros on the same period of last year), by virtue of the customer repositioning on bundle formulas at a lower overall ARPU level, partially offset by the positive performance of innovative services (+17 million euros, +7.0% on the same period of last year), mainly thanks to browsing (+20 million euros, +10.4%). Revenues in Fixed sector services (-84 million euros) showed a marked recovery (-5.0% in the first half of 2015 as compared with -8.8% in the same period of the previous year), yet continuing to influence an outlook that shows slight signs of improvement, as well as the contraction in the prices of traditional voice and data services and the technological substitution towards VoIP systems, partially offset by constant growth in ICT revenues (+6%), particularly on Cloud services (+37% compared to the first half of 2014);

- **National Wholesale:** the Wholesale segment records revenues for H1 2015 amounting to 891 million euros, down by 24 million euros (-2.6%) on the corresponding period of 2014. The reduction is mainly due to the migration of offers of traditional circuits towards more competitive solutions on new generation IP/Ethernet networks, the migration of accesses and interconnection flows from traditional networks towards IP solutions and the reduction of revenues from mobile traffic on national roaming.

- <u>Telecom Italia Sparkle Group (International Wholesale) Revenues</u>

  The first half of 2015 International Wholesale - Telecom Italia Sparkle Group revenues amounted to 635 million euros, an increase compared to the corresponding period of 2014 (+34 million euros, +5.7%). In particular, the increase is related to revenues for IP/Data services (+21 million euros, +17.1%) and revenues for phone services (+15 million euros, +3.5%). The other business segments remain substantially stable (- 2 million euros, -4%).

- <u>Olivetti Revenues</u>

  In the first half of 2015, revenues from core business lines (Office, Retail and Systems and Advanced Caring) came to 90 million euros.

The **EBITDA** of the Domestic Business Unit in the first half of 2015 amounted to 2,846 million euros, with a reduction of 655 million euros compared to the same period of 2014 (-18.7%), accounting for 38.6% of revenues (-7.9 percentage points compared to the same period of 2014). Organic EBITDA decreased by 665 million euros (-18.9%) compared with H1 2014, accounting for a percentage of revenues down by 7.8 percentage points from 46.4% in H1 2014 to 38.6% in H1 2015.
EBITDA in H1 2015 suffered the negative impact of non-recurring charges in the total amount of 393 million euros.
Without these charges, the organic change in EBITDA would have been -5.8%, accounting for 43.9% of revenues, down 1.6 percentage points on H1 2014. Equally, to match the trends recorded on revenues, showing recovery on previous quarters (-0.9% during Q2 as compared with -10.4% during Q1 2015 and -10.9% during Q4 2014).

The **EBIT** of the Domestic Business Unit in the first half of 2015 is 1,222 million euros (1,863 million euros in the same period of 2014); the percentage with respect to the revenues , both in reported and organic terms, went from the 24.7% of the first half of 2014 to the 16.6% of the first half of 2015.
EBIT of the first half of 2015 suffered the negative impact of non-recurring charges for a total of 393 million euros. Without these, the organic change in EBIT would have been -8.2%, accounting for 21.9% of revenues.

The **headcount**, of **52,825 employees**, fell by 251 units compared to 31 December 2014.

BRAZIL
(average reais/euro exchange rate 3.31144)

Revenues in H1 2015 amounted to **8,900 million reais**, down by -577 million reias (-6.1%) on the same period of 2014. Revenues from services reached 7,724 million reais, with a reduction of 360 million reais compared to 8,084 million reais in the first half of 2014 (-4.5%). The lower turnover is attributable primarily to the revenue component from incoming mobile traffic (-530 million reais, -39.4%) due to the reduction in the mobile termination rates (MTR) and the lesser volumes, as well as the traditional outgoing

voice traffic (-8%). These effects are partially offset by the increase recorded in revenues from mobile data (+496 million reais, +44.5%).
Mobile ARPU (Average Revenue Per User) in the first half of 2015 was 16.4 reais compared to 17.6 reais in the same period of 2014 (-6,8%). Revenues from product sales stood at 1,176 million reais (1,393 million reais in H1 2014, -15.6%); this reflects the impact of the economic crisis of family spending trends. The total number of lines as of 30 June 2015 was estimated at 74.6 million, down on the figure as of 31 December 2014 (75.7 million lines), corresponding to a market share for the lines of approximately 26.4%.

EBITDA of 2,597 million reais was 48 million reais lower than in the same period of 2014 (-1.8%). The EBITDA trend mainly related to the specified lower revenues, partially offset by the lower costs for purchasing materials and services and the lower quotas payable to other operators, despite the higher personnel costs. The EBITDA margin was 29.2%, up 1.3 percentage points on H1 2014.

EBIT amounted to 1,882 million reais an improvement of 721 million reais on H1 2014. Despite the lesser contribution of EBITDA, this result benefits from the capital gain deriving from the conclusion of the first tranche of the sale of telecommunications towers to American Tower do Brasil, which comes to 918 million reais.

Headcount stood at 12,910 employees (12,841 as of 31 December 2014).

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With reference to the Deferred MBO 2015 Plan, approved by the Shareholders' meeting on 20 May last, the Board of Directors resolved, in the light of recent cost efficiency initiatives also regarding the Company's managerial staff, to not proceed with its implementation, maintaining the original short term incentive structure. Consequently the two-year investment in shares for half of any possible bonus accrued, with the subsequent allocation of a bonus share, will not be awarded, and, in the case of achievement of the predetermined performance objectives, only the cash bonus will be assigned.

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EVENTS SUBSEQUENT TO 30 June 2015

Bond buyback

See the Press Releases on the same subject issued on 16 July 2015 by Telecom Italia S.p.A..

INWIT - initial public offering: full exercise of the greenshoe option

See the Press Release on the same subject issued on 6 July 2015 by INWIT S.p.A..

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OUTLOOK FOR THE 2015 FINANCIAL YEAR

2015 will see the telecommunications market continue to show a fall in traditional services (access and voice), partly offset by the development of revenues from innovative services due to the increasing demand for connectivity and digital services; it is expected that the combined effect of these phenomena will determine a further overall fall in the domestic market, but considerably less so than that seen in previous years, particularly on Mobile. In Brazil growth is forecast, albeit at lower rates than those recorded in previous years, due to the progressive penetration and saturation of the Mobile market, the migration away from traditional voice-SMS services towards internet services and the impact of the reduction in mobile termination rates (MTR) .
In this context, the Telecom Italia Group – as announced in the 2015-2017 Plan – will continue to defend its market shares and invest in the development of infrastructures, with a heavy increase in innovative investments. More specifically, the five areas of technological development will regard fixed ultrabroadband with optic fibre, mobile ultrabroadband, the development of new data centres to support cloud services, international fibre connections and the transformation of industrial processes aimed at ensuring a structural reduction of the operating costs by simplifying and modernising the infrastructures. The aim of this acceleration of investments is to create the foundations for stabilisation and recovery of turnover based increasingly on the spread of innovative services with digital content.
Overall investments in the Domestic area in the plan horizon will total more than 10 billion euros, around 5 billion euros of which solely for innovative developments (NGN, LTE, Cloud Computing , Data Centres, Sparkle and Transformation), which by 2017 will enable 75% of the population to access optic fibre, and over 95% to access 4G. In Brazil the investments will total over 14 billion reias, with the aim to extend 4G coverage to over 15,000 sites, and 3G coverage to over 14,000 sites by 2017.
In this context, for the current year and in line with the trends described in the 2015 - 2017 three-year plan, a progressive improvement is expected in operating performance on both the domestic market (with EBITDA stabilisation target in 2016) and in Brazil.

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The Executive responsible for preparing the corporate accounting documents, Piergiorgio Peluso, hereby declares, pursuant to subsection 2, Art.154-bis of the Italian Consolidated Law on Financial Intermediation, that the accounting information contained herein corresponds to the company's documentation, accounting books and records.

ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES

In this press release, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the trend of operations and the financial condition related to the Telecom Italia Group. Such measures, which are also presented in other periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

The alternative performance measures used are described below:

- EBITDA: this financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) in addition to **EBIT**. These measures are calculated as follows:

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

- **Organic change in Revenues, EBITDA and EBIT:** these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation and exchange differences.
  Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level); the Organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors. In this press release, is also provided the reconciliation between the "accounting or reported" data and the "comparable" ones.

- **Net Financial Debt**: Telecom Italia believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. In this press release is included a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.
  In order to better represent the actual change in net financial debt, in addition to the usual measure (renamed "Net financial debt carrying amount") is also shown the "Adjusted net financial debt", which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Net financial debt is calculated as follows:

+	Non-current financial liabilities
+	Current financial liabilities
+	Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A)	**Gross Financial Debt**
+	Non-current financial assets
+	Current financial assets
+	Financial assets included in Discontinued operations/Non-current assets held for sale
B)	**Financial Assets**
C = (A - B)	**Net Financial Debt carrying amount**
D)	**Reversal of fair value measurement of derivatives and related financial liabilities/assets**
E = (C+D)	**Adjusted Net Financial Debt**

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The reclassified Separate Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows as well as the Consolidated Net Financial Debt of the Telecom Italia Group, herewith presented, are the same as those included in the Interim Management Report of the Half-year Financial Report at June 30, 2015 and are unaudited.
Such statements, as well as the Consolidated Net Financial Debt of the Telecom Italia Group, are however consistent with those included in the Telecom Italia Group Half-year Condensed Consolidated Financial Statements at June 30, 2015.
The accounting policies and consolidation principles adopted in the preparation the Half-year Condensed Consolidated Financial Statements at June 30, 2015 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at December 31, 2014, to which reference can be made, except for the new standards and interpretations adopted by the Group starting from January 1, 2015, the adoption of which had no impact on the Telecom Italia Group Half-year Condensed Consolidated Financial Statements at June 30, 2015.
Furthermore, please note that the limited review work by our independent auditors on the Telecom Italia Group Half-year Condensed Consolidated Financial Statements at June 30, 2015 has not yet been completed.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Half 2015 (a)	1st Half 2014 (b)	Change (a-b) amount	%
Revenues	**10,097**	**10,551**	**(454)**	**(4.3)**
Other income	131	183	(52)	(28.4)
Total operating revenues and other income	**10,228**	**10,734**	**(506)**	**(4.7)**
Acquisition of goods and services	(4,374)	(4,557)	183	4.0
Employee benefits expenses	(1,705)	(1,596)	(109)	(6.8)
Other operating expenses	(888)	(559)	(329)	(58.9)
Change in inventories	58	43	15	34.9
Internally generated assets	314	280	34	12.1
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**3,633**	**4,345**	**(712)**	**(16.4)**
Depreciation and amortization	(2,130)	(2,154)	24	1.1
Gains (losses) on disposals of non-current assets	279	35	244	–
Impairment reversals (losses) on non-current assets	–	(1)	1	–
Operating profit (loss) (EBIT)	**1,782**	**2,225**	**(443)**	**(19.9)**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	–	(5)	5	–
Other income (expenses) from investments	4	15	(11)	(73.3)
Finance income	1,579	865	714	82.5
Finance expenses	(3,063)	(2,111)	(952)	(45.1)
Profit (loss) before tax from continuing operations	**302**	**989**	**(687)**	**(69.5)**
Income tax expense	(193)	(417)	224	53.7
Profit (loss) from continuing operations	**109**	**572**	**(463)**	**(80.9)**
Profit (loss) from Discontinued operations/Non-current assets held for sale	330	260	70	26.9
Profit (loss) for the period	**439**	**832**	**(393)**	**(47.2)**
Attributable to:				
Owners of the Parent	**29**	**543**	**(514)**	
Non-controlling interests	410	289	121	

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In accordance with IAS 1 (*Presentation of Financial Statements*) here below are presented the Consolidated Statements of Comprehensive Income, including the Profit (loss) for the period, as shown in the Separate Consolidated Income Statements, and all non-owner changes in equity.

(millions of euros)		1st Half 2015	1st Half 2014
Profit (loss) for the period	**(a)**	**439**	**832**
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		56	(129)
Income tax effect		(15)	35
	(b)	**41**	**(94)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Income tax effect		–	–
	(c)	**–**	**–**
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	**(d=b+c)**	**41**	**(94)**
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		(21)	41
Loss (profit) transferred to Separate Consolidated Income Statement		(63)	(15)
Income tax effect		18	(7)
	(e)	**(66)**	**19**
Hedging instruments:			
Profit (loss) from fair value adjustments		1,168	(61)
Loss (profit) transferred to Separate Consolidated Income Statement		(812)	(99)
Income tax effect		(98)	45
	(f)	**258**	**(115)**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(389)	28
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		(1)	–
Income tax effect		–	–
	(g)	**(390)**	**28**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Loss (profit) transferred to Separate Consolidated Income Statement		–	–
Income tax effect		–	–
	(h)	**–**	**–**
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	**(i=e+f+g+h)**	**(198)**	**(68)**
Total other components of the Consolidated Statement of Comprehensive Income	**(k=d+i)**	**(157)**	**(162)**
Total comprehensive income (loss) for the period	**(a+k)**	**282**	**670**
Attributable to:			
Owners of the Parent		**(23)**	**567**
Non-controlling interests		305	103

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)		6/30/2015 (a)	12/31/2014 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		29,839	29,943	(104)
Intangible assets with a finite useful life		6,648	6,827	(179)
		36,487	**36,770**	**(283)**
Tangible assets				
Property, plant and equipment owned		12,314	12,544	(230)
Assets held under finance leases		1,756	843	913
		14,070	**13,387**	**683**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		59	36	23
Other investments		48	43	5
Non-current financial assets		2,793	2,445	348
Miscellaneous receivables and other non-current assets		1,663	1,571	92
Deferred tax assets		1,035	1,118	(83)
		5,598	**5,213**	**385**
Total Non-current assets	**(a)**	**56,155**	**55,370**	**785**
Current assets				
Inventories		365	313	52
Trade and miscellaneous receivables and other current assets		6,028	5,615	413
Current income tax receivables		34	101	(67)
Current financial assets				
Securities other than investments, financial receivables and other current financial assets		*1,975*	*1,611*	*364*
Cash and cash equivalents		*4,752*	*4,812*	*(60)*
		6,727	6,423	304
Current assets sub-total		**13,154**	**12,452**	**702**
Discontinued operations /Non-current assets held for sale				
of a financial nature		294	165	129
of a non-financial nature		4,122	3,564	558
		4,416	**3,729**	**687**
Total Current assets	**(b)**	**17,570**	**16,181**	**1,389**
Total Assets	**(a+b)**	**73,725**	**71,551**	**2,174**

(millions of euros)		6/30/2015 (a)	12/31/2014 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		18,411	18,145	266
Non-controlling interests		4,281	3,554	727
Total Equity	**(c)**	**22,692**	**21,699**	**993**
Non-current liabilities				
Non-current financial liabilities		30,973	32,325	(1,352)
Employee benefits		1,020	1,056	(36)
Deferred tax liabilities		460	438	22
Provisions		608	720	(112)
Miscellaneous payables and other non-current liabilities		1,005	697	308
Total Non-current liabilities	**(d)**	**34,066**	**35,236**	**(1,170)**
Current liabilities				
Current financial liabilities		6,849	4,686	2,163
Trade and miscellaneous payables and other current liabilities		8,061	8,376	(315)
Current income tax payables		101	36	65
Current liabilities sub-total		**15,011**	**13,098**	**1,913**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale				
of a financial nature		350	43	307
of a non-financial nature		1,606	1,475	131
		1,956	**1,518**	**438**
Total Current Liabilities	**(e)**	**16,967**	**14,616**	**2,351**
Total Liabilities	**(f=d+e)**	**51,033**	**49,852**	**1,181**
Total Equity and liabilities	**(c+f)**	**73,725**	**71,551**	**2,174**

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)		1st Half 2015	1st Half 2014
Cash flows from operating activities:			
Profit (loss) from continuing operations		109	572
Adjustments for:			
Depreciation and amortization		2,130	2,154
Impairment losses (reversals) on non-current assets (including investments)		4	6
Net change in deferred tax assets and liabilities		3	231
Losses (gains) realized on disposals of non-current assets (including investments)		(279)	(35)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		–	5
Change in provisions for employee benefits		19	(16)
Change in inventories		(54)	(50)
Change in trade receivables and net amounts due from customers on construction contracts		(128)	(465)
Change in trade payables		(562)	(532)
Net change in current income tax receivables/payables		129	104
Net change in miscellaneous receivables/payables and other assets/liabilities		397	(329)
Cash flows from (used in) operating activities	**(a)**	**1,768**	**1,645**
Cash flows from investing activities:			
Purchase of intangible assets on an accrual basis		*(879)*	*(691)*
Purchase of tangible assets on an accrual basis		*(2,251)*	*(1,016)*
Total purchase of intangible and tangible assets on an accrual basis		(3,130)	(1,707)
Change in amounts due to fixed asset suppliers		*637*	*(354)*
Total purchase of intangible and tangible assets on a cash basis		(2,493)	(2,061)
Acquisition of control of companies or other businesses, net of cash acquired		–	(8)
Acquisitions/disposals of other investments		(24)	(1)
Change in financial receivables and other financial assets		(639)	(330)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		–	–
Proceeds from sale/repayments of intangible, tangible and other non-current assets		595	76
Cash flows from (used in) investing activities	**(b)**	**(2,561)**	**(2,324)**
Cash flows from financing activities:			
Change in current financial liabilities and other		696	516
Proceeds from non-current financial liabilities (including current portion)		3,325	3,022
Repayments of non-current financial liabilities (including current portion)		(3,931)	(3,377)
Share capital proceeds/reimbursements (including subsidiaries)		186	–
Dividends paid		(204)	(208)
Changes in ownership interests in consolidated subsidiaries		784	–
Cash flows from (used in) financing activities	**(c)**	**856**	**(47)**
Cash flows from (used in) discontinued operations/non-current assets held for sale	**(d)**	**21**	**(349)**
Aggregate cash flows	**(e=a+b+c+d)**	**84**	**(1,075)**
Net cash and cash equivalents at beginning of the period	**(f)**	**4,910**	**6,296**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	(106)	(1)
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**4,888**	**5,220**

Additional Cash Flow information

(millions of euros)	1st Half 2015	1st Half 2014
Income taxes (paid) received	(33)	(49)
Interest expense paid	(1,485)	(2,266)
Interest income received	573	1,239
Dividends received	2	5

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Half 2015	1st Half 2014
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents - from continuing operations	4,812	5,744
Bank overdrafts repayable on demand – from continuing operations	(19)	(64)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	117	616
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	4,910	**6,296**
Net cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	4,752	4,983
Bank overdrafts repayable on demand – from continuing operations	(2)	(30)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	138	267
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	4,888	**5,220**

TELECOM ITALIA GROUP - NET FINANCIAL DEBT

(millions of euros)	6/30/2015 (a)	12/31/2014 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	21,134	23,440	(2,306)
Amounts due to banks, other financial payables and liabilities	7,959	7,901	58
Finance lease liabilities	1,880	984	896
	30,973	**32,325**	**(1,352)**
Current financial liabilities (*)			
Bonds	4,710	2,645	2,065
Amounts due to banks, other financial payables and liabilities	1,980	1,872	108
Finance lease liabilities	159	169	(10)
	6,849	**4,686**	**2,163**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	350	43	307
Total gross financial debt	**38,172**	**37,054**	**1,118**
Non-current financial assets			
Securities other than investments	(4)	(6)	2
Financial receivables and other non-current financial assets	(2,789)	(2,439)	(350)
	(2,793)	**(2,445)**	**(348)**
Current financial assets			
Securities other than investments	(1,622)	(1,300)	(322)
Financial receivables and other current financial assets	(353)	(311)	(42)
Cash and cash equivalents	(4,752)	(4,812)	60
	(6,727)	**(6,423)**	**(304)**
Financial assets relating to Discontinued operations/Non-current assets held for sale	(294)	(165)	(129)
Total financial assets	**(9,814)**	**(9,033)**	**(781)**
Net financial debt carrying amount	**28,358**	**28,021**	**337**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(1,366)*	*(1,370)*	*4*
Adjusted Net Financial Debt	**26,992**	**26,651**	**341**
Breakdown as follows:			
Total adjusted gross financial debt	**35,739**	**34,421**	**1,318**
Total adjusted financial assets	**(8,747)**	**(7,770)**	**(977)**
(*) of which current portion of medium/long-term debt:			
Bonds	*4,710*	*2,645*	*2,065*
Amounts due to banks, other financial payables and liabilities	*1,178*	*1,413*	*(235)*
Finance lease liabilities	*159*	*169*	*(10)*

TELECOM ITALIA GROUP – OPERATING FREE CASH FLOW

(millions of euros)	1st Half 2015	1st Half 2014	Change
EBITDA	3,633	4,345	(712)
Capital expenditures on an accrual basis	(2,146)	(1,707)	(439)
Change in net operating working capital:	(1,119)	(1,584)	465
Change in inventories	*(54)*	*(50)*	*(4)*
Change in trade receivables and net amounts due from customers on construction contracts	*(128)*	*(465)*	*337*
Change in trade payables (*)	*(911)*	*(886)*	*(25)*
Other changes in operating receivables/payables	*(26)*	*(183)*	*157*
Change in provisions for employee benefits	19	(16)	35
Change in operating provisions and Other changes	314	6	308
Net operating free cash flow	**701**	**1,044**	**(343)**
% of Revenues	*6.9*	*9.9*	*(3.0) pp*

(*) Includes the change in trade payables for amounts due to fixed assets suppliers.

TELECOM ITALIA

TELECOM ITALIA GROUP - INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	Change %	% organic
Revenues	7,375	7,531	(156)	(2.1)	(2.5)
EBITDA	2,846	3,501	(655)	(18.7)	(18.9)
EBITDA margin	*38.6*	*46.5*		*(7.9)pp*	*(7.8)pp*
EBIT	1,222	1,863	(641)	(34.4)	(34.6)
EBIT margin	*16.6*	*24.7*		*(8.1)pp*	*(8.1)pp*
Headcount at period- end (number)	52,825	(1) 53,076	(251)	(0.5)	

(1) Headcount at December 31, 2014.

Core Domestic

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	Change %
Revenues	6,818	7,007	(189)	(2.7)
Consumer	*3,521*	*3,575*	*(54)*	*(1.5)*
Business	*2,304*	*2,404*	*(100)*	*(4.2)*
National Wholesale	*891*	*915*	*(24)*	*(2.6)*
Other	*102*	*113*	*(11)*	*(9.7)*
EBITDA	2,767	3,365	(598)	(17.8)
EBITDA margin	*40.6*	*48.0*		*(7.4)pp*
EBIT	1,190	1,773	(583)	(32.9)
EBIT margin	*17.5*	*25.3*		*(7.8)pp*
Headcount at period-end (number)	51,733	(1) 51,849	(116)	(0.2)

(1) Headcount at December 31, 2014.

International Wholesale – Telecom Italia Sparkle group

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	Change %	% organic
Revenues	635	601	34	5.7	0.6
of which third parties	*509*	*469*	*40*	*8.5*	*2.0*
EBITDA	93	156	(63)	(40.4)	(44.0)
EBITDA margin	*14.6*	*26.0*		*(11.4)pp*	*(11.7)pp*
EBIT	40	106	(66)	(62.3)	(64.3)
EBIT margin	*6.3*	*17.6*		*(11.3)pp*	*(11.4)pp*
Headcount at period-end (number)(*)	630	(1) 641	(11)	(1.7)	

(1) Headcount at December 31, 2014.
(*) Includes employees with temp work contracts: 2 employees at June 30,2015 (4 at December 31, 2014).

Olivetti

Following the approval of the restructuring plan for the Olivetti group, on May 11, 2015, in the first half of 2015 the business lines for which the plan provides for a process that will lead to their divestment, including through disposals or sales, have been included under Other operations.

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	%
Revenues	90	106	(16)	(15.1)
EBITDA	(8)	(15)	7	46.7
EBITDA margin	*(8.9)*	*(14.2)*		*5.3pp*
EBIT	(9)	(17)	8	47.1
EBIT margin	*(10.0)*	*(16.0)*		*6.0pp*
Headcount at period-end (number)(*)	462	(1) 586	(124)	(21.2)

(1) Headcount at December 31, 2014.
(*) Includes employees with temp work contracts: zero employees at June 30,2015 (4 at December 31, 2014).

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BRAZIL

	(millions of euros) 1st Half 2015 (a)	1st Half 2014 (b)	(millions of Brazilian reais) 1st Half 2015 (c)	1st Half 2014 (d)	Change amount (c-d)	% (c-d)/d
Revenues	2,688	3,009	8,900	9,477	(577)	(6.1)
EBITDA	784	840	2,597	2,645	(48)	(1.8)
EBITDA margin	*29.2*	*27.9*	*29.2*	*27.9*		1.3pp
EBIT	568	369	1,882	1,161	721	62.1
EBIT margin	*21.1*	*12.3*	*21.1*	*12.3*		*8.8pp*
Headcount at period-end (number)			12,910	(1) 12,841	69	0.5

(1) Headcount at December 31, 2014.

TELECOM ITALIA GROUP - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

REVENUES – reconciliation of organic data

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	Change %
REPORTED REVENUES	**10,097**	**10,551**	**(454)**	**(4.3)**
Foreign currency financial statements translation effect		(117)	117	
Changes in the scope of consolidation		10	(10)	
ORGANIC REVENUES	**10,097**	**10,444**	**(347)**	**(3.3)**

EBITDA – reconciliation of organic data

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	Change %
REPORTED EBITDA	**3,633**	**4,345**	**(712)**	**(16.4)**
Foreign currency financial statements translation effect		(31)	31	
Changes in the scope of consolidation		3	(3)	
ORGANIC EBITDA	**3,633**	**4,317**	**(684)**	**(15.8)**
of which Non-recurring Income/(Expenses)	(399)	71	(470)	
ORGANIC EBITDA, excluding Non-recurring items	**4,032**	**4,246**	**(214)**	**(5.0)**

EBIT – reconciliation of organic data

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	Change %
REPORTED EBIT	**1,782**	**2,225**	**(443)**	**(19.9)**
Foreign currency financial statements translation effect		(12)	12	
Changes in the scope of consolidation		1	(1)	
ORGANIC EBIT	**1,782**	**2,214**	**(432)**	**(19.5)**
of which Non-recurring Income/(Expenses)	(122)	109	(231)	
ORGANIC EBIT, excluding Non-recurring items	**1,904**	**2,105**	**(201)**	**(9.5)**

TELECOM ITALIA

DOMESTIC - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

EBITDA – reconciliation of organic data

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	Change %
REPORTED EBITDA	**2,846**	**3,501**	**(655)**	**(18.7)**
Foreign currency financial statements translation effect		10	(10)	
ORGANIC EBITDA	**2,846**	**3,511**	**(665)**	**(18.9)**
of which Non-recurring Income/(Expenses)	(393)	71	(464)	
ORGANIC EBITDA, excluding Non-recurring items	**3,239**	**3,440**	**(201)**	**(5.8)**

EBIT – reconciliation of organic data

(millions of euros)	1st Half 2015	1st Half 2014	Change amount	Change %
REPORTED EBIT	**1,222**	**1,863**	**(641)**	**(34.4)**
Foreign currency financial statements translation effect		6	(6)	
ORGANIC EBIT	**1,222**	**1,869**	**(647)**	**(34.6)**
of which Non-recurring Income/(Expenses)	(393)	109	(502)	
ORGANIC EBIT, excluding Non-recurring items	**1,615**	**1,760**	**(145)**	**(8.2)**

TELECOM ITALIA GROUP – DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facilities and term loans

In the table below are shown the composition and the drawdown of the committed credit lines available as of June 30, 2015:

(billions of euros)	6/30/2015		12/31/2014	
	Committed	Utilized	Committed	Utilized
Revolving Credit Facility – due May 2017	4.0	-	4.0	-
Revolving Credit Facility – due March 2018	3.0	-	3.0	-
Total	7.0	-	7.0	-

Telecom Italia has two syndicated RCFs for the amounts of 4 billion euros and 3 billion euros maturing respectively on May 24, 2017 and on March 25, 2018, both not utilized.

Furthermore, Telecom Italia has:

- a bilateral Term Loan with Banca Regionale Europea for the amount of 100 million euros expiring on August 3, 2016, drawn down for the full amount;
- a bilateral Term Loan with Cassa Depositi e Prestiti for the amount of 150 million euros expiring on October 21, 2019, drawn down for the full amount;
- a bilateral Term Loan with Mediobanca for the amount of 200 million euros expiring on November 10, 2019, drawn down for the full amount.

Furthermore, on April 10,2015 a 4-years bilateral Term Loan was signed with Cassa Depositi e Prestiti for the amount of 100 million euros, drawn down for the full amount.

Bonds

The following tables show the evolution of the bonds during the first half 2015:

New issues

(millions of original currency)	Currency	Amount	Issue date
Telecom Italia S.p.A. 1,000 million euros 3.250% due 1/16/2023	Euro	1,000	1/16/2015
Telecom Italia S.p.A. convertible bond (*) in ordinary shares 2,000 million euros 1.125% due 3/26/2022	Euro	2,000	3/26/2015

(*) On May 20, 2015 Telecom Italia S.p.A. Shareholders' Meeting approved the capital injection reserved for the conversion of the unsecured equity-linked notes.

Repayments

(millions of original currency)	Currency	Amount	Repayment date
Telecom Italia Finance S.A. 20,000 million of JPY 3.550% (1)	JPY	20.000	5/14/2015
Telecom Italia S.p.A. 514 million euros 4.625% (2)	Euro	514	6/15/2015

(1) Advanced repayment of the Private Placement AFLAC expiring on 5/14/2032.

(2) Net of 236 million euros repurchased by Telecom Italia S.p.A. during 2014 and 2015.

Buybacks

On January 21, 2015, Telecom Italia S.p.A. successfully closed the tender offer for the buyback of four own notes maturing between June 2015 and September 2017, repurchasing a total nominal amount of 810.3 million euros.

The details of the repurchased notes are the following:

Bond Title	Principal amount outstanding prior to the Tender Offer (euros)	Principal amount repurchased (euros)	Buyback price
Telecom Italia S.p.A. - 750 million euros, due June 2015, coupon 4.625% (1)	577,701,000	63,830,000	101.650%
Telecom Italia S.p.A. - 1 billion euros, due January 2016, coupon 5.125% (2)	771,550,000	108,200,000	104.661%
Telecom Italia S.p.A. - 1 billion euros, due January 2017, coupon 7.00%	1,000,000,000	374,308,000	111.759%
Telecom Italia S.p.A. - 1 billion euros, due September 2017, coupon 4.50%	1,000,000,000	263,974,000	108.420%

(1) Net of 172 million euros repurchased by the company in 2014.

(2) Net of 228 million euros repurchased by the company in 2014.

On April 24, 2015 Telecom Italia S.p.A. successfully closed the tender offer for the buyback of nine own notes maturing between January 2017 and February 2022, repurchasing a total nominal amount of 2.000 million euros (The Company didn't accept for purchase any of the September 2017 Notes or January 2017 Notes tendered pursuant to the Offers).
The details of the repurchased notes are the following:

Bond Title	Principal amount outstanding prior to the Tender Offer (euros)	Principal amount repurchased (euros)	Buyback price
Telecom Italia S.p.A. – 1,250 million euros, due February 2022, coupon 5.250%	1,250,000,000	366,100,000	121.210%
Telecom Italia S.p.A. – 1,000 million euros, due January 2021, coupon 4.500%	1,000,000,000	436,361,000	114.714%
Telecom Italia S.p.A. – 1,000 million euros, due September 2020, coupon 4.875%	1,000,000,000	452,517,000	116.484%
Telecom Italia S.p.A. – 1,000 million euros, due January 2020, coupon 4.000%	1,000,000,000	280,529,000	111.451%
Telecom Italia S.p.A. – 1,250 million euros, due January 2019, coupon 5.375%	1,250,000,000	307,600,000	114.949%
Telecom Italia S.p.A. – 750 million euros, due December 2018, coupon 6.125%	750,000,000	121,014,000	117.329%
Telecom Italia S.p.A. – 750 million euros, due May 2018, coupon 4.750%	750,000,000	35,879,000	111.165%

On July 20, 2015 Telecom Italia S.p.A. successfully closed the tender offer for the buyback of five own notes maturing between January 2017 and January 2019, repurchasing a total nominal amount of 467 million euros.
In the same date Telecom Italia S.p.A. also successfully closed the tender offer for the buyback of two notes of Telecom Italia Capital S.A. maturing between June 2018 and June 2019, repurchasing a total nominal amount of 564 million of USD.
Therefore, at June 30, 2015 the repurchased notes have been reclassified in "Current financial liabilities".

The Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, amounted 196 million euros (nominal value) as of June 30, 2015, unchanged in comparison with December 31, 2014.

The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds expiring in the following 18 months as of June 30, 2015 issued by Telecom Italia S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by Telecom Italia S.p.A.) totals 3,278 million euros (with reference to the Mandatory Convertible Bond for 1,300 million euros expiring on November 15, 2016 the cash repayment has not been considered because its settlement will take place together with the mandatory conversion into Telecom Italia S.p.A. ordinary shares) with the following detail:

- 684 million euros, due October 1, 2015;
- 120 million euros, due November 23, 2015;
- 703 million euros, due December 29, 2015;
- 663 million euros, due January 25, 2016;
- 708 million euros, due March 21, 2016;
- 400 million euros, due June 7, 2016.

The bonds issued by the Telecom Italia Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that would force the early redemption of the bonds in relation to events other than the insolvency of the Telecom Italia Group. Furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by Telecom Italia S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..
Since these bonds have been placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets; including, for example, commitments not to use the company's assets as collateral for loans ("negative pledges").

With reference to the loans received by Telecom Italia S.p.A. ("Telecom Italia") from the European Investment Bank ("EIB"), as at June 30, 2015, the total nominal amount of outstanding loans amounted to 2,400 million euros, of which 600 million euros at direct risk and 1,800 million euros secured.

EIB loans not secured by bank guarantees for a nominal amount equal to 600 million euros only need to apply the following covenant:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan contracts, the EIB shall have the option to demand the advance repayment of the loan (should the merger, demerger or contribution of a business segment outside the Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor).

EIB loans secured by bank or approved parties **guarantees** for a total nominal amount of 1,800 million euros and the loan of 300 million euros signed on July 30, 2014 at direct risk need to apply the following covenants:

- "Inclusion clause", provided on loans for a total amount of 1.15 billion euros, according to which in the event Telecom Italia commits to uphold in other loan contracts financial covenants which are not present or are stricter than those granted to the EIB, then the EIB will have the right to request the providing of guarantees or the modification of the loan contract in order to envisage an equivalent provision in favor of the EIB;
- "Network Event", clause provided on loans for a total amount of 850 million euros, according to which, against the disposal of the entire fixed network or of a substantial part of it (in any case more than half in quantitative terms) in favor of third parties or in case of disposal of the controlling stake of the company in which the network or a substantial part of it has previously been transferred, Telecom Italia shall immediately inform EIB, which shall have the option of requiring the provision of guarantees or amendment of the loan contract or an alternative solution.

Telecom Italia S.p.A. loan contracts do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed.
The loan contracts contain the usual other types of covenants, including the commitment not to use the Company's assets as collateral for loans (negative pledges), the commitment not to change the business purpose or sell the assets of the Company unless specific conditions exist (e.g. the sale takes place at fair market value). Covenants with basically the same content are also found in the export credit loan agreement.

In the Loan contracts and in the Bonds, Telecom Italia must provide communication in case of change in control. Identification elements to prove that event of change in control and the applicable consequences – among which the possible constitution of guarantees or the repayment in advance of the issued amount and the cancellation of the commitment in absence of a different agreement – are precisely disciplined in each contract.
Furthermore, the outstanding loans contain a general commitment by Telecom Italia, whose breach is an event of default, not to implement mergers, demergers or transfer of business, involving entities outside the Group. Such event of default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the cancellation of the undrawn commitment amounts.

In the documentation of the loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt and debt ratios) as well as the usual other covenants, under pain of a request for the early repayment of the loan.

We finally underline that, as of June 30, 2015, no covenant, negative pledge clause or other clause relating to the above-described debt position, has in any way been breached or violated.

TELECOM ITALIA GROUP - EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS

The effects of non-recurring events and transactions on the separate consolidated income statements line items are set out below in accordance with Consob communication DME/RM/9081707 dated September 16, 2009:

(millions of euros)	1st Half 2015	1st Half 2014
Revenues and operating income:		
Other income	–	72
Employee benefits expenses - Charges and provisions for employee benefits	(30)	–
Other operating expenses - Charges and provisions for risks	(369)	(1)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(399)**	**71**
Gains (losses) on disposals of non-current assets:		
Gains on disposals of non-current assets	277	38
Impact on EBIT - Operating profit (loss)	**(122)**	**109**
Other income (expenses) from investments:		
Fair value measurement of the investment in Trentino NGN S.r.l.	–	11
Finance expenses - Other financial expenses related to disputes	(17)	
Impact on profit (loss) before tax from continuing operations	**(139)**	**120**
Income taxes on non-recurring items	28	(17)
Other Income (expenses) relating to Discontinued operations	–	(2)
Impact on profit (loss) for the period	**(111)**	**101**