



PRESS RELEASE

Telecom Italia: Board of Directors examines and approves the Interim Report on Operations as of 30 September 2015

- ▶ **REVENUES: 14.9 BILLION EUROS, -3.9% COMPARED WITH THE FIRST NINE MONTHS OF 2014, IN ORGANIC TERMS**
- ▶ **EBITDA: 6.1 BILLION EUROS BEFORE DISCOUNTING THE IMPACT OF NON-RECURRING CHARGES FOR 460 MILLION EUROS (-4.8% ON THE FIRST NINE MONTHS OF 2014)**
- ▶ **NET PROFIT ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS: 362 MILLION EUROS. THE FIGURE WOULD HAVE EXCEEDED 1 BILLION EUROS, WITHOUT COUNTING NON-RECURRING CHARGES AND INCOME AND THOSE CONNECTED WITH THE BOND BUYBACK, AS WELL AS BY THE DYNAMICS OF THE VALUATION OF THE MANDATORY CONVERTIBLE BOND**
- ▶ **ADJUSTED NET FINANCIAL DEBT AS OF 30 SEPTEMBER 2015: 26.8 BILLION EUROS, DOWN BY 188 MILLION EUROS IN THE THIRD QUARTER OF 2015**
- ▶ **INDUSTRIAL INVESTMENTS: 3.2 BILLION EUROS (2.6 BILLION EUROS IN THE FIRST NINE MONTHS OF 2014).**
- ▶ **IN THE THIRD QUARTER 2015 REVENUES FROM MOBILE TELEPHONY ARE BACK TO BEING POSITIVE IN ITALY: +1.5% ON THE THIRD QUARTER 2014**
- ▶ **PLAN TO STRENGTHEN EQUALITY OF ACCESS TO THE FIXED NETWORK INFRASTRUCTURE FOR ALL OPERATORS APPROVED**
- ▶ **IDENTICAL PROCEDURES WILL BE INTRODUCED FOR THE ACTIVATION (DELIVERY) OF LINES AMONG THE OTHER OPERATORS AND COMMERCIAL DIVISIONS OF TELECOM ITALIA AND THE QUALITY OF SUPPORT (ASSURANCE) WILL BE FURTHER IMPROVED**
- ▶ **ORGANISATIONAL INDEPENDENCE WILL BE STRENGTHENED IN THE OPEN ACCESS DEPARTMENT, WHICH WILL WORK ALONGSIDE WHOLESALE WITH THE AIM OF IMPROVING THE EFFECTIVENESS AND EFFICIENCY OF SERVICES DELIVERED TO OLOS**

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The results of the third quarter of 2015 will be illustrated to the financial community during a conference call scheduled for Friday, 6 November 2015 at 12 pm (Italian time). Journalists may listen to the conference call, without asking questions, by calling: +39 0633168. Those unable to connect live may follow the presentation until 13 November 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/9M2015/ita

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The Interim Report on Operations of the Telecom Italia Group as of 30 September 2015 has been drawn up in accordance with article 154-ter (Financial Reports) of Legislative Decree No. 58/1998 (Consolidated Finance Law [Testo Unico della Finanza]-TUF), as subsequently amended and supplemented. This document also includes the Abbreviated Consolidated Financial Statements as of 30 September 2015 prepared in accordance with IFRS accounting principles issued by IASB and endorsed by the EU and, in particular, with IAS 34 Interim Financial Reporting. The Abbreviated Consolidated Financial Statements as of 30 September 2015 are not audited.

The accounting policies and consolidation principles adopted in preparing the Abbreviated Consolidated Financial Statements as of 30 September 2015 are consistent with those adopted in the Telecom Italia Group Consolidated Financial Statements as of 31 December 2014, to which reference can be made, except for the application of new Standards/Interpretations adopted by the Group starting from 1 January 2015. Moreover, as illustrated in the notes to the Abbreviated Consolidated Financial Statements as of 30 September 2015, the new Standards/Interpretations have not had any effect 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 indicators refer to: EBITDA; EBIT; organic change in revenues, EBITDA and EBIT; net financial book debt carrying amount and adjusted net financial debt.

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



Milan, 5 November 2015

The Telecom Italia Board of Directors, chaired by Giuseppe Recchi, met today to examine and approve the Group's Interim Report on Operations as of 30 September 2015. Among other things, the plan to strengthen equality of access to the fixed network infrastructure for all operators has been approved.

"Our plan for ultrabroadband in Italy continues at full speed: in these first nine months of the year, we have laid around 1.2 million km of fibre at a speed of 180 km laid each hour", the Group Chairman, **Giuseppe Recchi**, comments. "We have already reached more than 40% of the population with fibre and 86% with LTE technology, also thanks to the strong drive we have given to innovative investments dedicated to the development of new generation networks and services, which today account for 40% of total domestic."

"The results of the third quarter confirm the trend of improving revenues, particularly in mobile, which records an increase of 1.5% on the third quarter 2014 and a solid recovery also with respect to the other periods", **Marco Patuano**, Chief Executive Officer of Telecom Italia, adds. "And with the reorganisation of Open Access we want to allow the structural paradigm of the wholesale access market to evolve, putting our commercial division on the same level as that of the OLOs. The aim is to guarantee a better service to our "competitors-customers" and help create a more stable regulatory context that will facilitate investments. A process of transformation towards a new equivalence model that will therefore allow for the joining of industrial purposes with objectives more closely linked to regulatory requirements."

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The Group closed the first nine months of 2015 with **consolidated turnover of 14.9 billion euros**, down 6.9% on the first nine months of 2014 (-3.9% in organic terms).

EBITDA comes to 5.6 billion euros, down 14.8% on the first nine months of 2014 (-13.0% in organic terms) and suffers the negative impact of non-recurring charges for a total of 460 million euros. Without these, the organic change in EBITDA would have been -4.8%.

EBIT comes to 2.8 billion euros, recording a downturn of 17.5% on the first nine months of 2014 (-16.1% in organic terms), affected negatively by non-recurring net charges for a total of 124 million euros, without which the organic change to EBIT would have been -9.4%. **Period profits attributable to parent company shareholders** were 362 million euros (985 million euros during the first nine months of 2014). In addition to net non-recurring charges, they also suffered the negative impact of the bond buyback transactions carried out during the first part of the 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 by TI Finance late 2013 with a maturity at three years. In the absence of these impacts the profits of the first nine months of 2015 would have been over 1 billion euros.

Industrial investments for the first nine months of 2015 of 3,233 million euros (2,640 million euros in the first nine months of 2014), confirm the acceleration programme envisaged by the business plan for the three years 2015-2017. In Italy, the strong impetus of the investment plan dedicated to the development of new generation infrastructure enabled the company to reach, with fibre optic



(NGN), 40% of the population, equating to around 10.2 million homes, and with the 4G mobile network (LTE), 86% of the population.

Adjusted net financial debt amounts to 26,804 million euros as of 30 September 2015, down by 188 million euros in the third quarter of 2015.

The **domestic market**, in the first nine months of 2015, confirmed and improved the gradual recovery in the turnover compared to the previous quarters, thanks to the attenuation of the dynamic of contraction of traditional services and the development of innovative ones. In particular, the Mobile segment recorded a return to a positive position with revenues of the third quarter 2015 up 1.5% on the same period of 2014, supported by the greater penetration of mobile internet and a holding firm of the market share. Revenues from mobile services record a decline of 1.5% during the third quarter 2015 as compared with one year ago, showing a recovery of approximately 1 pp with respect to the second quarter 2015.

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. Revenues from fixed services show a decline of 1.8% during the third quarter 2015, slightly better than the drop shown in the second quarter 2015 (-1.9%).

In **Brazil** – in a macro-economic context that continues to worsen, resulting in a contraction of domestic demand, rising inflation and the devaluation of the real against the euro from 3.22 reais at the end of 2014 to 4.45 reais on 30 September 2015 - Tim Brasil has substantially maintained its market share in the Mobile segment, significantly increasing its postpaid customer base. At the same time, a worsening trend is seen 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 and, finally, a significant reduction of turnover from handsets sales. 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 the subsidiary Intelig and thanks to the Broadband segment of TIM Live. Despite the decline in turnover, the efficiency drives and initiatives to cut costs have allowed TIM Brasil to recover around 4 pp in profitability during the third quarter 2015.

EQUALITY OF ACCESS TO THE FIXED NETWORK FOR ALL OPERATORS

The Board of Directors has also approved the plan to introduce a new equivalence model, aimed at further strengthening the efficiency and effectiveness of the delivery (activation) and assurance (support) processes in the supply of wholesale services for access to the Telecom Italia fixed network supplied to its commercial management and OLOs. A change will be made to the company's organisational structure that will affect Open Access and National Wholesale Services. In short, this will make the two structures report hierarchically to the same manager of a new Wholesale department.

The new equivalence model will ensure that the sales divisions of Telecom Italia are on an equal footing with those of the OLOs, for more effective internal and external equality of treatment and greater transparency in the management of line activation requests.



Telecom Italia will invest over 120 million euros in strengthening equality of access to its infrastructure. The whole process will be implemented within 24 months, reflecting the most recent regulatory guidelines and will entail a strong interaction with the various players in the ecosystem for the assessment of the performance.

The main aim is to place the "OLO" at the heart of the activities of the new Wholesale department, thus developing the structural paradigm of the wholesale access market.

As an initial and immediate step in this process, the company gave life to the Wholesale Department, entrusted to Stefano Ciurli and bringing together the Open Access Department and the National Wholesale Services Department, report directly to the CEO, with responsibility for: ensuring the development of the wholesale business, innovation, defining the supply and marketing of the respective products and services, ensuring the end-to-end delivery and assurance process for the services provided to retail and wholesale customers, along with effective management of the access network infrastructure and according to principles of non-discrimination between internal and external activities; ensuring the overall governance and end-to-end monitoring of performance and process indicators, with the aim of maximising the quality of the services delivered and ensuring fairness and transparency.

RESULTS OF THE FIRST NINE MONTHS OF 2015

MAIN VARIATIONS TO THE TELECOM ITALIA GROUP CONSOLIDATION AREA

The following changes in perimeter occurred in the first nine months of 2015:

- INWIT S.p.A. (Domestic Business Unit): was established in January 2015;
- Alfabook S.r.l. (Domestic Business Unit): on 1 July 2015, Telecom Italia Digital Solution S.p.A. bought 100% of the company.

The following changes to the consolidation area 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 area 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 area.

TELECOM ITALIA GROUP

Revenues in the first nine months of 2015 amounted to **14,875 million euros**, down 6.9% from the 15,972 million euros recorded in the first nine months of 2014 (-1,097 million euros). In terms of organic change, calculated by excluding the effect of changes in exchange rates and consolidation area, consolidated revenues were down 3.9% (-602 million euros).

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



(million euros)	1.1 - 30.9 2015		1.1 - 30.9 2014		Changes		
		% of total		% of total	absolute	%	% organic
Domestic	11,127	74.8	11,336	71.0	(209)	(1.8)	(2.2)
<i>Core Domestic</i>	10,287	69.2	10,551	66.1	(264)	(2.5)	(2.5)
<i>International Wholesale</i>	971	6.5	905	5.7	66	7.3	2.3
<i>Olivetti</i>	123	0.8	154	1.0	(31)	(20.1)	(20.1)
Brazil	3,696	24.8	4,617	28.9	(921)	(19.9)	(9.2)
Media and Other Assets	90	0.6	51	0.3	39		
Adjustments and eliminations	(38)	(0.2)	(32)	(0.2)	(6)		
Consolidated Total	14,875	100.0	15,972	100.0	(1,097)	(6.9)	(3.9)

EBITDA for the first nine months of 2015 amounted to **5,616 million euros** (6,588 million euros in the first nine months of 2014), down by 972 million euros, with an EBITDA margin of 37.8% (41.2% in the first nine months of 2014).

Organic EBITDA decreased by 838 million euros (-13.0%) compared with the first nine months of 2014, with an EBITDA margin down by 3.9 percentage points from 41.7% in the first nine months of 2014 to 37.8% in the first nine months of 2015.

EBITDA in the first nine months of 2015 suffered the negative impact of non-recurring charges in the total amount of 460 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.

Without these charges, the organic change in EBITDA would have been -4.8%, with an EBITDA margin of 40.8%, down 0.4 percentage points on the first nine months of 2014.

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

(million euros)	1.1 - 30.9 2015		1.1 - 30.9 2014		Changes		
		% of total		% of total	absolute	%	% organic
Domestic	4,525	80.6	5,296	80.4	(771)	(14.6)	(14.8)
<i>% of Revenues</i>	40.7		46.7			(6.0) pp	(6.0) pp
Brazil	1,102	19.6	1,281	19.4	(179)	(14.0)	(2.3)
<i>% of Revenues</i>	29.8		27.7			2.1 pp	2.0 pp
Media and Other Assets	(8)	(0.1)	11	0.2	(19)		
Adjustments and eliminations	(3)	(0.1)	-	-	(3)		
Consolidated Total	5,616	100.0	6,588	100.0	(972)	(14.8)	(13.0)
<i>% of Revenues</i>	37.8		41.2			(3.4) pp	(3.9) pp



Organic EBITDA is calculated as follows:

EBITDA – reconciliation of organic data

(million euros)	1.1 - 30.9 2015	1.1 - 30.9 2014	Changes	
			absolute	%
EBITDA REPORTED	5,616	6,588	(972)	(14.8)
Foreign currency financial statements translation effect		(137)	137	
Changes in the scope of consolidation		3	(3)	
ORGANIC EBITDA	5,616	6,454	(838)	(13.0)
of which non-recurring Income/(Charges)	(460)	71	(531)	
ORGANIC EBITDA excluding non-recurring component	6,076	6,383	(307)	(4.8)

EBIT for the first nine months of 2015 amounted to **2,800 million euros** (3,393 million euros in the first nine months of 2014), down by 593 million euros (-17.5%), with an EBITDA margin of 18.8% (21.2% in the first nine months of 2014).

Organic EBIT was down 537 million euros, with an EBITDA margin of 18.8% (21.6% in the first nine months of 2014).

EBIT for the first nine months of 2015 suffered the negative impact of net non-recurring charges for a total of 124 million euros: the non-recurring charges already mentioned in the comment on EBITDA (460 million euros) were offset by the positive impact of the capital gain of approximately 336 million euros deriving from the sale of the telecommunications towers in Brazil. Without these non-recurring charges and income, the organic change in EBIT would have been -9.4%, with an EBITDA margin of 19.7%.

Net consolidated profits attributable to Shareholders of the Parent company in the first nine months of 2015 were **362 million euros** (985 million euros during the same period of 2014). In addition to net non-recurring charges, they also suffered the negative impact of the bond buyback transactions carried out during the period 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 nine months of 2015 would have been over 1 billion euros.

Capex in the first nine months of 2015 was **3,233 million euros**, up 593 million euros (+22.5%) on the first nine months of 2014, and breaks down as follows by operational sector:

(million euros)	1.1 - 30.9 2015		1.1 - 30.9 2014		Change
		% of total		% of total	
Domestic	2,297	71.0	1,792	67.9	505
Brazil	930	28.8	843	31.9	87
Media and Other Assets	6	0.2	5	0.2	1



Adjustments and eliminations	-	-	-	-	-
Consolidated Total	3,233	100.0	2,640	100.0	593
% of Revenues	21.7		16.5		5.2 pp

Capital expenditure for the **Domestic Business Unit** recorded an increase of 505 million euros compared to the first nine months of 2014. This increase is due to the growth in innovative investments dedicated to developing new generation networks and services (+412 million euros), which represented more than 40% of total investments (about 30% in the corresponding period of 2014) and the 117 million euros spent on extending the GSM licence for a further three years.

Industrial investments in the **Brazil Business Unit** show an increase of 87 million euros compared to the first nine months of 2014, including the negative exchange rate effect of 100 million euros; these investments were primarily directed to the evolution of the industrial infrastructure and the sales support platforms.

Cash flow from operations is positive by **1,551 million euros** (2,272 million euros in the first nine months of 2014).

Adjusted net financial debt as of 30 September 2015 was **26,804 million euros**, an increase of 153 million euros compared with 31 December 2014 (26,651 million euros); it incorporates the impacts connected with the operative and financial management and payment of tax and dividends, as well as the effects of bond buybacks and income from the INWIT I.P.O. on the domestic market (855 million euros) and the sale of ownership of the towers in Brazil (for approximately 340 million euros, net of the leaseback of the part share), as well as the effects deriving from the recording of a greater debt for financial leases of the Telecom Italia S.p.A. real estate project (1,018 million euros).

Net financial book debt was equal to **27,967 million euros** (28,021 million euros as of 31 December 2014).

During **Q3 2015**, **adjusted net financial debt** dropped by 188 million euros compared with 30 June 2015: the positive financial trend, together with the effects of the additional net income derived from the sale of transmission towers in Brazil and the additional 3.64% of INWIT for the exercise of the *greenshoe* option, offset the disbursement deriving from the payment of income tax and the impacts of the greater debt deriving from the posting among financial liabilities of the current value of payments due on financial leases for the real estate project.

The **liquidity margin** as of 30 September 2015 is **13.2 billion euros**, (13.1 billion euros as of 31 December 2014), and consists of 6.2 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 September 2015, excluding the 16,273 units related to Discontinued Operations, was **66,073**, including 52,700 in Italy (66,025 as of 31 December 2014, including 52,882 in Italy).



BUSINESS UNIT RESULTS

DOMESTIC

Domestic revenues, fell by 1.8% in reported terms and 2.2% in organic terms to **11,127 million euros** (11,336 million euros in the first nine months of 2014).

Performance for the first nine months of 2015 showed revenues down by 209 million euros (-1.8%) compared with the same period of 2014, with an improving trend compared with previous periods (Q3 2015: -1.4%; second quarter: -1.6%; first quarter: -2.6%). In particular, the revenues from Mobile in the third quarter go back to being positive, with growth of +1.5% on the same period of last year (second quarter: -2.2%; first quarter: -2.0%).

This recovery in performance was primarily attributable to an improvement in the competitive environment, which led to a gradual dynamic stabilisation of the customer base and ARPU on traditional services, in particular in the Mobile segment, and an acceleration of development in connectivity services and content on broadband and ultra-broadband networks.

Highlights:

► Core Domestic Revenues

Core Domestic **revenues** amount to **10,287 million euros** and fell by 2.5% (10,551 million euros in the first nine 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 the first nine months of 2015 for the Consumer segment amounted to 5,369 million euros, with a reduction of 45 million euros (-0.8%) compared to the same period of 2014. Performance, albeit still slightly negative, confirms the gradual recovery, with a result that returned to being positive in the third quarter (+0.5% compared with -1.6% in the second quarter and -1.5% in the first quarter). Specifically:
 - Mobile revenues were 2,598 million euros, increasing compared with 2014 (+4 million euros, +0.2%) with a positive performance in the third quarter (+3.3%) and recovering significantly compared with previous periods (second quarter of 2015: -1.6%, first quarter 2015: -1.5%). Revenue from services were down by 51 million euros (-2.2% compared with the first nine months of 2014), confirming the strong recovery trend (-0.3% in the third quarter of 2015, -2.1% in the second quarter, -4.3% in the first quarter). This recovery in performance is attributable to a cooling of competitive pressure, a gradual stabilisation of market share and constant growth in mobile Internet;



- Fixed line revenue was 2,800 million euros, -48 million euros (-1.7% compared with the first nine months of 2014), though slightly worse than the previous quarters. This revenue confirms the improving trend shown since the second half of 2014 (-2.2% in the third quarter of 2015, -1.5% in the second quarter, -1.3% in the first quarter) thanks to growth in the Broadband market share and positive trend in ARPU, supported by the higher proportion of customers taking up premium bundle/flat and Fibre offers.
- **Business:** revenue in the Business segment was 3,428 million euros, down by 160 million euros compared with the first nine months of 2014 (-4.5%), and confirm, as previously highlighted in respect of the Consumer market, the recovering trend that began during 2014 (revenue from services: -3.7% in the third quarter of 2015, -3.6% in the second quarter, -6.4% in the first quarter). Specifically:
 - the fall in revenues from Mobile services in the first nine months of 2015 (-45 million euros, -5.0% compared with the same period of 2014) primarily took place in traditional mobile outgoing voice and messaging services (-76 million euros) by virtue of the customer repositioning on bundle formulas with a lower overall ARPU level, only partially offset by the positive performance of new digital services (+27 million euros, +7.4% compared with the same period of the previous year) thanks in particular to the browsing component (+29 million euros, +9.8% compared with the same period of the previous year);
 - revenues from Fixed services (-108 million euros, -4.4% in the first nine months of 2015 compared with the same period of the previous financial year) continued to be affected by the slow recovery in the economic situation, with a contraction in the prices of traditional voice and data services and the technological shift to VoIP systems, partially offset by constant growth in ICT revenues (+6.3%), particularly in Cloud services (+31.3% compared with the first nine months of 2014).
- **National Wholesale:** the Wholesale segment records revenues of 1,337 million euros for the first nine months of 2015, down by 36 million euros (-2.6%) on the corresponding period of 2014. The reduction is mainly due to the migration away from 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.

► **International Wholesale – Telecom Italia Sparkle Group Revenues**

The first nine months of the 2015 Telecom Italia Sparkle Group - International Wholesale revenues amounted to 971 million euros, a significant increase compared to the corresponding period of 2014 (+66 million euros, +7.3%). In particular, such increase is related to revenues for Phone services (+39 million euros, +6.0%) and revenues for IP/Data services (+29 million euros, +15.7%). The other business segments remain substantially stable (- 2 million euros, -2.8%).



► **Olivetti Revenues**

In the nine months of 2015, revenues from core business lines (Office, Retail and Systems and Advanced Caring) came to 123 million euros. Particularly noteworthy in the Office BU is the increased revenue from the supply of multifunctional products under long-term rental agreements (+16 million euros compared with the first nine months of 2014), while in Retail and Systems, solutions and services for vertical markets and mobility (+4 million euros compared with the first nine months of 2014) performed positively, and Advanced Caring recorded an increase in revenue from services of over 3 million euros.

The **EBITDA** of the Domestic Business Unit in the first nine months of 2015 amounted to **4,525 million euros**, with a reduction of 771 million euros compared with the same period of 2014 (-14.6%), with an EBITDA margin of 40.7% (-6.0 percentage points compared with the same period of 2014).

Organic EBITDA decreased by 786 million euros (-14.8%) compared with the first nine months of 2014, with an EBITDA margin down by 6.0 percentage points from 46.7% in the first nine months of 2014 to 40.7% in the first nine months of 2015.

EBITDA in the first nine months of 2015 suffered the negative impact of non-recurring charges in the total amount of 446 million euros.

Without these charges, the organic change in EBITDA would have been -5.1%, with an EBITDA margin of 44.7%, down 1.3 percentage points on the first nine months of 2014, with an improving trend compared with the first half of the financial year (3.8% in the third quarter of 2015 compared with -5.8% in the first quarter).

EBIT in the first nine months of 2015 was **2,090 million euros** (2,845 million euros during the same period of 2014), down 755 million euros (-26.5%) compared with the first nine months of 2014, with an EBITDA margin of 18.8% (25.1% in the first nine months of 2014).

Organic EBIT was down 764 million euros, with an EBITDA margin of 18.8% (25.1% in the first nine months of 2014).

EBIT for the first nine months of 2015 suffered from the negative impact of non-recurring charges for a total of 446 million euros. Without these, the organic change in EBIT would have been -7.6%, with an EBITDA margin of 22.8%.

EBIT in Q3 2015 was 868 million euros, down by 114 million euros compared with the corresponding period of 2014 (-11.6%).

The **headcount**, of **52,726 employees**, fell by 350 units compared to 31 December 2014.

At the end of 2014, Telecom Italia launched a 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 through an extension of contractual expiry dates and a reduction in rental fees.

With reference to the first nine months of 2015, please note that three properties that are considered strategic have been purchased. Negotiations have also drawn to a close on approximately 600 lease contracts or new contracts have been stipulated.



More than half these lease contracts were previously posted according to the operating lease method; following the contractual changes made, the latter have now been posted to the financial position as at 30 September 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 September 2015 of 1,018 million euros in terms of greater tangible assets and related finance lease payables. As the above-specified contractual changes took place starting from June 2015, the economic benefits of the renegotiations will be seen as from the last part of 2015.

Activities connected with the development of the Project will 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 was followed in July by the exercise of the greenshoe option, which led to the sale of the minority share, consisting of 39.97% of the ordinary shares, and to the collection of 855 million euros, net of ancillary charges. 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 income statement 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 279 million euros, net of ancillary charges and tax.

BRAZIL

(average reais/euro exchange rate 3.52233)

Revenues in the first nine months of 2015 amounted to **13,017 million reais**, down by 1,313 million reais (-9.2%) on the same period of 2014. Revenues from services reached 11,508 million reais, with a reduction of 621 million reais compared to 12,129 million reais in the first nine months of 2014 (-5.1%). The lower turnover is attributable to the revenue component from incoming mobile traffic (-758 million reais, -39.2%) due to the reduction in mobile termination rates (MTR) and the lesser volumes, as well as the traditional outgoing voice traffic and SMS text messages (-895 million reais, -13.1%). These effects are only partially offset by the increase recorded in revenues from the innovative component, mobile data and VAS content (+987 million reais, +40.8%).

Mobile ARPU in the first nine months 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 1,509 million reais (2,201 million reais in the first nine months of 2014, -31.4%); this reflects the impact of the Brazilian macroeconomic crisis of family spending trends.

The total number of lines as of 30 September 2015 was 72,573 thousand, showing a reduction compared to 31 December 2014, and corresponding to a market share of approximately 26% (27% as of 31 December 2014).

Revenues in the third quarter of 2015 totalled 4,117 million reais, 736 million reais less than the same period last year (-15.2%); the fall compared to the third quarter of 2014 was 261 million reais in services



(-6,5%) while the reduction in handset sales was 475 million reais (-58.8%) compared to the third quarter of 2014.

In the first nine months of 2015, **EBITDA** was **3,882 million reais**, 93 million reais down on the same period of 2014 (-2.3%). The fall in the EBITDA was attributable to the lower revenues, which were partially offset by the lower costs, mainly for purchasing materials and services and due to the lower percentages payable to other operators, despite the higher staff costs. The EBITDA margin was 29.8%, up 2.1 percentage points on the first nine months of 2014.

EBITDA in the third quarter of 2015 was 1,285 million reais, down by 45 million reais compared with the corresponding period of 2014 (-3.4%), with an EBITDA margin of 31.2% in the quarter, up by 3.8 pp compared with the third quarter 2014.

EBIT of the first nine months of 2015 amounted to **2,595 million reais** an improvement of 866 million reais on the first nine months of 2014. Despite the lesser contribution of EBITDA, this result benefits from the positive impacts resulting from the conclusion of the first two tranches of the sale of telecommunications towers to American Tower do Brasil. More precisely, at the time of the sale, the capital gain generated on assets sold amounts to 1,184 million reais and is already net of ancillary charges.

Headcount stood at **13,113 employees** (12,841 as of 31 December 2014).

During the second and third quarter of 2015, the **Tim Brasil Group** concluded **the sale of the first two blocks of telecommunications towers** (5,301 sites) to American Tower do Brasil; the transaction entailed an overall collection of 2,414 million reais (approximately 685 million euros) and the simultaneous stipulation of a finance lease contract for the towers used by the Tim Brasil Group, with the posting of a financial debt of 1,207 million reais (approximately 343 million euros); a capital gain was recorded on the income statement, net of ancillary charges, of 1,184 million reais (approximately 336 million euros).

MEDIA

Revenues in the first nine months of 2015 amounted to **62 million euros**, up by 11 million euros (+21.6%) compared with the 51 million euros of the first nine months of 2014. This variation, positively affected by the integration of the activities of former Rete A (acquired on 30 June 2014 and merged with Persidera S.p.A. in December 2014) not present in the first nine months of 2014, can be fully attributed to the Network Operator.

EBITDA for the first nine months of 2015 is positive by **21 million euros** and 2 million euros better (+10.5%) compared with the same period of 2014 (19 million euros).

EBIT for the first nine months of 2015 is positive by **4 million euros** (negative by 2 million euros in the first nine months of 2014).

The merger by incorporation of Telecom Italia Media into Telecom Italia took effect as from the end of 30 September 2015.



Headcount stood at **85 employees** (89 employees at 31 December 2014).

EVENTS SUBSEQUENT TO 30 September 2015

AFTIC decision regarding the sale to Fintech of the controlling stake in Sofora-Telecom Argentina

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

Agreement signed by Telecom Italia S.p.A. with the trade unions

On 27 October 2015, Telecom Italia S.p.A. and the Fistel-Cisl, Uilcom and UGL trade unions signed the agreements for the management of 2,600 redundancies through solidarity contracts.

These agreements govern up to a maximum of 3,287 voluntary early retirements based on article 4 of the so-called "Fornero Law".

The agreement is part of the discussions being held between the parties aimed at analysing and identifying the best alternatives for dealing with redundancies, as identified during analyses carried out by the company and resulting from rationalisation processes affecting all companies operating in the telecoms sector.

In particular, the agreements provide for the use of:

- (Defensive) solidarity: "defensive" solidarity is introduced, as reformed by the Jobs Act, as the main tool for dealing with redundancies. A Solidarity Contract will be stipulated for around 30,400 Telecom Italia S.P.A. workers, envisaging the vertical reduction of working hours, for a total of 23 days per year (8.85% of the monthly working hours). Solidarity will start this coming 4 January 2016 and last for 24 months, with the commitment, by agreement of the parties, of extending it for a further 12 months. The application of solidarity will not relate to staff carrying out some company duties with specific needs for operative continuity.
- Voluntary early retirements (pursuant to Art. 4 of the Fornero Law): on the basis of current legislation, the parties have defined that, on a voluntary basis, Telecom Italia S.p.A. workers who, by 31 December 2018 will have fulfilled the minimum requirements for retirement within the following four years (estimated to be 3,287 people potentially) will be able to stop work early. The company will pay, through INPS, on a monthly basis, until the retirement pension becomes payable, the pension accrued until the moment of departure from the company, together with the respective social security contributions.



In order to mitigate the economic disadvantage of its employees who will see their income reduced due to the solidarity days, only partly offset by the INPS contribution, in the agreement Telecom Italia S.p.A. has decided to provide for the granting of company loans at low interest rates (official ECB refinancing rate, currently equal to 0.05%).

At the end of the period of validity of the Solidarity Contract, where the objectives of the plan to absorb the redundancies have been met, Telecom Italia will pay the employees involved in the Solidarity Contract a one-off bonus of an amount which will vary according to the classification of their employment contract.

As a result of these agreements, Telecom Italia S.p.A. expects to incur total costs of around 400 million euros, before tax.

Similar agreements may be extended in the coming months to a number of companies in the Telecom Italia Group.

Extraordinary transactions

The Board of Directors has resolved the implementation of the merger by incorporation of the wholly owned subsidiaries Emsa Servizi S.p.A. being wound up and OFI Consulting S.r.l. and the cross-border merger by incorporation of the wholly owned subsidiary Telecom Italia Deutschland Holding GmbH.

The mergers, which are designed to pursue the simplification of the Group's corporate structure, do not alter the capital of Telecom Italia; they are expected to be completed by the first quarter of 2016.

OUTLOOK FOR THE 2015 FINANCIAL YEAR

Domestically, during the last few months of 2015, the telecommunications market will continue to experience a falling trend in traditional services (access and voice), largely offset by increased revenue from innovative services, thanks to the growing demand for connectivity and digital services. The combined effect of these phenomena is expected to result in a much more limited overall reduction in the market compared with previous financial years (particularly in the Mobile sector) and with the reduction recorded in the previous quarters of 2015.

In Brazil, however, the macroeconomic context points to further deterioration; the high volatility and uncertainty of all the major variables (i.e. exchange rates, gross domestic product, inflation, interest rates, employment) combine with operating dynamics affected by the greater sensitivity of the prepaid segment, the historical strength of the Tim Brasil group, and with the economic slowdown. An acceleration in the process of transition/substitution from traditional services to Data/IP solutions, the reduction in mobile



termination rates (MTR) and the competitive environment, which is exerting downward pressure on traditional revenues (voice and messaging), complete the picture.

As announced in the 2015-2017 Plan, the Telecom Italia Group will continue to leverage its market shares to increase the dissemination of innovative services, enabled by the strong acceleration of investments in the latest generation of infrastructure. More specifically, the five areas of technological development will regard fixed ultrabroadband with fibre optic, 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. These investments are creating the conditions for stabilisation and a recovery in sales.

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 fibre optic, and over 95% to access 4G. In Brazil, investments will be increased, with the aim of extending both 4G and 3G coverage.

In this context, for the current financial year, ongoing gradual improvement in operating performance is expected in the domestic market, consistent with the dynamics described in the three-year Plan for 2015-2017. As regards the Tim Brasil group, the recent negative evolution of the reference context does nonetheless leave room to pursue "data-centred" commercial initiatives and cost reduction activities, which will lead to a recovery in turnover performance and profitability in the direction indicated in the 2015 - 2017 Plan.

* * *

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

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 Interim Report at September 30, 2015 and are unaudited.

Such statements, as well as the Consolidated Net Financial Debt, are however consistent with those included in the Telecom Italia Group Condensed Consolidated Financial Statements at September 30, 2015.

The accounting policies and consolidation principles adopted in the preparation of the Condensed Consolidated Financial Statements at September 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 Condensed Consolidated Financial Statements at September 30, 2015.

Furthermore, please note that the Condensed Consolidated Financial Statements at September 30, 2015 are unaudited.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015 (a)	9 months to 9/30/2014 (b)	Change (a-b)	
					amount	%
Revenues	4,778	5,421	14,875	15,972	(1,097)	(6.9)
Other income	75	92	206	275	(69)	(25.1)
Total operating revenues and other income	4,853	5,513	15,081	16,247	(1,166)	(7.2)
Acquisition of goods and services	(1,969)	(2,330)	(6,343)	(6,887)	544	7.9
Employee benefits expenses	(728)	(724)	(2,433)	(2,320)	(113)	(4.9)
Other operating expenses	(272)	(296)	(1,160)	(855)	(305)	(35.7)
Change in inventories	(64)	(58)	(6)	(15)	9	60.0
Internally generated assets	163	138	477	418	59	14.1
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	1,983	2,243	5,616	6,588	(972)	(14.8)
Depreciation and amortization	(1,034)	(1,075)	(3,164)	(3,229)	65	2.0
Gains (losses) on disposals of non-current assets	69	-	348	35	313	-
Impairment reversals (losses) on non-current assets	-	-	-	(1)	1	-
Operating profit (loss) (EBIT)	1,018	1,168	2,800	3,393	(593)	(17.5)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	1	-	1	(5)	6	-
Other income (expenses) from investments	10	-	14	15	(1)	(6.7)
Finance income	441	765	2,020	1,630	390	23.9
Finance expenses	(930)	(1,256)	(3,993)	(3,367)	(626)	(18.6)
Profit (loss) before tax from continuing operations	540	677	842	1,666	(824)	(49.5)
Income tax expense	(196)	(220)	(389)	(637)	248	38.9
Profit (loss) from continuing operations	344	457	453	1,029	(576)	(56.0)
Profit (loss) from Discontinued operations/Non-current assets held for sale	150	126	480	386	94	24.4
Profit (loss) for the period	494	583	933	1,415	(482)	(34.1)
Attributable to:						
Owners of the Parent	333	442	362	985	(623)	(63.2)
Non-controlling interests	161	141	571	430	141	32.8

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)

		3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015	9 months to 9/30/2014
Profit (loss) for the period	(a)	494	583	933	1,415
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		2	15	(19)	56
Loss (profit) transferred to Separate Consolidated Income Statement		18	(4)	(45)	(19)
Income tax effect		(2)	(2)	16	(9)
	(e)	18	9	(48)	28
Hedging instruments:					
Profit (loss) from fair value adjustments		(161)	374	1,007	313
Loss (profit) transferred to Separate Consolidated Income Statement		326	(414)	(486)	(513)
Income tax effect		(47)	10	(145)	55
	(f)	118	(30)	376	(145)
Exchange differences on translating foreign operations:					
Profit (loss) on translating foreign operations		(1,350)	(72)	(1,739)	(44)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		-	-	(1)	-
Income tax effect		-	-	-	-
	(g)	(1,350)	(72)	(1,740)	(44)
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)	(1,214)	(93)	(1,412)	(161)
Total other components of the Consolidated Statement of Comprehensive Income	(k=d+i)	(1,214)	(93)	(1,371)	(255)
Total comprehensive income (loss) for the period	(a+k)	(720)	490	(438)	1,160
Attributable to:					
Owners of the Parent		(446)	343	(469)	910
Non-controlling interests		(274)	147	31	250

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	9/30/2015 (a)	12/31/2014 (b)	Change (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	29,542	29,943	(401)
Intangible assets with a finite useful life	6,045	6,827	(782)
	35,587	36,770	(1,183)
Tangible assets			
Property, plant and equipment owned	11,906	12,544	(638)
Assets held under finance leases	2,051	843	1,208
	13,957	13,387	570
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	59	36	23
Other investments	42	43	(1)
Non-current financial assets	2,918	2,445	473
Miscellaneous receivables and other non-current assets	1,618	1,571	47
Deferred tax assets	943	1,118	(175)
	5,580	5,213	367
Total Non-current assets (a)	55,124	55,370	(246)
Current assets			
Inventories	291	313	(22)
Trade and miscellaneous receivables and other current assets	5,348	5,615	(267)
Current income tax receivables	19	101	(82)
Current financial assets			
<i>Securities other than investments, financial receivables and other current financial assets</i>	2,172	1,611	561
<i>Cash and cash equivalents</i>	4,534	4,812	(278)
	6,706	6,423	283
Current assets sub-total	12,364	12,452	(88)
Discontinued operations / Non-current assets held for sale			
of a financial nature	258	165	93
of a non-financial nature	4,403	3,564	839
	4,661	3,729	932
Total Current assets (b)	17,025	16,181	844
Total Assets (a+b)	72,149	71,551	598

(millions of euros)

	9/30/2015 (a)	12/31/2014 (b)	Change (a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	17,962	18,145	(183)
Non-controlling interests	4,073	3,554	519
Total Equity (c)	22,035	21,699	336
Non-current liabilities			
Non-current financial liabilities	31,285	32,325	(1,040)
Employee benefits	1,023	1,056	(33)
Deferred tax liabilities	541	438	103
Provisions	563	720	(157)
Miscellaneous payables and other non-current liabilities	1,030	697	333
Total Non-current liabilities (d)	34,442	35,236	(794)
Current liabilities			
Current financial liabilities	6,206	4,686	1,520
Trade and miscellaneous payables and other current liabilities	7,317	8,376	(1,059)
Current income tax payables	4	36	(32)
Current liabilities sub-total	13,527	13,098	429
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	358	43	315
of a non-financial nature	1,787	1,475	312
	2,145	1,518	627
Total Current Liabilities (e)	15,672	14,616	1,056
Total Liabilities (f=d+e)	50,114	49,852	262
Total Equity and liabilities (c+f)	72,149	71,551	598

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)

	9 months to 9/30/2015	9 months to 9/30/2014
Cash flows from operating activities:		
Profit (loss) from continuing operations	453	1,029
Adjustments for:		
Depreciation and amortization	3,164	3,229
Impairment losses (reversals) on non-current assets (including investments)	6	6
Net change in deferred tax assets and liabilities	128	260
Losses (gains) realized on disposals of non-current assets (including investments)	(359)	(35)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(1)	5
Change in provisions for employee benefits	32	(33)
Change in inventories	19	11
Change in trade receivables and net amounts due from customers on construction contracts	315	(314)
Change in trade payables	(873)	(651)
Net change in current income tax receivables/payables	36	391
Net change in miscellaneous receivables/payables and other assets/liabilities	904	(433)
Cash flows from (used in) operating activities	(a) 3,824	3,465
Cash flows from investing activities:		
Purchase of intangible assets	(1,210)	(1,018)
Purchase of tangible assets	(3,390)	(1,622)
Total purchase of intangible and tangible assets on an accrual basis	(4,600)	(2,640)
Change in amounts due for purchases of intangible and tangible assets	806	(388)
Total purchase of intangible and tangible assets on a cash basis	(3,794)	(3,028)
Acquisition of control of companies or other businesses, net of cash acquired	(5)	(8)
Acquisitions/disposals of other investments	(29)	(1)
Change in financial receivables and other financial assets	(893)	(635)
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	699	78
Cash flows from (used in) investing activities	(b) (4,022)	(3,594)
Cash flows from financing activities:		
Change in current financial liabilities and other	787	969
Proceeds from non-current financial liabilities (including current portion)	4,000	3,349
Repayments of non-current financial liabilities (including current portion)	(5,286)	(5,594)
Share capital proceeds/reimbursements (including subsidiaries)	186	11
Dividends paid	(204)	(252)
Changes in ownership interests in consolidated subsidiaries	855	-
Cash flows from (used in) financing activities	(c) 338	(1,517)
Cash flows from (used in) discontinued operations/non-current assets held for sale	(d) (5)	(324)
Aggregate cash flows	(e=a+b+c+d) 135	(1,970)
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) (400)	(31)
Net cash and cash equivalents at end of the period	(h=e+f+g) 4,645	4,295

Additional Cash Flow information

(millions of euros)	9 months to 9/30/2015	9 months to 9/30/2014
Income taxes (paid) received	(186)	(6)
Interest expense paid	(1,855)	(4,132)
Interest income received	699	2,810
Dividends received	3	5

Analysis of Net Cash and Cash Equivalents

(millions of euros)	9 months to 9/30/2015	9 months to 9/30/2014
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	4,534	4,106
Bank overdrafts repayable on demand - from continuing operations	(1)	(103)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	112	292
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-

TELECOM ITALIA GROUP - NET FINANCIAL DEBT

(millions of euros)	9/30/2015 (a)	12/31/2014 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	21,038	23,440	(2,402)
Amounts due to banks, other financial payables and liabilities	8,105	7,901	204
Finance lease liabilities	2,142	984	1,158
	31,285	32,325	(1,040)
Current financial liabilities (*)			
Bonds	3,887	2,645	1,242
Amounts due to banks, other financial payables and liabilities	2,162	1,872	290
Finance lease liabilities	157	169	(12)
	6,206	4,686	1,520
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	358	43	315
Total gross financial debt	37,849	37,054	795
Non-current financial assets			
Securities other than investments	(3)	(6)	3
Financial receivables and other non-current financial assets	(2,915)	(2,439)	(476)
	(2,918)	(2,445)	(473)
Current financial assets			
Securities other than investments	(1,659)	(1,300)	(359)
Financial receivables and other current financial assets	(513)	(311)	(202)
Cash and cash equivalents	(4,534)	(4,812)	278
	(6,706)	(6,423)	(283)
Financial assets relating to Discontinued operations/Non-current assets held for sale	(258)	(165)	(93)
Total financial assets	(9,882)	(9,033)	(849)
Net financial debt carrying amount	27,967	28,021	(54)
<i>Reversal of fair value measurement of derivatives and related financial assets/liabilities</i>	<i>(1,163)</i>	<i>(1,370)</i>	<i>207</i>
Adjusted Net Financial Debt	26,804	26,651	153
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	35,376	34,421	955
Total adjusted financial assets	(8,572)	(7,770)	(802)
<i>(*) of which current portion of medium/long-term debt:</i>			
Bonds	3,887	2,645	1,242
Amounts due to banks, other financial payables and liabilities	1,316	1,413	(97)
Finance lease liabilities	157	169	(12)

TELECOM ITALIA GROUP – OPERATING FREE CASH FLOW

(millions of euros)	9 months to 9/30/2015	9 months to 9/30/2014	Change
EBITDA	5,616	6,588	(972)
Capital expenditures on an accrual basis	(3,233)	(2,640)	(593)
Change in net operating working capital:	(1,144)	(1,604)	460
<i>Change in inventories</i>	19	11	8
<i>Change in trade receivables and net amounts due from customers on construction contracts</i>	315	(314)	629
<i>Change in trade payables (*)</i>	(1,435)	(1,039)	(396)
<i>Other changes in operating receivables/payables</i>	(43)	(262)	219
Change in provisions for employee benefits	32	(33)	65
Change in operating provisions and Other changes	280	(39)	319
Net operating free cash flow	1,551	2,272	(721)
<i>% of Revenues</i>	<i>10.4</i>	<i>14.2</i>	<i>(3.8) pp</i>

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

TELECOM ITALIA GROUP - INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015	9 months to 9/30/2014	Change %		
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	Organic (c/d)
Revenues	3,752	3,805	11,127	11,336	(1.4)	(1.8)	(2.2)
EBITDA	1,679	1,795	4,525	5,296	(6.5)	(14.6)	(14.8)
EBITDA margin	44.7	47.2	40.7	46.7	(2.5)pp	(6.0)pp	(6.0)pp
EBIT	868	982	2,090	2,845	(11.6)	(26.5)	(26.8)
EBIT margin	23.1	25.8	18.8	25.1	(2.7)pp	(6.3)pp	(6.3)pp
Headcount at period- end (number)			52,726	⁽¹⁾ 53,076		(0.7)	

(1) Headcount at December 31, 2014.

Core Domestic

(millions of euros)	3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015	9 months to 9/30/2014	Change %	
	(a)	(b)	(c)	(d)	(a/b)	(c/d)
Revenues	3,469	3,544	10,287	10,551	(2.1)	(2.5)
Consumer	1,849	1,839	5,369	5,414	0.5	(0.8)
Business	1,124	1,184	3,428	3,589	(5.1)	(4.5)
National Wholesale	446	458	1,337	1,373	(2.6)	(2.6)
Other	50	63	153	175	(20.6)	(12.6)
EBITDA	1,634	1,750	4,401	5,115	(6.6)	(14.0)
EBITDA margin	47.1	49.4	42.8	48.5	(2.3)pp	(5.7)pp
EBIT	848	958	2,038	2,731	(11.5)	(25.4)
EBIT margin	24.4	27.0	19.8	25.9	(2.6)pp	(6.1)pp
Headcount at period-end (number)			51,808	⁽¹⁾ 51,849		(0.1)

(1) Headcount at December 31, 2014.

International Wholesale – Telecom Italia Sparkle group

(millions of euros)	3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015	9 months to 9/30/2014	Change %		
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	Organic (c/d)
Revenues	336	304	971	905	10.5	7.3	2.3
of which third parties	272	237	781	706	14.8	10.6	4.1
EBITDA	52	52	145	208		(30.3)	(35.0)
EBITDA margin	15.5	17.1	14.9	23.0	(1.6)pp	(8.1)pp	(8.6)pp
EBIT	26	28	66	134	(7.1)	(50.7)	(53.8)
EBIT margin	7.7	9.2	6.8	14.8	(1.5)pp	(8.0)pp	(8.3)pp
Headcount at period-end (number) ^(*)			632	⁽¹⁾ 641		(1.4)	

(1) Headcount at December 31, 2014.

(*) Includes employees with temp work contracts: 2 employees at September 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 nine months 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)	3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015	9 months to 9/30/2014	Change %	
	(a)	(b)	(c)	(d)	(a/b)	(c/d)
Revenues	33	48	123	154	(31.3)	(20.1)
EBITDA	(4)	(4)	(12)	(19)		36.8
EBITDA margin	(12.1)	(8.3)	(9.8)	(12.3)	(3.8)pp	2.5pp
EBIT	(6)	(6)	(15)	(23)		34.8
EBIT margin	(18.2)	(12.5)	(12.2)	(14.9)	(5.7)pp	2.7pp
Headcount at period-end (number) ^(*)			286	⁽¹⁾ 586		(51.2)

(1) Headcount at December 31, 2014.

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

BRAZIL

	(millions of euros)				(millions of Brazilian reais)				Change %	
	3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015	9 months to 9/30/2014	3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015	9 months to 9/30/2014	(a/b)	(c/d)
	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a/b)	(c/d)
Revenues	1,008	1,608	3,696	4,617	4,117	4,853	13,017	14,330	(15.2)	(9.2)
EBITDA	318	441	1,102	1,281	1,285	1,330	3,882	3,975	(3.4)	(2.3)
EBITDA margin	31.2	27.4	29.8	27.7	31.2	27.4	29.8	27.7	3.8pp	2.1pp
EBIT	169	188	737	557	713	568	2,595	1,729	25.5	50.1
EBIT margin	17.3	11.7	19.9	12.1	17.3	11.7	19.9	12.1	5.6pp	7.8pp
Headcount at period-end (number)							13,113	⁽¹⁾ 12,841		2.1

(1) Headcount at December 31, 2014.

MEDIA

(millions of euros)	3rd Quarter 2015	3rd Quarter 2014	9 months to 9/30/2015	9 months to 9/30/2014	Change %		
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	Organic (c/d)
Revenues	20	20	62	51	-	21.6	1.6
EBITDA	1	8	21	19		10.5	(4.5)
EBITDA margin	5.0	40.0	33.9	37.3		(3.4) pp	(1.2) pp
EBIT	(5)	-	4	(2)			
EBIT margin	(25.0)	-	6.5	(3.9)			
Headcount at period-end (number) ^(*)			85	⁽¹⁾ 89		(4.5)	

(1) Headcount at December 31, 2014.

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

TELECOM ITALIA GROUP - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

REVENUES – reconciliation of organic data

(millions of euros)	9 months to 9/30/2015	9 months to 9/30/2014	Change	
			amount	%
REPORTED REVENUES	14,875	15,972	(1,097)	(6.9)
Foreign currency financial statements translation effect		(505)	505	
Changes in the scope of consolidation		10	(10)	
ORGANIC REVENUES	14,875	15,477	(602)	(3.9)

EBIT – reconciliation of organic data

(millions of euros)	9 months to 9/30/2015	9 months to 9/30/2014	Change	
			amount	%
REPORTED EBIT	2,800	3,393	(593)	(17.5)
Foreign currency financial statements translation effect		(57)	57	
Changes in the scope of consolidation		1	(1)	
ORGANIC EBIT	2,800	3,337	(537)	(16.1)
of which Non-recurring Income/(Expenses)	(124)	109	(233)	
ORGANIC EBIT, excluding Non-recurring items	2,924	3,228	(304)	(9.4)

DOMESTIC - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

EBITDA – reconciliation of organic data

(millions of euros)	9 months to 9/30/2015	9 months to 9/30/2014	Change	
			amount	%
REPORTED EBITDA	4,525	5,296	(771)	(14.6)
Foreign currency financial statements translation effect	-	15	(15)	
ORGANIC EBITDA	4,525	5,311	(786)	(14.8)
of which Non-recurring Income/(Expenses)	(446)	71	(517)	
ORGANIC EBITDA, excluding Non-recurring items	4,971	5,240	(269)	(5.1)

EBIT – reconciliation of organic data

(millions of euros)	9 months to 9/30/2015	9 months to 9/30/2014	Change	
			amount	%
REPORTED EBIT	2,090	2,845	(755)	(26.5)
Foreign currency financial statements translation effect	-	9	(9)	
ORGANIC EBIT	2,090	2,854	(764)	(26.8)
of which Non-recurring Income/(Expenses)	(446)	109	(555)	
ORGANIC EBIT, excluding Non-recurring items	2,536	2,745	(209)	(7.6)

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 September 30, 2015:

(billions of euros)	9/30/2015		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 200 million euros expiring on July 2019, drawn down for the full amount;
- two bilateral Term Loans with Cassa Depositi e Prestiti respectively for the amount of 100 million euros expiring on April 2019 and for the amount of 150 million euros expiring on October 2019, drawn down for the full amounts;
- two bilateral Term Loans with Mediobanca respectively for the amount of 200 million euros expiring on November 2019 and for the amount of 150 million euros expiring on July 2020, drawn down for the full amounts;
- a bilateral Term Loan with ICBC for the amount of 120 million euros expiring on July 2020, drawn down for the full amount;
- a bilateral Term Loan with Intesa Sanpaolo for the amount of 200 million euros expiring on August 2021, drawn down for the full amount.

Bonds

The following tables show the evolution of the bonds during the first nine months of 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 the first half of 2015.

Buybacks

On January 23, 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. - 1,000 million euros, due January 2016, coupon 5.125% ⁽²⁾	771,550,000	108,200,000	104.661%
Telecom Italia S.p.A. - 1,000 million euros, due January 2017, coupon 7.000%	1,000,000,000	374,308,000	111.759%
Telecom Italia S.p.A. - 1,000 million euros, due September 2017, coupon 4.500%	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. - 750 million euros, due May 2018, coupon 4.750%	750,000,000	35,879,000	111.165%
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. - 1,250 million euros, due January 2019, coupon 5.375%	1,250,000,000	307,600,000	114.949%
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. - 1,000 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 2021, coupon 4.500%	1,000,000,000	436,361,000	114.714%
Telecom Italia S.p.A. - 1,250 million euros, due February 2022, coupon 5.250%	1,250,000,000	366,100,000	121.210%

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 467.3 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. – 1,000 million euros, due January 2017, coupon 7.000% ⁽¹⁾	625,692,000	81,141,000	109.420%
Telecom Italia S.p.A. – 1,000 million euros, due September 2017, coupon 4.500% ⁽²⁾	736,026,000	107,811,000	107.428%
Telecom Italia S.p.A. – 750 million euros, due May 2018, coupon 4.750% ⁽³⁾	714,121,000	121,223,000	109.477%
Telecom Italia S.p.A. – 750 million euros, due December 2018, coupon 6.125% ⁽⁴⁾	628,986,000	47,108,000	115.395%
Telecom Italia S.p.A. – 1,250 million euros, due January 2019, coupon 5.375% ⁽⁵⁾	942,400,000	110,000,000	112.960%

(1) Net of 374 million euros repurchased by the company in January 2015.

(2) Net of 264 million euros repurchased by the company in January 2015.

(3) Net of 36 million euros repurchased by the company in April 2015.

(4) Net of 121 million euros repurchased by the company in April 2015.

(5) Net of 308 million euros repurchased by the company in April 2015.

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.

The details of the repurchased notes are the following:

Bond Title	Principal amount outstanding prior to the Tender Offer (USD)	Principal amount repurchased (USD)	Buyback price
Telecom Italia Capital S.A. – 1,000 USD million, due June 2018, coupon 6.999%	1,000,000,000	323,356,000	111.721%
Telecom Italia Capital S.A. – 1,000 USD million, due June 2019, coupon 7.175%	1,000,000,000	240,320,000	114.188%

The Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, amounted 198 million euros (nominal value) as of September 30, 2015 increasing by 2 million euros respect to December 31, 2014 (196 million euros).

The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds expiring in the following 18 months as of September 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 3,796 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:

- 683 million euros, due October 1, 2015;
- 120 million euros, due November 23, 2015;
- 677 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;
- 545 million euros, due January 20, 2017.

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 September 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 September 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)	9 months to 9/30/2015	9 months to 9/30/2014
Revenues and operating income:		
Other income	-	74
Acquisition of goods and services	(6)	-
Employee benefits expenses - Charges and provisions for employee benefits	(48)	(1)
Other operating expenses - Charges and provisions for risks	(400)	(2)
Change in inventories	(6)	-
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(460)	71
Gains (losses) on disposals of non-current assets:		
Gains on disposals of non-current assets	336	38
Impact on EBIT - Operating profit (loss)	(124)	109
Other income (expenses) from investments:		
Gains on disposals of Other investments	11	-
Fair value measurement of the investment in Trentino NGN S.r.l.	-	11
Finance expenses - Other financial expenses related to disputes	(18)	-
Impact on profit (loss) before tax from continuing operations	(131)	120
Income taxes on non-recurring items	25	(18)
Other Income (expenses) relating to Discontinued operations	-	(2)
Impact on profit (loss) for the period	(106)	100