TELECOM ITALIA S P A
Form 6-K
June 03, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15D-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF JUNE 2016

TELECOM ITALIA S.p.A.

(Translation of registrant s name into English)

Via Gaetano Negri 1

20123 Milan, Italy

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F x FORM 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

YES ¨ NO x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-______

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INTERIM MANAGEMENT

REPORT

AT MARCH 31, 2016

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This document has been translated into English solely for the convenience of the readers. In the event of discrepancy, the Italian language prevails.

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THE TELECOM ITALIA GROUP

THE BUSINESS UNITS

DOMESTIC

The Domestic Business Unit operates as the consolidated market leader in the sphere of voice and data services on fixed and mobile networks for final retail customers and other wholesale operators.	CORE DOMESTIC Consumer Business Wholesale Other (INWIT S.p.A. and support structures)
In the international field, the Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).	INTERNATIONAL WHOLESALE Telecom Italia Sparkle group Telecom Italia Sparkle S.p.A. Lan Med Nautilus group
Olivetti, which is now part of the Business segment of Core Domestic, operates in the area of office products and services for Information Technology.	
INWIT S.p.A. operates in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for Telecom Italia and other operators.	

BRAZIL

The Brazil Business Unit (Tim Brasil group) provides services in the area of UMTS, GSM and LTE technologies. Moreover, with the acquisitions and subsequent integrations into the group of Intelig Telecomunicações, Tim Fiber RJ and Tim Fiber SP, the services portfolio has been extended by offering fiber optic data transmission using full IP technology such as DWDM and MPLS and by offering residential broadband services.	Tim Brasil Serviços e Participações S.A. Tim Participações S.A. Intelig Telecomunicações Ltda Tim Celular S.A.

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BOARD OF DIRECTORS

Chairman	Giuseppe Recchi
Chief Executive Officer	Flavio Cattaneo
Directors	Tarak Ben Ammar
	Davide Benello (independent)
	Lucia Calvosa (independent)
	Laura Cioli (independent)
	Francesca Cornelli (independent)
	Arnaud Roy de Puyfontaine
	Jean Paul Fitoussi
	Giorgina Gallo (independent)
	Félicité Herzog (independent)
	Denise Kingsmill (independent)
	Luca Marzotto (independent)
	Hervé Philippe
	Stéphane Roussel
	Giorgio Valerio (independent)
Secretary to the Board	Antonino Cusimano

BOARD OF STATUTORY AUDITORS

Chairman	Roberto Capone
Acting Auditors	Vincenzo Cariello
	Paola Maiorana
	Gianluca Ponzellini
	Ugo Rock
Alternate Auditors	Francesco Di Carlo
	Gabriella Chersicla

Piera Vitali

Riccardo Schioppo

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HIGHLIGHTS FIRST THREE MONTHS OF 2016

In 2015, Telecom Italia initiated a fundamental process of renewal of its identity and corporate structure, aimed at consolidating its leadership and above all supporting the future growth of the Group; that process continued in the first quarter of 2016.

The fixed-mobile convergence, resulting from the increasing diffusion of smart handsets and the development of digital platforms and infrastructure, is at the center of the TLC industry. In response to this phenomenon, Telecom Italia has converged its entire commercial offering under TIM the single brand of the Group from the beginning of 2016 which combines Telecom Italia s solidity and TIM s innovation to provide a high quality customer experience through digital services and content.

On the technology side, since 2015, there has been a sharp increase in the development of the mobile and fixed ultra-broadband networks, as a result of overall capital expenditure of 3 billion euros, thanks to which Telecom Italia/TIM has confirmed its status as the lead player in the digitization of Italy.

The base of the capital expenditure program implemented is the diffusion of premium digital content and services with a particular focus on the video sector. This included a strong boost to TIMvision, the integrated platform operated by TIM, which had over 600,000 customers at the end of March 2016, also thanks to the agreement signed with major producers of international content.

A renewed portfolio of offerings has been launched to support the development and diffusion of services and content, with a focus on bundle and lock-up deals aimed at stabilizing the customer base through the steady growth in consumption of fixed and mobile broadband data.

The first quarter of 2016 also witnessed the sale, on March 8, 2016, of the controlling interest still held in the Sofora Telecom Argentina Group, classified under Discontinued Operations.

THE MARKET

The domestic market in the first quarter of 2016 showed a slowdown in negative growth, in line with the trend recorded in previous quarters, driven by a slower decline in traditional services and growth in innovative services. In the Mobile segment in particular, the Group s competitiveness showed further improvement, with revenues posting growth for a second consecutive quarter, driven by the greater penetration of mobile Internet services and the stability of the Group s market share. In the Fixed-line segment, stable growth in revenues was driven by the positive trend in broadband ARPU, steady growth in ADSL customers with premium bundle/flat deals, and growth in ICT services.

In Brazil, the market was affected by a further deterioration in the macroeconomic scenario, which caused a contraction in internal demand, higher inflation and the depreciation of the reais from 3.22 reais per euro for the first quarter of 2015 to 4.30 reais per euro for the first quarter of 2016. These factors contributed to a general slowdown in growth in the mobile market compared to the previous quarters.

In this environment, the TIM Brasil group maintained a substantially steady market share in the Mobile segment, with an increase in the postpaid customer base. However, at the same time, revenues fell as a result of a drop in sales of handsets and lower revenues from services. This latter trend was driven by a faster decline in traditional voice and messaging services, which was only partially offset by growth in revenues from innovation, data and value-added services. Fixed-line revenues posted growth, especially in the wholesale business segment of the subsidiary Intelig and the broadband segment of Tim Live, which, however, only make up a marginal share of total revenues.

In the first quarter of 2016, the Telecom Italia Group recognized non-recurring operating expenses connected to events and transactions that by their nature do not occur continuously in the normal course of operations and have been shown because their amount is significant. These include expenses resulting from corporate restructuring and reorganization processes, expenses resulting from regulatory disputes and penalties and the liabilities related to those expenses.

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The impacts of non-recurring income/expenses on the main interim results are outlined below in this Report.

FINANCIAL HIGHLIGHTS

In terms of equity and income, for the first quarter of 2016:

Consolidated revenues amounted to 4.4 billion euros, down by 12.1% on the first quarter of 2015 (-5.6% in organic terms).

EBITDA amounted to 1.7 billion euros, down by 15.8% on the first quarter of 2015 (-11.3% in organic terms). The organic EBITDA margin stood at 38.6%, 2.4 percentage points lower than the corresponding period of the previous year. EBITDA in the first quarter of 2016 was pulled lower by a total of 75 million euros in non-recurring expenses, without which the organic change in EBITDA would have been -7.5%, with an EBITDA margin of 40.2%, down 0.9 percentage points compared to the first quarter of 2015.

Operating profit (EBIT) was 0.7 billion euros, down 28.2% compared to the first quarter of 2015 (-25.1% in organic terms), pulled down by net non-recurring expenses of 74 million euros, without which the organic change in EBIT would have been -17.3%.

The profit for the quarter attributable to Owners of the Parent amounted to 433 million euros (82 million euros in the first quarter of 2015).

Capital expenditures in the first quarter of 2016 amounted to 944 million euros (964 million euros in the first quarter of 2015), continuing the acceleration envisaged in the industrial plan. In Italy, the strong boost given to the capital expenditure program for developing next-generation network (NGN) infrastructure enabled the fiber-optic coverage to reach 45% of the population, while the 4G (LTE) network now covers 92% of the population.

Adjusted net financial debt amounted to 27,139 million euros at March 31, 2016, down 139 million euros compared December 31, 2015 (27,278 million euros). The completion of the sale of the Sofora Telecom Argentina group with the collection of its price and the consequent deconsolidation of the relative net financial debt, together with the cash inflow from business operations, was sufficient to cover the cash requirements arising from financial operations, the real estate project and the renegotiation of lease contracts and, also, to reduce the debt position.

at March 31, 2016

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Financial highlights (*)

(millions of euros)		1st Quarter 2016	1st Quarter 2015	% Change Reported	% Change Organic
Revenues		4,440	5,054	(12.1)	(5.6)
EBITDA	(1)	1,712	2,033	(15.8)	(11.3)
EBITDA Margin		*38.6%*	*40.2%*	*(1.6)pp*	
Organic EBITDA Margin		*38.6%*	*41.0%*	*(2.4)pp*	
EBIT	(1)	704	981	(28.2)	(25.1)
EBIT Margin		*15.9%*	*19.4%*	*(3.5)pp*	
Organic EBIT Margin		*15.9%*	*20.0%*	*(4.1)pp*	
Profit (loss) from Discontinued operations/Non-current assets held for sale		47	169	(72.2)	
Profit (loss) for the period attributable to owners of the Parent		433	82		
Capital expenditures (CAPEX)		944	964	(2.1)	
		3/31/2016	12/31/2015	Change Amount	
Adjusted net financial debt	(1)	27,139	27,278	(139)	

(*) Within the Brazil Business Unit, Management recently identified that incorrect accounting entries were made in prior years in connection with the recognition of service revenues from the sale of prepaid traffic. Such incorrect accounting entries, which did not have any impact either in terms of net financial position nor on cash and cash equivalents, resulted in the early recognition of revenues with respect to prepaid traffic not yet consumed. The comparative financial information as of December 31, 2015 and for the three-month period ended March 31, 2015, have been therefore revised, with no material impact.

(1) Details are provided under Alternative Performance Measures .

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CONSOLIDATED OPERATING PERFORMANCE

REVENUES

Revenues amounted to 4,440 million euros in the first quarter of 2016, down 12.1% from 5,054 million euros in the first quarter of 2015. The decrease of 614 million euros was mainly attributable to the Brazil Business Unit (515 million euros) and the Domestic Business Unit (83 million euros). In terms of organic change, consolidated revenues fell by 5.6% (-263 million euros), and were calculated as follows:

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change amount	Change %
REPORTED REVENUES	4,440	5,054	(614)	(12.1)
Foreign currency financial statements translation effect		(351)	351	
Changes in the scope of consolidation				
ORGANIC REVENUES	4,440	4,703	(263)	(5.6)

Exchange rate fluctuations[(1)] were attributable to the Brazil Business Unit (-353 million euros) and the Domestic Business Unit (+2 million euros). No changes arose in the scope of consolidation [(2)].

The breakdown of revenues by operating segment is the following:

(millions of euros)	1st Quarter 2016	% of total	1st Quarter 2015	% of total	Change amount	Change %	Change % organic
Domestic (*)	3,548	79.9	3,631	71.8	(83)	(2.3)	(2.3)
Core Domestic (**)	*3,310*	*74.5*	*3,397*	*67.2*	*(87)*	*(2.6)*	*(2.6)*
International Wholesale	*311*	*7.0*	*310*	*6.1*	*1*	*0.3*	*(0.3)*
Brazil	897	20.2	1,412	27.9	(515)	(36.5)	(15.3)
Other Operations	6	0.1	21	0.4	(15)		
Adjustments and eliminations	*(11)*	*(0.2)*	*(10)*	*(0.1)*	*(1)*		
Consolidated Total	4,440	100.0	5,054	100.0	(614)	(12.1)	(5.6)

(*) Following the change in the mission of Persidera, the Media Business Unit was included in the Domestic Business Unit (Core Domestic) as of January 1, 2016; without that change, the revenues of the Domestic Business Unit for the first quarter of 2016 would have totaled 3,530 million euros.

(**) From January 1, 2016, this also includes the company Olivetti. Figures for the period under comparison have been changed accordingly.

The Domestic Business Unit (consisting of the Core Domestic and International Wholesale segments) posted a drop in revenues in the first quarter of 2016 of 83 million euros (-2.3%) over the same period of 2015. The trend was in line with the previous quarter (fourth quarter 2015: -2.3%) although positive signs were seen in the Mobile market, in terms of both total revenues (+3.0% on the first quarter of 2015) and revenues from services (+0.6% on the first quarter of 2015).

The improvement was driven by sales campaigns targeted at progressively stabilizing the customer base, with the Mobile market share remaining stable and growth in revenues recorded in the Fixed Broadband, ICT and Mobile Internet segments.

The Brazil Business Unit recorded revenues for the first quarter of 2016 amounting to 3,854 million reais, down 697 million reais over the same period of the prior year (-15.3%). The decrease was attributable to lower revenues from sales of handsets (-371 million reais), which were influenced by a commercial policy less focused on the sale of these items, in addition to lower consumer spending among Brazilian households; the fall in revenues from services fell (-326 million reais) still reflected the latest reduction in the mobile termination rate and lower revenues from traditional voice and SMS services, only partially offset by the increase in revenue generated by the innovative component.

A more detailed analysis of revenue performance by individual Business Unit is provided in the section Financial and Operating Highlights - The Business Units of the Telecom Italia Group .

(1) The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 1.10220 for the US dollar in the first quarter of 2016 and 1.12752 in the first quarter of 2015. For the Brazilian real, the average exchange rates used were 4.29753 in the first quarter of 2016 and 3.22251 in the first quarter of 2015. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.
(2) The change in the scope of consolidation has been calculated by excluding the contribution of the companies that have exited from the comparison figure and adding in the estimated contribution of any companies entering the scope of consolidation.

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EBITDA

EBITDA totaled 1,712 million euros (2,033 million euros in the first quarter of 2015), decreasing by 321 million euros compared to the corresponding period of 2015; the EBITDA margin was 38.6% (40.2% in the first quarter of 2015).

Organic EBITDA was down 218 million euros (-11.3%) compared to the first quarter of 2015; the EBITDA margin fell by 2.4 percentage points, from 41.0% in the first quarter of 2015 to 38.6% in the first quarter of 2016.

EBITDA in the first quarter of 2016 reflected the negative impact of non-recurring expenses totaling 75 million euros. Without these expenses the organic change in EBITDA would have been -7.5%, with an EBITDA margin of 40.2%, down 0.9 percentage points on the first quarter of 2015. Further details are provided in the section Significant non-recurring events and transactions in this Interim Management Report.

Organic EBITDA is calculated as follows:

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change amount	Change %
REPORTED EBITDA	1,712	2,033	(321)	(15.8)
Foreign currency financial statements translation effect		(103)	103	
Changes in the scope of consolidation				
ORGANIC EBITDA	1,712	1,930	(218)	(11.3)
of which non-recurring income/(expenses)	(75)	(1)	(74)	
ORGANIC EBITDA excluding non-recurring component	1,787	1,931	(144)	(7.5)

Exchange rate fluctuations relate to the Brazil Business Unit (-104 million euros) and the Domestic Business Unit (+ 1 million euros).

Details of EBITDA and EBITDA Margins by operating segment are as follows:

(millions of euros)	1st Quarter 2016	% of total	1st Quarter 2015	% of total	Change amount	Change %	Change % organic
Domestic (*)	1,461	85.3	1,610	79.2	(149)	(9.3)	(9.3)
EBITDA Margin	*41.2*		*44.3*			*(3.1)pp*	*(3.1)pp*
Brazil	258	15.1	416	20.5	(158)	(38.0)	(17.4)
EBITDA Margin	*28.7*		*29.5*			*(0.8)pp*	*(0.7)pp*
Other Operations	(6)	(0.4)	7	0.3	(13)		
Adjustments and eliminations	*(1)*				*(1)*		
Consolidated Total	1,712	100.0	2,033	100.0	(321)	(15.8)	(11.3)
EBITDA Margin	*38.6*		*40.2*			*(1.6)pp*	*(2.4)pp*

(*)

Following the change in the mission of Persidera, the Media Business Unit was included in the Domestic Business Unit (Core Domestic) as of January 1, 2016; without that change the EBITDA of the Domestic Business Unit for the first quarter of 2016 would have totaled 1,451 million euros.

EBITDA was particularly impacted by the change in the line items analyzed below:

Acquisition of goods and services (1,923 million euros; 2,171 million euros in the first quarter of 2015).

The decrease of 248 million euros was mainly attributable to lower acquisitions of goods and services by the Brazil Business Unit (down by 352 million euros, including a negative exchange rate effect of 207 million euros), partially offset by higher acquisitions of goods and services by the Domestic Business Unit (109 million euros), mainly due to higher purchases of equipment and handsets.

Employee benefits expenses (848 million euros; 833 million euros in the first quarter of 2015).

Employee benefits expenses increased by 15 million euros on the first quarter of 2015. The main factors that drove this change were:

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a decrease of 41 million euros in the Italian component of ordinary employee expenses, mainly due to the reduction in several operational items. The average salaried workforce increased by 16 average employees (+207 average employees related to Solidarity Contracts : the solidarity contracts of the Parent and Telecom Italia Information Technology of the first three months of 2015 were offset by a new contract started in January 2016 in the only Parent, former agreement of October 27, 2015).

the recognition of non-recurring expenses (provisions to Employee benefits and other minor items) from domestic companies totaling 65 million euros. In particular, the Parent recognized expenses of 38 million euros relating to the acceptance of the expression of interest by management personnel regarding the application of Article 4, paragraphs 1-7ter, of Law N. 92 of 28 June 2012, the Fornero law (former agreement of June 19, 2015) and the commencement of a managerial restructuring plan linked to the revision of the company organizational structures underway. In addition, Telecom Italia Information Technology and Olivetti made a provision totaling 27 million euros for agreements with trade unions being finalized relating to the application of Article 4 of the Fornero law for non-management personnel.

a decrease of 9 million euros in the component outside Italy of employee benefits expenses. The lower cost related to the reduction in the average workforce (-84 average employees) and the negative exchange rate effect of around -24 million euros, mainly relating to the Brazil Business Unit, was offset by the recognition of non-recurring expenses, of 8 million euros, for the implementation of the corporate restructuring plan initiated by the Brazil Business Unit.

Other operating expenses (247 million euros; 265 million euros in the first quarter of 2015).
This item fell by 18 million euros compared to the first quarter of 2015.

In particular:

write-downs and expenses in connection with credit management (85 million euros; 77 million euros in the first quarter of 2015) consisting of 68 million euros for the Domestic Business Unit (59 million euros in the first quarter of 2015) and 17 million euros for the Brazil Business Unit (18 million euros in the first quarter of 2015);

provision charges (21 million euros; 24 million euros in the first quarter of 2015), consisting of 15 million euros for the Brazil Business Unit (18 million euros in the first quarter of 2015) and 6 million euros for the Domestic Business Unit (6 million euros in the first quarter of 2015);

TLC operating fees and charges (88 million euros; 106 million euros in the first quarter of 2015), consisting of 76 million euros for the Brazil Business Unit (96 million euros in the first quarter of 2015) and 12 million euros for the Domestic Business Unit (11 million euros in the first quarter of 2015).

Depreciation and amortization

Details are as follows:

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change
Amortization of intangible assets with a finite useful life	418	463	(45)
Depreciation of property, plant and equipment owned and leased	591	589	2
Total	1,009	1,052	(43)

The decrease of 43 million euros was mainly attributable to the Brazil Business Unit (-40 million euros, net of a negative exchange rate effect of 63 million euros). Without this exchange rate effect, the depreciation and amortization of the Brazil Business Unit would have increased by 23 million euros.

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Gains/(losses) on disposals of non-current assets

In the first quarter of 2016, this item amounted to 3 million euros (zero in the first quarter of 2015).

Impairment reversals (losses) on non-current assets

In the first quarter of 2016, this item amounted to 2 million euros (zero in the first quarter of 2015).

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually. At March 31, 2016, no external or internal events were identified giving reason to believe a new impairment test was required and amounts of goodwill allocated to the individual Cash Generating Units were therefore confirmed.

EBIT

EBIT totaled 704 million euros (981 million euros in the first quarter of 2015), decreasing by 277 million euros (-28.2%) compared to the first quarter of 2015; the EBIT margin was 15.9% (19.4% in the first quarter of 2015).

Organic EBIT was down 236 million euros, with an organic EBIT margin of 15.9% (20.0% in the first quarter of 2015).

EBIT in the first quarter of 2016 reflected the negative impact of non-recurring net expenses totaling 74 million euros; without these non-recurring net expenses, the organic change in EBIT would have been -17.3%, with an EBIT margin of 17.5%. Further details are provided in the section Significant non-recurring events and transactions in this Interim Management Report.

Organic EBIT is calculated as follows:

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change amount	Change %
REPORTED EBIT	704	981	(277)	(28.2)
Foreign currency financial statements translation effect		(41)	41	
Changes in the scope of consolidation				
ORGANIC EBIT	704	940	(236)	(25.1)
of which non-recurring income/(expenses)	(74)	(1)	(73)	
ORGANIC EBIT excluding non-recurring component	778	941	(163)	(17.3)

Exchange rate fluctuations were attributable to the Brazil Business Unit.

Finance income (expenses), net

Finance income (expenses) showed a decrease in net expenses of 791 million euros, from 817 million euros in March 2015 to 26 million euros in March 2016. This change reflected:

- the positive impact of 328 million euros (negative impact of 297 million euros in the first quarter of 2015) relating to the fair value measurement through profit and loss performed separately to its liability component of the embedded option included in the mandatory convertible bond issued by Telecom Italia Finance S.A. at the end of 2013, for 1.3 billion euros (Guaranteed Subordinated Mandatory Convertible Bonds due 2016 convertible into ordinary shares of Telecom Italia S.p.A.);

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the effects of the changes in several non-monetary items of a valuation and accounting nature, linked in particular to derivatives;

the positive impact of the bond buybacks carried out in the previous year.

Income tax expense

Income tax expense amounted to 221 million euros, up 147 million euros on the first quarter of 2015 (74 million euros), largely due to the higher taxable base of the Parent Telecom Italia and partially offset by lower taxes on the Brazil Business Unit, which benefited from investment incentives in the north-east of the country.

PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE

In the first quarter of 2016 this item was positive by 47 million euros (169 million euros in the first quarter of 2015), consisting of the positive contribution (59 million euros) to consolidated earnings from the Sofora Telecom Argentina group for the period January 1 to March 8, the negative impact from the sale of the equity interest and relative income taxes totaling 12 million euros.

More details are provided in the section Discontinued operations/Non-current assets held for sale of this Report on Operations and in the Note Discontinued operations/Non-current assets held for sale in the Condensed Consolidated Financial Statements at March 31, 2016 of the Telecom Italia Group.

PROFIT (LOSS) FOR THE PERIOD

This item was broken down as follows:

(millions of euros)	1st Quarter 2016	1st Quarter 2015
Profit (loss) for the period	504	261
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	436	58
Profit (loss) from Discontinued operations/Non-current assets held for sale	(3)	24
Profit (loss) for the period attributable to owners of the Parent	433	82

Non-controlling interests:		
Profit (loss) from continuing operations	21	34
Profit (loss) from Discontinued operations/Non-current assets held for sale	50	145
Profit (loss) for the period attributable to non-controlling interests	71	179

Profit for the first quarter of 2016 attributable to Owners of the Parent amounted to 433 million euros (82 million euros in the first quarter of 2015), impacted by non-recurring net expenses of 64 million euros. A positive effect was instead had from a series of items tied to accounting valuations that generate no financial settlement, connected in particular with the measurement at fair value of the embedded option in the three-year mandatory convertible bond issued at the end of 2013. Without those items, profit for the first quarter of 2016 attributable to Owners of the Parent would have totaled approximately 260 million euros, showing substantially no change on the figure for the first quarter of 2015.

FINANCIAL AND OPERATING HIGHLIGHTS THE BUSINESS UNITS OF THE TELECOM ITALIA GROUP

DOMESTIC

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change amount	%	% organic
Revenues	3,548	3,631	(83)	(2.3)	(2.3)
EBITDA	1,461	1,610	(149)	(9.3)	(9.3)
EBITDA Margin	*41.2*	*44.3*		*(3.1)pp*	*(3.1)pp*
EBIT	662	814	(152)	(18.7)	(18.7)
EBIT Margin	*18.7*	*22.4*		*(3.7)pp*	*(3.7)pp*
Headcount at period end (number)	52,713	(1)52,644	69	0.1	

(1) Headcount at December 31, 2015.

Fixed

	3/31/2016	12/31/2015	3/31/2015
Physical accesses at period end (thousands)(1)	19,145	19,209	19,581
of which Retail physical accesses at period end (thousands)	*11,602*	*11,742*	*12,283*
Broadband accesses at period end (thousands) (2)	8,955	8,890	8,784
of which Retail broadband accesses at period end (thousands)	*7,067*	*7,023*	*6,945*
Network infrastructure in Italy:			
copper access network (millions of km pair, distribution and connection)	115.6	115.6	115.3
access and carrier network in optical fiber (millions of km fiber)	10.9	10.4	8.6
Total traffic:			
Minutes of traffic on fixed-line network (billions):	18.2	76.9	20.3
Domestic traffic	14.8	62.5	16.7
International traffic	3.4	14.4	3.6
Broadband traffic (PBytes) (3)	1,312	4,126	947

(1) Does not include full-infrastructured OLOs and Fixed Wireless Access (FWA).

(2) Does not include LLU and NAKED, satellite and full-infrastructured OLOs and Fixed Wireless Access (FWA).

(3) DownStream and UpStream traffic volumes

Mobile

	3/31/2016	12/31/2015	3/31/2015
Lines at period end (thousands)	29,846	30,007	30,140
Change in lines (%)	(0.5)	(1.1)	(0.7)
Churn rate (%) (1)	5.6	23.4	6.4
Total traffic:			
Outgoing retail traffic (billions of minutes)	11.0	43.6	10.8
Incoming and outgoing retail traffic (billions of minutes)	16.9	66.1	16.2
Browsing Traffic (PBytes) (2)	56.6	182.6	39.4
Average monthly revenues per line (in euros) (3)	11.6	12.1	11.3

(1) The data refer to total lines. The churn rate represents the number of mobile customers who discontinued service during the period expressed as a percentage of the average number of customers.

(2) National traffic excluding roaming.

(3) The values are calculated on the basis of revenues from services (including revenues from prepaid cards) as a percentage of the average number of lines.

The Media Business Unit was incorporated into the Domestic Business Unit as of January 1, 2016.

One of the key strategic drivers for growth identified in the Telecom Italia Group 2016 2018 Industrial Plan is the development of 4 Play convergent services through the offer of a rich range of diversified video content, to be realized both in partnership with key content providers and through Tim Vision, the Group s own platform of services. Within this framework, Persidera will play an important role in supporting the development of Tim Vision services, building on its distinctive Head End expertise (management and distribution of TV signals via cable platform) and Play Out experience (television program broadcasting operations). Other key synergies to help guarantee the medium-term stability/growth of revenues from bandwidth rental for Persidera will come from the development of strategic partnerships between Telecom Italia and content providers that do not have proprietary broadcasting channels (multiplexes) for free-to-air television broadcasting and which instead pursue a multi-platform distribution strategy.

The framework of the 2016 2018 Industrial Plan and the new governance structure of Persidera are consistent with this future scenario, based on the increasingly closer link between the TLC industry and Media/Content providers to underpin the growth of ultra-broadband services in the Consumer segment.

Following the change in scope, the table below shows the performance of the Domestic Business Unit in the first quarter of 2016, reported on a like-for-like basis with the previous year, thus excluding the contribution of the Media Business Unit:

	1st Quarter	1st Quarter		Change	
(millions of euros)	2016	2015	amount	%	% organic
Revenues	3,530	3,631	(101)	(2.8)	(2.8)
EBITDA	1,451	1,610	(159)	(9.9)	(9.9)

EBITDA Margin	*41.1*	*44.3*		*(3.2)pp*	*(3.2)pp*
EBIT	657	814	(157)	(19.3)	(19.3)
EBIT Margin	*18.6*	*22.4*		*(3.8)pp*	*(3.8)pp*
Headcount at period end (number)	52,650	(1)52,644	6		

(1) Headcount at December 31, 2015.

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Revenues

Revenues in the first quarter of 2016 amounted to 3,548 million euros, a drop of 83 million euros (-2.3%) on the first quarter of 2015; the negative performance trend was in line with the figure for the first quarter of 2015 (-2.3%). Compared to the same period of 2015, revenues from services showed essentially the same trend as total revenues (-83 million euros, -2.4%), but with weaker signs of recovery, due in particular to the worsening performance of the Fixed-line segment; the solid, structural recovery of Mobile revenues was instead reconfirmed, thanks to market share regained and the stabilization of ARPU levels.

In detail:

- revenues from Fixed-line services amounted to 2,483 million euros in the first quarter 2016, down by 112 million euros compared to the first quarter of 2015 (-4.3%); the decline was driven entirely by the fall in revenues from voice services (-129 million euros due to the loss of traditional accesses, quantifiable in a loss of around a million lines), which was only partially offset by continued growth in the Broadband and Ultra-broadband customer base which is driving growth in innovative services (+32 million euros, +5.8%). Fixed-line performance was also affected by lower prices on wholesale services; net of the price impact (equal to 18 million euros), revenues would have dropped by -3.7% on the first quarter of 2015;

- revenues from services in the Mobile business came to 1,059 million euros, an increase of 6 million euros compared to the previous year (+0.6%); the trend confirms the continuous improvement posted in previous quarters (+0.1% in the fourth quarter of 2015; -1.5% in the third quarter of 2015; -2.5% in the second quarter 2015 and -4.2% in the first quarter 2015.

Revenues from product sales, including the change in work in progress, amounted to 196 million euros in the first quarter of 2016, in line with the first quarter of 2015.

EBITDA

EBITDA for the Domestic Business Unit totaled 1,461 million euros at March 31, 2016, decreasing by 149 million euros compared to the first quarter of 2015 (-9.3%), with an EBITDA margin of 41.2% (-3.1 percentage points compared to the same period of the previous year). The first quarter 2016 figure reflected the negative impact of non-recurring net expenses as already described in the Highlights section of this Report totaling 67 million euros. Without these expenses the organic change in EBITDA would have been -5.2%, with an EBITDA margin of 43.1%, down 1.3 percentage points on the figure at March 31, 2015.

Organic EBITDA is calculated as follows:

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change amount	%

REPORTED EBITDA	1,461	1,610	(149)	(9.3)
Foreign currency financial statements translation effect		1	(1)	
Changes in the scope of consolidation				
ORGANIC EBITDA	1,461	1,611	(150)	(9.3)
of which non-recurring income/(expenses)	(67)	(1)	(66)	
ORGANIC EBITDA excluding non-recurring component	1,528	1,612	(84)	(5.2)

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With regard to the change in the main costs, the following is noted:

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change
Acquisition of goods and services	1,450	1,341	109
Employee benefits expenses	756	734	22
Other operating expenses	138	123	15

Acquisition of goods and services rose by 109 million euros (+8.1%) compared to the first quarter of 2015. The increase was linked to higher volumes of products sold and the stronger emphasis on sales campaigns, only partially recovered through policies for the rationalization and recovery of indirect costs and operating expenses. The increase in acquisition costs was mainly driven by higher costs for devices and handsets (+37 million euros), ICT content and services (+11 million euros) and customer management (+20 million euros);

Employee benefits expenses increased by 22 million euros compared to the first three months of 2015. The main factors that drove this change were:

a decrease of 43 million euros in ordinary employee expenses, mainly due to the reduction in several operational items. The average salaried workforce increased by 11 average employees (+207 average employees related to Solidarity Contracts : the solidarity contracts of the Parent and Telecom Italia Information Technology for the first three months of 2015 were offset by a new contract started in January 2016 in the Parent, as per the agreement of October 27, 2015);

the recognition of non-recurring charges (provisions to Employee benefits and other minor items) totaling 65 million euros. In particular, the Parent recognized expenses of around 38 million euros relating to the acceptance of the expression of interest by management personnel for the application of Article 4, paragraphs 1-7ter, of Law N. 92 of 28 June 2012, the Fornero law (former agreement of June 19, 2015) and the commencement of a managerial restructuring plan linked to the revision of the company organizational structures underway. In addition, Telecom Italia Information Technology and Olivetti allocated provisions totaling around 27 million euros for agreements with trade unions being finalized relating to the application of Article 4 of the Fornero Law for non-management personnel;

Other operating expenses amounted to 138 million euros, showing an increase of 15 million euros over the first quarter of 2015. The breakdown of the item is reported in the table below:

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change
Write-downs and expenses in connection with credit management	68	59	9
Provision charges	6	6	

TLC operating fees and charges	12	11	1
Indirect duties and taxes	23	25	(2)
Sundry expenses	29	22	7
Total	138	123	15

EBIT

EBIT for the first quarter of 2016 came to 662 million euros (814 million euros in the same period of 2015), down 152 million euros (-18.7%), with an EBIT margin of 18.7% (22.4% in the first quarter of 2015). The EBIT performance reflected the reduction in EBITDA described above.

EBIT for the first quarter of 2016 was pulled down by a total of 67 million euros in non-recurring expenses, without which the organic change in EBIT would have been -10.6%, with an EBIT margin of 20.5%.

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Organic EBIT is calculated as follows:

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change amount	Change %
REPORTED EBIT	662	814	(152)	(18.7)
Foreign currency financial statements translation effect				
Changes in the scope of consolidation				
ORGANIC EBIT	662	814	(152)	(18.7)
of which non-recurring income/(expenses)	(67)	(1)	(66)	
ORGANIC EBIT excluding non-recurring component	729	815	(86)	(10.6)

Financial highlights of the Domestic Cash Generating Units

The main financial and operating highlights of the Domestic Business Unit are reported according to two Cash Generating units (CGU):

Core Domestic: includes all telecommunications activities pertaining to the Italian market. Revenues are broken down in the following tables according to the net contribution of each market segment to the CGU s results, excluding intrasegment transactions. The sales market segments established on the basis of the customer centric organizational model are as follows:

Consumer: the segment consists of all Fixed and Mobile voice and Internet services and products managed and developed for individuals and families and of public telephony; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; the segment includes the companies 4G and Persidera;

Business: the segment consists of voice, data, and Internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets; following the merger of Telecom Italia Digital Solutions in Olivetti, the latter was incorporated into the Business segment as of 1 January 2016;

Wholesale: the segment consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed and Mobile telecommunications operators in the domestic market and Open Access operations connected with delivery and assurance processes for customer services;

Other (INWIT S.p.A. and support structures): includes:

INWIT S.p.A.: from April 2015 the company has been operating within the Operations area in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for Telecom Italia and other operators;

Other Operations units: covering technological innovation and the processes of development, engineering, building and operating network infrastructures, real estate properties and plant engineering; development of the information technology strategy, guidelines and plan;

Staff & Other: services carried out by Staff functions and other support activities performed by minor companies of the Group, also offered to the market and other Business Units.

International Wholesale Telecom Italia Sparkle group: includes the activities of the Telecom Italia Sparkle group, which operates in the market for international voice, data and Internet services for fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets;

Key results for the first quarter of 2016 for the Domestic Business Unit are presented in the following tables, broken down by market/business segment and compared to the first quarter of 2015.

Core Domestic

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change amount	Change %
Revenues [1]	3,310	3,397	(87)	(2.6)
Consumer	1,758	1,724	34	2.0
Business [2]	1,085	1,181	(96)	(8.1)
Wholesale	*433*	*457*	*(24)*	*(5.3)*
Other	*35*	*35*		
EBITDA	1,422	1,570	(148)	(9.4)
EBITDA Margin	*43.0*	*46.2*		*(3.2)pp*
EBIT	648	797	(149)	(18.7)
EBIT Margin	*19.6*	*23.5*		*(3.9)pp*
Headcount at period end (number)[*]	52,039	[3]51,741	298	0.6

(1) Following the change in the mission of Persidera, the Media Business Unit was included in the Domestic Business Unit (Core Domestic) as of January 1, 2016; without that change, Core Domestic revenues would have totaled 3,292 million euros, compared to 3,397 million euros in the first quarter of 2015.

(2) As result of the new organizational view, as of January 1, 2016 the Business segment also includes Olivetti. Figures for the period under comparison have been changed accordingly.

(3) Headcount at December 31, 2015.

(*) Without the change resulting from the aforementioned inclusion of the Media Business Unit into the Domestic Business Unit (Core Domestic), the headcount for the Core Domestic segment for the reporting period would have totaled 51,976 employees.

In detail:

Consumer: revenues for the Consumer segment for the first quarter of 2016 amounted to a total of 1,758 million euros, an increase of 34 million euros compared to the same period of 2015 (+2.0%). The trend confirms the recovery already witnessed in 2015, driven in particular by the solid, structural improvement in the Mobile segment, underpinned by market share regained and the stabilization of ARPU levels.

In particular:

revenues for the Mobile business came to 855 million euros, showing growth over the first quarter of 2015 (+70 million euros, +8.9%) and continuing the positive performance posted in previous quarters (fourth quarter 2015: +2.5%; third quarter: +3.3%; second quarter: -1.6%; first quarter: -1.5%). Revenues from services recorded an increase of 35 million euros (+4.9% compared to the first quarter of 2015), confirming the recovery witnessed in the second half of 2015 (fourth quarter 2015: +1.5%; third quarter: -0.3%; second quarter: -2.1%; first quarter: -4.3%), attributable to the easing of competition pressure, the progressive stabilization of market share and the steady growth in Internet mobile and digital services, supporting the stabilization of the ARPU;

revenues from the Fixed-line segment totaled 890 million euros, showing a drop of 57 million euros on the first quarter of 2015 (-6.0%) and continuing the slowdown witnessed in the last quarter of 2015 (-6.7%), driven down by the loss of voice-only accesses and greater pressures on ARPU levels, which were only partially offset by growth in innovative services, in particular positive growth in the Broadband customer base.

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Business: revenues for the Business segment amounted to 1,085 million euros, decreasing by 96 million euros compared to the first quarter of 2015 (-8.1%), of which -58 million euros (-5.5%) were attributable to the services component. In detail:

revenues from Mobile services fell by 23 million euros (-7.9% on the first quarter of 2015); specifically, the continuing decline in traditional mobile services (-18% in the voice and messaging component compared to the first quarter of 2015) was driven by the shift of customers towards bundled formulas with a lower overall ARPU level and the migration of Public Administration clients towards the new Consip offer (with lower unit prices), and was only partially recovered by the positive performance of new digital services (+2.5% compared to 2015);

revenues from Fixed-line services fell by 30 million euros (-3.8% compared to 2015): despite the steady growth in revenues from ICT services (+3.2%), particularly on Cloud services, the segment continued to be adversely affected by the slow economic recovery, the reduction in prices on traditional voice and data services, and the technological shift towards VoIP systems.

Wholesale: the Wholesale segment posted revenues of 433 million euros in the first quarter of 2016, showing a slight decrease compared to the same period of 2015 (-24 million euros, -5.3%), primarily due to the lowering of regulated prices; net of the price impact (equal to 18 million euros), the drop would have come to -1.5% compared to the same period of the previous year.

International Wholesale Telecom Italia Sparkle group

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change amount	%	% organic
Revenues	311	310	1	0.3	(0.3)
of which third party	*255*	*247*	*8*	*3.2*	*2.4*
EBITDA	42	43	(1)	(2.3)	(4.5)
EBITDA Margin	*13.5*	*13.9*		*(0.4)pp*	*(0.6)pp*
EBIT	14	17	(3)	(17.6)	(17.6)
EBIT Margin	*4.5*	*5.5*		*(1.0)pp*	*(0.9)pp*
Headcount at period end (number)(*)	674	(1)645	29	4.5	

(1) Headcount at December 31, 2015

(*) Includes employees with temp work contracts: 2 employees at 3/31/2016 (2 employees at 12/31/2015).

Revenues for the Telecom Italia Sparkle group International Wholesale in the first quarter 2016 totaled 311 million euros, substantially in line with the 2015 first quarter figure (+1 million euros, +0.3%). The result was shaped by growth in revenues from IP/Data services (+2 million euros, +2.8%) and the decline in revenues from Voice services (-1 million euros, -0.5%). All other business lines remained substantially stable.

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BRAZIL

	(millions of euros)		(millions of reais)			
	1st Quarter 2016 (a)	1st Quarter 2015 Revised (b)	1st Quarter 2016 (c)	1st Quarter 2015 Revised (d)	Change amount (c-d)	Change % (c-d)/d
Revenues	897	1,412	3,854	4,551	(697)	(15.3)
EBITDA	258	416	1,107	1,341	(234)	(17.4)
EBITDA Margin	*28.7*	*29.5*	*28.7*	*29.5*		*(0.8)pp*
EBIT	49	165	210	531	(321)	(60.5)
EBIT Margin	*5.4*	*11.7*	*5.4*	*11.7*		*(6.3)pp*
Headcount at period end (number)			12,280	(1)13,042	(762)	(5.8)

(1) Headcount at December 31, 2015

	1st Quarter 2016	1st Quarter 2015
Lines at period end (thousands) (*)	67,269	(1)66,234
MOU (minutes/month) (**)	118.6	120.3
ARPU (reais)	17.2	16.7

(1) Number at December 31, 2015
(*) Includes corporate lines.
(**) Net of visitors.

Revenues

Revenues for the first quarter of 2016 amounted to 3,854 million reais and were down 697 million reais (-15.3%) year-on-year. Service revenues totaled 3,618 million reais, a decrease of 326 million reais compared to 3,944 million reais for the first quarter of 2015 (-8.3%). Mobile Average Revenue Per User (ARPU) was 17.2 reais in the first quarter of 2016 compared to 16.7 reais in the same period of the previous year (+3%).

Revenues from product sales came to 236 million reais (607 million reais in the first quarter of 2015, -61.1%), reflecting a commercial policy less focused on the sale of handsets, in addition to the impact of the Brazilian macroeconomic crisis on household spending.

The total number of lines at March 31, 2016 amounted to 67,269 thousand, a slight increase compared to December 31, 2015, and corresponding to a market share of approximately 26.1% (25.7% at December 31, 2015).

EBITDA

EBITDA amounted to 1,107 million reais, down 234 million reais on the first quarter of 2015 (-17.4%). The decline in EBITDA was attributable to the fall in revenues, which was only partially offset by the deployment of efficiency measures on cost items and the reduction in costs for revenues due to other operators and the cost of sales; employee benefits expenses, on the other hand, increased also due to the salary inflation adjustment, in addition to other net non-recurring costs for termination benefits of 33 million reais.

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The EBITDA margin stood at 28.7%, 0.8 percentage points lower than in the first quarter of 2015.

With regard to the change in the main costs, the following is noted:

	(millions of euros)		(millions of reais)		
	1st Quarter 2016 (a)	1st Quarter 2015 (b)	1st Quarter 2016 (c)	1st Quarter 2015 (d)	Change (c-d)
Acquisition of goods and services	475	827	2,043	2,666	(623)
Employee benefits expenses	88	97	379	313	66
Other operating expenses	111	140	479	449	30
Change in inventories	(9)	(38)	(40)	(122)	82

Acquisition of goods and services totaled 2,043 million reais (2,666 million reais in the first quarter of 2015), representing a reduction of 23.4% (-623 million reais), broken down as follows:

-486 million reais for purchases relating primarily to products for resale costs;

-77 million reais for revenues due to other TLC operators;

-78 million reais for external service costs;

+18 million reais for rent and lease costs.

Employee benefits expenses, amounting to 379 million reais, were up 66 million reais compared with the first quarter of 2015 (+21.1%). The average workforce changed from 11,745 employees in the first quarter of 2015 to 11,657 employees in the first quarter of 2016. In the first quarter of 2016, non-recurring costs for termination benefits totaled 33 million reais. The ratio of employee benefits expenses to total revenues rose to 9.8%, an increase of 3 percentage points over the same period of the previous year;

Other operating expenses amounted to 479 million reais, an increase of 6.7% on the first quarter of 2015, and were broken down as follows:

(millions of reais)	1st Quarter 2016	1st Quarter 2015	Change
Write-downs and expenses in connection with credit management	71	56	15
Provision charges	63	57	6
TLC operating fees and charges	324	308	16
Indirect duties and taxes	6	15	(9)

Sundry expenses	15	13	2
Total	479	449	30

EBIT

EBIT came to 210 million reais, down 321 million reais compared to the first quarter of 2015. In addition to the lower contribution of EBITDA, this result reflected the higher depreciation and amortization of +98 million reais due to greater capital expenditure.

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Agreement for the sale of telecommunication towers

You are reminded that the agreement is being implemented, which was signed by TIM Celular with American Tower do Brasil on November 21, 2014, for the sale of part of the mobile infrastructure (6,481 telecommunication towers) for a total value of around 3 billion reais. The sales agreement was signed in conjunction with a master lease agreement lasting 20 years and, accordingly, the transaction is to be considered as a partial sale and lease back.

The sales of the first three blocks were completed in 2015, as described in the Consolidated Financial Statements of the Telecom Italia Group at December 31, 2015; no further sales were completed during the first quarter of 2016.

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DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE

On March 8, 2016, following the approval by the Enacom, the Argentinian communications regulatory authority, the Telecom Italia Group completed the sale of the entire remaining interest in the Sofora Telecom Argentina group.

A summary is provided below of the income statement impacts from the Sofora Telecom Argentina group and its sale; the figures for the first quarter of 2016 have been translated at the average exchange rate for the period January 1 March 8 (15.7981 pesos per euro), whereas the figures for the first quarter 2015 have been translated at the related average exchange rate (9.78805 pesos per euro):

(millions of euros)		1/1 3/8 2016	1st Quarter 2015
Income statement effects from Discontinued operations/Non-current assets held for sale:			
Revenues		504	906
EBITDA		133	268
EBITDA Margin		*26.4*	*29.6*
Operating profit (loss) (EBIT)		133	269
EBIT Margin		*26.4*	*29.6*
Finance income (expenses), net		(42)	(7)
Profit (loss) before tax from Discontinued operations/Non-current assets held for sale		91	262
Income tax expense		(32)	(91)
Profit (loss) after tax from Discontinued operations/Non-current assets held for sale	(a)	59	171
Other minor entries	(b)		(2)
Profit (loss) from Discontinued operations/Non-current assets held for sale	(c=a+b)	59	169
Income statement effects on the selling entities:			
Net gains on disposal		307	
Transfer to the separate consolidated income statement of the Reserve for exchange differences on translating foreign operations		(304)	
Income tax expense relating to the disposal		(15)	
	(d)	(12)	
Profit (loss) from Discontinued operations/Non-current assets held for sale	(c+d)	47	169
Attributable to:			
Owners of the Parent		(3)	24
Non-controlling interests		50	145

For more details, see the Note Discontinued operations/Non-current assets held for sale in the Condensed Consolidated Financial Statements of the Telecom Italia Group at March 31, 2016.

at March 31, 2016	Discontinued operations/Non-current assets held for sale

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CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

NON-CURRENT ASSETS

Goodwill: increased by 53 million euros, from 29,383 million euros at the end of 2015 to 29,436 million euros at March 31, 2016, due to positive changes of 45 million euros in foreign exchange rates applicable to the Group s Brazilian operations (1) and the recognition of the provisional goodwill, of 8 million euros, resulting from the acquisitions made by INWIT S.p.A. in January 2016.

Further details are provided in the Note Goodwill in the condensed consolidated financial statements at March 31, 2016 of the Telecom Italia Group.

Other intangible assets: were up 36 million euros, from 6,480 million euros at the end of 2015 to 6,516 million euros at March 31, 2016, representing the balance of the following items:

capex (+342 million euros);

amortization charge for the period (-418 million euros);

disposals, exchange differences, reclassifications and other changes (for a net positive balance of 112 million euros).

Tangible assets: were up 159 million euros, from 14,867 million euros at the end of 2015 to 15,026 million euros at March 31, 2016, representing the balance of the following items:

capex (+602 million euros);

changes in financial leasing contracts (+46 million euros);

depreciation charge for the period (-591 million euros);

disposals, exchange differences, reclassifications and other changes (for a net positive balance of 102 million euros).

CONSOLIDATED EQUITY

Consolidated equity amounted to 20,216 million euros (21,249 million euros at December 31, 2015), of which 18,181 million euros attributable to Owners of the Parent (17,554 million euros at December 31, 2015) and 2,035 million euros attributable to non-controlling interests (3,695 million euros at December 31, 2015).

In greater detail, the changes in equity were the following:

(millions of euros)	3/31/2016
At the beginning of the period	21,333
Revised for errors	(84)
At the beginning of the adjusted period	21,249
Total comprehensive income (loss) for the period	746
Dividends approved by:	
Telecom Italia S.p.A.	
Other Group companies	
INWIT - effect of sale of the non-controlling interest	
Merger of TI Media S.p.A. into Telecom Italia S.p.A.	
Convertible bond issue maturing 2022 - equity component	
Issue of equity instruments	
Disposal of the Sofora Telecom Argentina group	(1,795)
Other changes	16
At the end of the period	20,216

(1) The spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) was 4.05181 at March 31, 2016 and 4.25116 at December 31, 2015.

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CASH FLOWS

Adjusted net financial debt stood at 27,139 million euros, down 139 million euros compared to December 31, 2015 (27,278 million euros). The decrease was partly attributable to the deconsolidation of the net financial debt of the Sofora Telecom Argentina group following the completion of its sale on March 8, 2016.

The table below summarizes the main transactions that had an impact on the change in adjusted net financial debt during the first quarter of 2016:

Change in adjusted net financial debt

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change
EBITDA	1,712	2,033	(321)
Capital expenditures on an accrual basis	(944)	(964)	20
Change in net operating working capital:	(750)	(1,502)	752
Change in inventories	*(87)*	*(40)*	*(47)*
Change in trade receivables and net amounts due from customers on construction contracts	*30*	*(345)*	*375*
Change in trade payables (*)	*(566)*	*(979)*	*413*
Other changes in operating receivables/payables	*(127)*	*(138)*	*11*
Change in employee benefits	59	(6)	65
Change in operating provisions and Other changes	(52)	(16)	(36)
Net operating free cash flow	25	(455)	480
% of Revenues	*0.6*	*(9.0)*	*9.6 pp*
Sale of investments and other disposals flow	707	3	704
Share capital increases/reimbursements, including incidental costs		186	(186)
Financial investments flow	(9)		(9)
Dividends payment		(3)	3
Change in financial leasing contracts	(46)		(46)
Finance expenses, income taxes and other net non-operating requirements flow	(500)	(486)	(14)
Reduction/(Increase) in adjusted net financial debt from continuing operations	177	(755)	932
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	(38)	(24)	(14)
Reduction/(Increase) in adjusted net financial debt	139	(779)	918

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

In addition to what has already been illustrated with reference to EBITDA, adjusted net financial debt in the first quarter of 2016 was particularly impacted by the following:

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Capital expenditures on an accrual basis

The breakdown of capital expenditures by operating segment is as follows:

(millions of euros)	1st Quarter 2016	% of total	1st Quarter 2015	% of total	Change
Domestic (*)	778	82.4	676	70.1	102
Brazil	166	17.6	287	29.8	(121)
Other Operations			1	0.1	(1)
Adjustments and eliminations					
Consolidated Total	944	100.0	964	100.0	(20)
% of Revenues	*21.3*		*19.1*		*2.2 pp*

(*) Following the change in the business mission of Persidera, the Media Business Unit was incorporated into the Domestic Business Unit (Core Domestic) as of January 1, 2016; without that change, the capital expenditure of the Domestic Business Unit for the first quarter of 2016 would have been 777 million euros.

Capital expenditure in the first quarter of 2016 totaled 944 million euros, down 20 million euros (-2.1%) on the first quarter of 2015. In particular:

- the Domestic Business Unit posted capital expenditures of 778 million euros, an increase of 102 million euros compared to the first quarter of 2015. The increase was driven in particular by much higher innovation expenditure on the development of next-generation networks and services (+169 million euros), which accounted for 50% of all capital expenditure (33% in the same period of 2015).

- the Brazil Business Unit recorded a decrease of 121 million euros (including a negative currency effect of 72 million euros) compared to the first quarter of 2015; these capital expenditures were mainly aimed at the development of the industrial infrastructure and at sales support platforms.

Change in net operating working capital

The change in net operating working capital for the first quarter 2016 was a decrease of 750 million euros (decrease of 1,502 million euros in the first quarter 2015). In particular:

- the change in inventories generated a negative impact of 87 million euros whereas the management of trade receivables generated a positive impact of 30 million euros;

the change in trade payables (-566 million euros) reflected a seasonal peak in payments of bills payable. Capital expenditure and external costs generally peak in the final quarter of the year, however the related cash flows are largely postponed to the following quarter due to the normal payment terms and contractually applicable conditions;

the other changes in operating receivables/payables (-127 million euros) include a negative amount of 186 million euros, for levies on telecommunications operations paid by the Brazil Business Unit the taxes are normally paid every year by the end of March**.** This change was partly offset by the performance of other operating payables of the Domestic Business Unit.

Change in employee benefits, operating provisions and other changes

The change in employee benefits mainly reflected the non-recurring provisions for risk made during the first quarter of 2016.

Sale of investments and other disposals flow

This was positive by 707 million euros in the first quarter of 2016 (3 million euros in the first quarter of 2015) and related to the sale of the Sofora Telecom Argentina group for 704 million euros (545 million euros representing the price and 159 million euros for the deconsolidation of the related net financial debt), with the remaining amount relating to disposals of assets as part of normal operations.

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Share capital increases/reimbursements, including incidental costs

In the first quarter of 2016 this item amounted to zero.

In the first quarter of 2015, the item amounted to 186 million euros and related to the conversion option of the 1.125% unsecured equity-linked bond amounting to 2 billion euros, issued on March 26, 2015 and maturing on March 26, 2022.

Financial investments flow

In the first quarter of 2016 this item amounted to 9 million euros (zero in the first quarter of 2015) and consisted of around 6 million euros for the payment made by INWIT S.p.A., net of the cash acquired, for the acquisition of the investments in Revi Immobili S.r.l., Gestione Immobili S.r.l. and Gestione Due S.r.l., and around 3 million euros for the subscription of the capital increase in the company Northgate held as a non-controlling interest.

Change in financial leasing contracts

This item, amounting to 46 million euros, represents the higher value of tangible assets under financial lease, which is partly a reflection of the associated higher financial payables, posted mainly as a result of contractual renegotiations by Telecom Italia S.p.A. in the first quarter of 2016 within the real estate transformation project and the renegotiation of the car rental agreements.

Further details are provided in the Note Tangible assets (owned and under finance leases) of the Condensed Consolidated Financial Statements at March 31, 2016 of the Telecom Italia Group.

Finance expenses, income taxes and other net non-operating requirements flow

The item amounted to 500 millions euros and mainly included the payment, during the first quarter of 2016, of net finance expenses and income taxes, as well as the change in non-operating receivables and payables.

Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale

The item shows cash flow absorbed by the Sofora Telecom Argentina group, equal to 38 million euros, before the disposal of the investment and the consequent deconsolidation of the relative net financial debt as of March 8, 2016. In the first quarter of 2015, this item amounted to a negative 24 million euros.

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Net financial debt

Net financial debt is composed as follows:

(millions of euros)	3/31/2016 (a)	12/31/2015 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	19,653	19,883	(230)
Amounts due to banks, other financial payables and liabilities	8,410	8,364	46
Finance lease liabilities	2,291	2,271	20
	30,354	30,518	(164)
Current financial liabilities (*)			
Bonds	2,640	3,681	(1,041)
Amounts due to banks, other financial payables and liabilities	1,644	2,390	(746)
Finance lease liabilities	156	153	3
	4,440	6,224	(1,784)
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale		348	(348)
Total Gross financial debt	34,794	37,090	(2,296)
Non-current financial assets			
Securities other than investments	(2)	(3)	1
Financial receivables and other non-current financial assets	(2,764)	(2,986)	222
	(2,766)	(2,989)	223
Current financial assets			
Securities other than investments	(735)	(1,488)	753
Financial receivables and other current financial assets	(395)	(352)	(43)
Cash and cash equivalents	(2,665)	(3,559)	894
	(3,795)	(5,399)	1,604
Financial assets relating to Discontinued operations/Non-current assets held for sale		(227)	227

Total financial assets	(6,561)	(8,615)	2,054
Net financial debt carrying amount	28,233	28,475	(242)
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(1,094)*	*(1,197)*	*103*
Adjusted net financial debt	27,139	27,278	(139)
Breakdown as follows:			
Total adjusted gross financial debt	32,296	34,602	(2,306)
Total adjusted financial assets	(5,157)	(7,324)	2,167
(*) of which current portion of medium/long-term debt:			
Bonds	*2,640*	*3,681*	*(1,041)*
Amounts due to banks, other financial payables and liabilities	*1,047*	*1,482*	*(435)*
Finance lease liabilities	*156*	*153*	*3*

The financial risk management policies of the Telecom Italia Group are aimed at minimizing market risks, fully hedging exchange rate risk, and optimizing interest rate exposure through appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments. Such instruments, it should be stressed, are not used for speculative purposes and all have an underlying, which is hedged.

In addition, to determine its exposure to interest rates, the Group sets an optimum composition for the fixed-rate and variable-rate debt structure and uses derivative financial instruments to achieve that composition. Taking into account the Group s operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at a range of 65% 75% for the fixed-rate component and 25% - 35% for the variable-rate component.

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In managing market risks, the Group has adopted Guidelines for the Management and control of financial risk and mainly uses IRS and CCIRS derivative financial instruments.

To provide a better representation of the true performance of Net Financial Debt, from 2009, in addition to the usual indicator (renamed Net financial debt carrying amount), a measure called Adjusted net financial debt has also been shown, which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects resulting from the introduction of IFRS 13 Fair Value Measurement from January 1, 2013) from the measurement of derivatives and related financial assets/liabilities.

Sales of receivables to factoring companies

Sales of trade receivables to factoring companies finalized during the first quarter of 2016 resulted in a positive effect on net financial debt at March 31, 2016 of 777 million euros (1,106 million euros at December 31, 2015).

Gross financial debt

Bonds

Bonds at March 31, 2016 were recorded for a total of 22,293 million euros (23,564 million euros at December 31, 2015). Their nominal repayment amount was 21,848 million euros, down 1,099 million euros compared to December 31, 2015 (22,947 million euros).

Changes in bonds over the first quarter of 2016 are shown below:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 750 million euros 3.625% maturing 1/19/2024	Euro	750	1/20/2016

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 663 million euros 5.125% (1)	Euro	663	1/25/2016
Telecom Italia S.p.A. 708 million euros 8.250% (2)	Euro	708	3/21/2016

(1) Net of buybacks by the Company of 337 million euros during 2014 and 2015.
(2) Net of buybacks by the Company of 142 million euros during 2014.

With reference to the Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, at March 31, 2016, the nominal amount was equal to 200 million euros and was unchanged compared to December 31, 2015.

Revolving Credit Facility and Term Loan

The following table shows the composition and the draw down of the committed credit lines available at March 31, 2016:

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(billions of euros)		3/31/2016 Agreed	3/31/2016 Drawn down	12/31/2015 Agreed	12/31/2015 Drawn down
Revolving Credit Facility	expiring May 2019	4.0		4.0	
Revolving Credit Facility	expiring March 2020	3.0		3.0	
Total		7.0		7.0	

Telecom Italia has two syndicated Revolving Credit Facilities for amounts of 4 billion euros and 3 billion euros expiring May 24, 2019 and March 25, 2020 respectively, both not yet drawn down. The beneficial changes to the economic terms of the Revolving Credit Facilities took effect from January 4, 2016, together with the two-year extension to those facilities.

Telecom Italia also has access to:

- a bilateral Term Loan from Banca Regionale Europea expiring July 2019 for 200 million euros, drawn down for the full amount;
- two bilateral Term Loans from Cassa Depositi e Prestiti respectively for 100 million euros expiring in April 2019 and 150 million euros expiring in October 2019, drawn down for the full amount;
- two bilateral Term Loans from Mediobanca respectively for 200 million euros expiring in November 2019 and 150 million euros expiring in July 2020, drawn down for the full amount;
- a bilateral Term Loan from ICBC expiring July 2020 for 120 million euros, drawn down for the full amount;
- a bilateral Term Loan from Intesa Sanpaolo expiring August 2021 for 200 million euros, drawn down for the full amount.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) is 7.94 years.

The average cost of the Group s debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, is about 5.3%.

For details of the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, see the Notes Financial liabilities (non-current and current) in the Condensed Consolidated Financial Statements at March 31, 2016 of the Telecom Italia Group.

Current financial assets and liquidity margin

The Telecom Italia Group s available liquidity margin amounted to 10,400 million euros at March 31, 2016, corresponding to the sum of Cash and cash equivalents and Current securities other than investments , totaling 3,400 million euros (5,047 million euros at December 31, 2015), and the committed credit lines, mentioned above, of which a total of 7,000 million euros has not been drawn down. This margin is sufficient to cover Group financial liabilities due at least for the next 24 months.

In particular:

Cash and cash equivalents amounted to 2,665 million euros (3,559 million euros at December 31, 2015). The different technical forms of investing available cash at March 31, 2016 can be analyzed as follows:

Maturities: investments have a maximum maturity of three months;

Counterparty risk: investments by the European companies are made with leading banking, financial and industrial institutions with high credit quality. Investments by the companies in South America are made with leading local counterparties;

Country risk: deposits have been made mainly in major European financial markets.

Current securities other than investments amounted to 735 million euros (1,488 million euros at December 31, 2015): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They include 259 million euros of Italian treasury bonds purchased by Telecom Italia S.p.A., 6 million euros of Italian Treasury Certificates (assigned to Telecom Italia S.p.A. as the holder of trade receivables, as per Italian Ministry of the Economy and Finance

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Decree of 12/3/2012), and 335 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. The purchases of the above government bonds and CCTs, which, pursuant to Consob Communication DEM/11070007 of August 5, 2011, represent investments in Sovereign debt securities , have been made in accordance with the Guidelines for the Management and control of financial risk adopted by the Telecom Italia Group since August 2012, in replacement of the previous policies in force. In addition, the Brazil Business Unit made an investment for an equivalent value of 135 million euros in a monetary fund that invests almost entirely in instruments in US dollars.

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CONSOLIDATED FINANCIAL STATEMENTS TELECOM ITALIA GROUP

Following the adoption into Italian legislation of the changes to the Transparency Directive, the requirement, established in Article 154-ter (Financial reports) of Italian Legislative Decree 58/1998 (Consolidated Law on Finance), for listed Issuers, with Italy as their Member State of origin, to prepare interim financial reports for the first and third quarter of the year, has been removed. However, Consob has been given the power to order the publication, through specific regulations and after having verified their impact, of periodic financial disclosures in addition to the annual and half-year financial reports.

Pending the regulatory developments on this matter, and in order to ensure adequate continuity of information to the market, Telecom Italia shall continue on a transitional and voluntary basis to prepare and publish its interim management reports for the first and third quarter of the year. The Interim Report also includes the Condensed Consolidated Financial Statements at March 31, 2016, prepared in compliance with the IFRS issued by the IASB and endorsed by the EU and, specifically, IAS 34 Interim Reports. The Condensed Consolidated Financial Statements at March 31, 2016 have not been audited.

The accounting policies and consolidation principles adopted in the preparation of the condensed consolidated financial statements at March 31, 2016 are the same as those adopted in the Telecom Italia Group annual consolidated financial statements at December 31, 2015, to which reference can be made, except for the application of the new Standards/Interpretations adopted by the Group from January 1, 2016. However, as described in the notes to the condensed consolidated financial statements at March 31, 2016, the new Standards/Interpretations had no effects on the consolidated financial statements of the Group.

Within the Brazil Business Unit, Management recently identified that incorrect accounting entries were made in prior years in connection with the recognition of service revenues from the sale of prepaid traffic. Such incorrect accounting entries, which did not have any impact either in terms of net financial position nor on cash and cash equivalents, resulted in the early recognition of revenues with respect to prepaid traffic not yet consumed. The comparative financial information as of December 31, 2015 and for the three-month period ended March 31, 2015, have been therefore revised, with no material impact on the figures under comparison.

The Telecom Italia Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA; EBIT; the organic change in revenues, EBITDA and EBIT; and net financial debt carrying amount and adjusted net financial debt. Moreover, the part entitled Business Outlook for the Year 2016 contains forward-looking statements in relation to the Group s intentions, beliefs or current expectations regarding financial performance and other aspects of the Group s operations and strategies. Readers of the present Interim Report are reminded not to place undue reliance on forward-looking statements; actual results may differ significantly from forecasts owing to numerous factors, the majority of which are beyond the scope of the Group s control.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

The following changes in the scope of consolidation occurred during the first quarter of 2016:

Sofora - Telecom Argentina group: classified as Discontinued Operations (Discontinued operations/Non-current assets held for sale) was sold on March 8, 2016;

Revi Immobili S.r.l., Gestione Due S.r.l. and Gestione Immobili S.r.l. (Domestic Business Unit): on January 11, 2016, INWIT S.p.A. purchased 100% of these companies, which therefore entered into the Group s scope of consolidation.

The following changes in the scope of consolidation occurred during 2015:

INWIT S.p.A. (Domestic Business Unit): established in January 2015;

Alfabook S.r.l. (Domestic Business Unit): on July 1, 2015, Telecom Italia Digital Solution S.p.A. (now merged into Olivetti S.p.A.) acquired 100% of the company, which consequently entered the Group s scope of consolidation;

TIM Real Estate S.r.l. (Domestic Business Unit): established in November 2015.

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Separate Consolidated Income Statements

(millions of euros)	1st Quarter 2016 (a)	1st Quarter 2015 Revised (b)	Change (a-b) amount	%
Revenues	4,440	5,054	(614)	(12.1)
Other income	47	53	(6)	(11.3)
Total operating revenues and other income	4,487	5,107	(620)	(12.1)
Acquisition of goods and services	(1,923)	(2,171)	248	11.4
Employee benefits expenses	(848)	(833)	(15)	(1.8)
Other operating expenses	(247)	(265)	18	6.8
Change in inventories	85	47	38	80.9
Internally generated assets	158	148	10	6.8
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	1,712	2,033	(321)	(15.8)
Depreciation and amortization	(1,009)	(1,052)	43	4.1
Gains/(losses) on disposals of non-current assets	3		3	
Impairment reversals (losses) on non-current assets	(2)		(2)	
Operating profit (loss) (EBIT)	704	981	(277)	(28.2)
Share of losses (profits) of associates and joint ventures accounted for using the equity method				
Other income (expenses) from investments		2	(2)	
Finance income	1,120	1,512	(392)	(25.9)
Finance expenses	(1,146)	(2,329)	1,183	50.8
Profit (loss) before tax from continuing operations	678	166	512	
Income tax expense	(221)	(74)	(147)	
Profit (loss) from continuing operations	457	92	365	
Profit (loss) from Discontinued operations/Non-current assets held for sale	47	169	(122)	(72.2)
Profit (loss) for the period	504	261	243	93.1
Attributable to:				
Owners of the Parent	433	82	351	
Non-controlling interests	71	179	(108)	(60.3)

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Consolidated Statements of Comprehensive Income

In accordance with IAS 1 (*Presentation of Financial Statements*), the following consolidated statements of comprehensive income include 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 Quarter 2016	1st Quarter 2015 Revised
Profit (loss) for the period	(a)	504	261
Other components of the Consolidated Statements of Comprehensive Income			
Other components that subsequently will not be reclassified in the Separate Consolidated Income Statements			
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)			
Income tax effect			
	(b)		
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)			
Income tax effect			
	(c)		
Total other components that subsequently will not be reclassified in the Separate Consolidated Income Statements	(d=b+c)		
Other components that subsequently will be reclassified in the Separate Consolidated Income Statements			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		87	39
Loss (profit) transferred to the Separate Consolidated Income Statements		(82)	(4)
Income tax effect		(4)	(7)
	(e)	1	28
Hedging instruments:			
Profit (loss) from fair value adjustments		(679)	539
Loss (profit) transferred to the Separate Consolidated Income Statements		382	(455)
Income tax effect		88	(22)
	(f)	(209)	62
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		146	(158)
		304	

Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statements			
Income tax effect			
	(g)	450	(158)
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)			
Loss (profit) transferred to the Separate Consolidated Income Statements			
Income tax effect			
	(h)		
Total other components that subsequently will be reclassified to the Separate Consolidated Income Statements	(i=e+f+g+h)	242	(68)
Total other components of the Consolidated Statements of Comprehensive Income	(k=d+i)	242	(68)
Total comprehensive income (loss) for the period	(a+k)	746	193
Attributable to:			
Owners of the Parent		638	(44)
Non-controlling interests		108	237

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Consolidated Statements of Financial Position

(millions of euros)		3/31/2016 (a)	12/31/2015 Revised (b)	Change (a-b)	1.1.2015 Revised
Assets					
Non-current assets					
Intangible assets					
Goodwill		29,436	29,383	53	29,943
Intangible assets with a finite useful life		6,516	6,480	36	6,827
		35,952	35,863	89	36,770
Tangible assets					
Property, plant and equipment owned		12,816	12,659	157	12,544
Assets held under finance leases		2,210	2,208	2	843
		15,026	14,867	159	13,387
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method		41	41		36
Other investments		41	45	(4)	43
Non-current financial assets		2,766	2,989	(223)	2,445
Miscellaneous receivables and other non-current assets		1,899	1,778	121	1,614
Deferred tax assets		894	853	41	1,118
		5,641	5,706	(65)	5,256
Total Non-current assets	(a)	56,619	56,436	183	55,413
Current assets					
Inventories		341	254	87	313
Trade and miscellaneous receivables and other current assets		5,534	5,112	422	5,617
Current income tax receivables		26	163	(137)	101
Current financial assets					
Securities other than investments, financial receivables and other current financial assets		1,130	1,840	(710)	1,611
Cash and cash equivalents		*2,665*	*3,559*	*(894)*	*4,812*
		3,795	5,399	(1,604)	6,423
Current assets sub-total		9,696	10,928	(1,232)	12,454
Discontinued operations/Non-current assets held for sale					
of a financial nature			227	(227)	165
of a non-financial nature			3,677	(3,677)	3,564
			3,904	(3,904)	3,729
Total Current assets	(b)	9,696	14,832	(5,136)	16,183
Total Assets	(a+b)	66,315	71,268	(4,953)	71,596

(millions of euros)		3/31/2016 (a)	12/31/2015 Revised (b)	Change (a-b)	1.1.2015 Revised
Equity and Liabilities					
Equity					
Equity attributable to Owners of the Parent		18,181	17,554	627	18,068
Non-controlling interests		2,035	3,695	(1,660)	3,516
Total Equity	(c)	20,216	21,249	(1,033)	21,584
Non-current liabilities					
Non-current financial liabilities		30,354	30,518	(164)	32,325
Employee benefits		1,459	1,420	39	1,056
Deferred tax liabilities		367	323	44	438
Provisions		551	551		720
Miscellaneous payables and other non-current liabilities		1,140	1,110	30	697
Total Non-current liabilities	(d)	33,871	33,922	(51)	35,236
Current liabilities					
Current financial liabilities		4,440	6,224	(1,784)	4,686
Trade and miscellaneous payables and other current liabilities		7,701	7,882	(181)	8,536
Current income tax payables		87	110	(23)	36
Current liabilities sub-total		12,228	14,216	(1,988)	13,258
Liabilities directly associated with Discontinued operations/Non-current assets held for sale					
of a financial nature			348	(348)	43
of a non-financial nature			1,533	(1,533)	1,475
			1,881	(1,881)	1,518
Total Current Liabilities	(e)	12,228	16,097	(3,869)	14,776
Total Liabilities	(f=d+e)	46,099	50,019	(3,920)	50,012
Total Equity and Liabilities	(c+f)	66,315	71,268	(4,953)	71,596

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Consolidated Statements of Cash Flows

(millions of euros)		1st Quarter 2016	1st Quarter 2015 Revised
Cash flows from operating activities:			
Profit (loss) from continuing operations		457	92
Adjustments for:			
Depreciation and amortization		1,009	1,052
Impairment losses (reversals) on non-current assets (including investments)		2	3
Net change in deferred tax assets and liabilities		90	(11)
Losses (gains) realized on disposals of non-current assets (including investments)		(4)	
Share of losses (profits) of associates and joint ventures accounted for using the equity method			
Change in employee benefits		59	(6)
Change in inventories		(87)	(40)
Change in trade receivables and net amounts due from customers on construction contracts		30	(345)
Change in trade payables		(25)	(605)
Net change in current income tax receivables/payables		96	51
Net change in miscellaneous receivables/payables and other assets/liabilities		(279)	(45)
Cash flows from (used in) operating activities	(a)	1,348	146
Cash flows from investing activities:			
Purchase of intangible assets		*(342)*	*(429)*
Purchase of tangible assets		*(648)*	*(535)*
Total purchase of intangible and tangible assets on an accrual basis		(990)	(964)
Change in amounts due for purchases of intangible and tangible assets		*(494)*	*(374)*
Total purchase of intangible and tangible assets on a cash basis		(1,484)	(1,338)
Acquisition of control in subsidiaries or other businesses, net of cash acquired		(6)	
Acquisitions/disposals of other investments		(3)	
Change in financial receivables and other financial assets		862	(1,631)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		492	
Proceeds from sale/repayment of intangible, tangible and other non-current assets		3	3
Cash flows from (used in) investing activities	(b)	(136)	(2,966)
Cash flows from financing activities:			
Change in current financial liabilities and other		(522)	1,327
Proceeds from non-current financial liabilities (including current portion)		931	3,015
Repayments of non-current financial liabilities (including current portion)		(2,157)	(965)
Share capital proceeds/reimbursements (including subsidiaries)			186
Dividends paid			(3)

Changes in ownership interests in consolidated subsidiaries			
Cash flows from (used in) financing activities	(c)	(1,748)	3,560
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d)	(45)	9
Aggregate cash flows	(e=a+b+c+d)	(581)	749
Net cash and cash equivalents at beginning of the period	(f)	3,216	4,910
Net foreign exchange differences on net cash and cash equivalents	(g)	26	(57)
Net cash and cash equivalents at end of the period	(h=e+f+g)	2,661	5,602

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Additional Cash Flow Information

(millions of euros)	1st Quarter 2016	1st Quarter 2015 Revised
Income taxes (paid) received	(26)	(18)
Interest expense paid	(721)	(771)
Interest income received	165	149
Dividends received		

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Quarter 2016	1st Quarter 2015 Revised
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents - from continuing operations	3,559	4,812
Bank overdrafts repayable on demand from continuing operations	(441)	(19)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	98	117
Bank overdrafts repayable on demand from Discontinued operations/Non-current assets held for sale		
	3,216	4,910
Net cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	2,665	5,507
Bank overdrafts repayable on demand from continuing operations	(4)	(31)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale		126
Bank overdrafts repayable on demand from Discontinued operations/Non-current assets held for sale		
	2,661	5,602

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ANALYSIS OF THE MAIN CONSOLIDATED FINANCIAL AND OPERATING ITEMS

Acquisition of goods and services

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change
Purchases of goods	420	486	(66)
Revenues due to other TLC operators and interconnection costs	478	557	(79)
Commercial and advertising costs	289	351	(62)
Power, maintenance and outsourced services	305	322	(17)
Rent and leases	166	177	(11)
Other service expenses	265	278	(13)
Total acquisition of goods and services	1,923	2,171	(248)
% of Revenues	*43.3*	*43.0*	*0.3 pp*

Employee benefits expenses

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change
Employee benefits expenses - Italy	753	729	24
Ordinary employee expenses and costs	688	729	(41)
Restructuring and other expenses	65		65
Employee benefits expenses Outside Italy	95	104	(9)
Ordinary employee expenses and costs	87	104	(17)
Restructuring and other expenses	8		8
Total employee benefits expenses	848	833	15
% of Revenues	*19.1*	*16.5*	*2.6 pp*

Average salaried workforce

(equivalent number)		1st Quarter 2016	1st Quarter 2015	Change
Average salaried workforce	Italy	47,444	47,428	16
Average salaried workforce	Outside Italy	11,925	12,009	(84)
Total average salaried workforce [(1)]		59,369	59,437	(68)
Non-current assets held for sale - Sofora - Telecom Argentina group		10,322	15,541	(5,219)
Total average salaried workforce - including Non-current assets held for sale		69,691	74,978	(5,287)

(1) Includes employees with temp work contracts: 3 on average in the first quarter of 2016 (1 in Italy and 2 outside Italy). In the first quarter of 2015, the average headcount was 4 (3 in Italy and 1 outside Italy).

Headcount at period end

(number)		3/31/2016	12/31/2015	Change
Headcount	Italy	52,554	52,555	(1)
Headcount	Outside Italy	12,553	13,312	(759)
Total headcount at period end [(1)]		65,107	65,867	(760)
Non-current assets held for sale - Sofora - Telecom Argentina group			16,228	(16,228)
Total headcount at period end - including Non-current assets held for sale		65,107	82,095	(16,988)

(1) Includes employees with temp work contracts: 3 at March 31, 2016 and 3 at December 31, 2015.

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Headcount at period end   Breakdown by Business Unit

(number)	3/31/2016	12/31/2015	Change
Domestic (*)	52,713	52,644	69
Brazil	12,280	13,042	(762)
Media		64	(64)
Other Operations	114	117	(3)
Total	65,107	65,867	(760)

(*) Following the change in the business mission of Persidera, the Media Business Unit was incorporated into the Domestic Business Unit (Core Domestic) as of January 1, 2016; without that change, the headcount at the end of the period of the Domestic Business Unit would have been 52,650.

Other operating expenses

(millions of euros)	1st Quarter 2016	1st Quarter 2015	Change
Write-downs and expenses in connection with credit management	85	77	8
Provision charges	21	24	(3)
TLC operating fees and charges	88	106	(18)
Indirect duties and taxes	25	31	(6)
Penalties, settlement compensation and administrative fines	15	15	
Association dues and fees, donations, scholarships and traineeships	4	5	(1)
Sundry expenses	9	7	2
Total	247	265	(18)

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EVENTS SUBSEQUENT TO MARCH 31, 2016

For details of subsequent events see the specific Note Events Subsequent to March 31, 2016 in the Telecom Italia Group condensed consolidated financial statements at March 31, 2016.

BUSINESS OUTLOOK FOR THE YEAR 2016

As forecast in the Business Plan, there was a constant and gradual improvement in operating performance in the Domestic perimeter in 2016, combined with a progressive reduction of the debt, thanks in part to the conversion of the Mandatory Convertible Bond (contractually set for November 2016 in the amount of 1.3 billion euros) and the sale of the residual stake of Telecom Argentina (completed on 8 March 2016). By the end 2018, the company expects that the Net Adjusted Debt/reported EBITDA ratio will be below 3x.

TIM continues its transformation and transition from traditional Telco to Digital Telco, enabler of the country s digital life: a business model based on the development of innovative infrastructure and an excellent quality of customer service, increasingly aimed at disseminating premium services and digital content.

More specifically, in the Domestic Mobile segment, in a competitive context where there has been a progressive cooling of the pricing lever, greater attention paid to level of service and strong, continuous growth in data consumption, TIM will be focussing on the ever-greater adoption of 4G by its customers, fostered by the growing penetration of smartphones and bundle offers with distinctive digital contents. This will enable the Company to increase ARPU and strengthen its market leadership.

In the Domestic Fixed segment, TIM expects to reduce the decline in the number of customers as from 2016, thanks to the acceleration in the dissemination of fibre, convergence and the strengthening of the positioning of services with digital content (Video, Music, Gaming and Publishing). TIM will also continue to work with Italian businesses in their digital transformation process, with its ICT and Cloud services, taking a differentiated approach depending on customer base characteristics, aiming to achieve a distinctive positioning in the vertical markets deemed to be of greatest interest.

These dynamics of commercial and business development, accompanied by a strengthening of the efficiency programme and cost cutting, represent the basis for a further improvement in operating performance, with the aim of stabilising EBITDA as early as 2016.

In Brazil, the Plan considers and suffers the major changes to the macroeconomic, political and market context seen in recent months.

The latest forecasts on the economic outlook in fact show a further, progressive deterioration for the whole of 2016 of its main indicators. More specifically, a downturn of almost 4% is expected in the GDP and an inflation rate also following a series of interventions raising tariffs in regulated sectors that will remain high and very volatile. This acceleration in inflation may have an increasing impact on the purchasing power of households, consequently worsening financial conditions, particularly for the low income brackets. The exchange rate with the dollar also reached and exceeded 4.0 reais/USD in 2015, with growth forecast during the Plan up to 4.20 reais/USD.

The whole of the telecommunications segment (and prepaid Mobile in particular) is very exposed to this scenario, with a decline in the comprehensive market value also as a result of its substantial maturity and saturation.

Moreover, a trend is being seen in Brazil of constant, strong growth in data use, with an intensity that is even greater than that recorded in the other major countries. This phenomenon goes hand-in-hand with a simultaneous reduction of voice traffic and messaging, driven by the aim of optimising and reducing customer spending, as customers privilege use of the services offered by the OTTs as an alternative to traditional methods of using services.

In this context, TIM Brasil has set itself the objective of increasing its market share on revenues and improving its profitability (EBITDA margin), due to a major investment plan (in particular in 4G, where TIM is already leader today), and to a renewed commercial and competitive positioning and great attention to efficiency as a structural element necessary to give balance and financial sustainability to the Plan.

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MAIN RISKS AND UNCERTAINTIES

The business outlook for 2016 could be affected by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group s control.

In such a scenario, risk management becomes a strategic tool for value creation. The Telecom Italia Group has adopted an Enterprise Risk Management Model based on the methodology of the Committee of Sponsoring Organizations of the Treadway Commission (ERM CoSO Report), which enables the identification and management of risk in a uniform manner within the Group companies, highlighting potential synergies between the actors involved in the assessment of the Internal Control and Risk Management System. The ERM process is designed to identify potential events that may affect the business, to manage risk within acceptable limits and to provide reasonable assurance regarding the achievement of corporate objectives.

The main risks affecting the business activities of the Telecom Italia Group, which may impact, even significantly, the ability to achieve the objectives of the Group are presented below.

STRATEGIC RISKS

Risks related to macro economic factors

The Group s economic and financial situation is subject to the influence of numerous macroeconomic factors such as economic growth, political stability, consumer confidence, and changes in interest rates and exchange rates in the markets in which it operates. The expected results may be affected, in the domestic market, by the struggling economic recovery associated with a high rate of unemployment and the consequent reduction in income available for consumption. In the Brazilian market, the expected results may be affected by the further deterioration of the macroeconomic environment, with the country currently in economic recession, and the accompanying deterioration in operating conditions. These factors mean that the possibility of consequent goodwill impairment losses cannot be ruled out.

In addition, the Telecom Italia Group is currently undertaking numerous projects and transactions, including corporate and extraordinary transactions, whose feasibility and completion could be affected by factors outside the control of management, such as political and regulatory factors, currency exchange restrictions, bureaucratic regulations etc.. As a result, the financial outcomes of these project and transactions may differ, even significantly, from expectations.

Risks related to competition

The telecommunications market is characterized by strong competition that may reduce our share in the markets we operate in as well as lower prices and margins. Competition is focused, on one hand, on innovative products and services and, on other hand, on the price of traditional services. In addition, in the area of infrastructure competition, the growth of alternative operators could represent a threat for Telecom Italia, particularly in the years of the plan after

2016 and also beyond the Plan period. In the Brazilian market the trend in the telecommunications industry is changing rapidly, amplifying the deterioration in the macroeconomic environment. The competition risk consists of the increased acceleration in the process of replacement of traditional services with innovative services, and the downsizing of consumption by customers (e.g. reduction in multi-SIM customers). In this scenario, the Tim Brasil group may be further impacted in the short term to a greater extent than its main competitors, due to the higher proportion of customers with prepaid services, which are more affected by the current macroeconomic situation.

OPERATIONAL RISKS

Operational risks inherent in our business relate to possible inadequacies in internal processes, external factors, frauds, employee errors, errors in properly documenting transactions, loss of critical or commercially sensitive data and failures in systems and/or network platforms.

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Risks related to business continuity

Our success depends heavily on the ability to deliver the services we provide through the IT infrastructure and network on a continuous and uninterrupted basis. The infrastructure is susceptible to interruptions due to failures of information and communication technologies, lack of electricity, floods, storms and human errors. Unexpected problems in installations, system failures, hardware and software failures, computer viruses or hacker attacks could affect the quality of services and cause service interruptions. Each of these events could result in a reduction in traffic and a reduction in revenues and/or in an increase of restoration costs, with an adverse impact on the level of customer satisfaction and number of customers, as well as our reputation.

Risks related to the development of fixed and mobile networks

To maintain and expand our customer portfolio in each of the markets in which we operate, it is necessary to maintain, update and improve existing networks in a timely manner. A reliable and high quality network is necessary to maintain the customer base and minimize the terminations to protect the Company s revenues from erosion. The maintenance and improvement of existing installations depend on our ability to:

- upgrade the capabilities of the networks to provide customers with services that are closer to their needs; in the regard the Group may be engaged in the participation in tenders for broadcasting frequencies whose outcomes, in terms of financial requirements, may differ, even significantly, from expectations;
- increase the geographical coverage of innovative services;
- upgrade the structure of the systems and the networks to adapt it to new technologies.

Risks of internal/external fraud

The Group has adopted an organizational model to prevent fraud. However, the implementation of this model cannot ensure the total mitigation of the risk. Dishonest activities and illegal acts committed by people inside and outside the organization could adversely affect the Company s operating results, financial position and image.

Risks related to Disputes and Litigation

The Group has to deal with disputes and litigation with tax authorities, regulators, competition authorities, other telecommunications operators and other entities. The possible impacts of such proceedings are generally uncertain. In the event of settlement unfavorable to the Group, these issues may, individually or as whole, have an adverse effect, which may even be significant, on its operating results, financial position and cash flows.

FINANCIAL RISKS

The Telecom Italia Group may be exposed to financial risks such as risks arising from fluctuations in interest rates and exchange rates, credit risk, liquidity risk and risks related to the performance of the equity markets in general, and more specifically risks related to the performance of the share price of the Group companies. These risks may adversely impact the earnings and the financial structure of the Group. Accordingly, to manage those risks, Telecom Italia Group has established guidelines, at central level, which must be followed for operational management, identification of the most suitable financial instruments to meet set goals, and monitoring the results achieved. In particular, in order to mitigate the liquidity risk, the Group aims to maintain an adequate level of financial flexibility , in terms of cash and syndicated committed credit lines, enabling it to cover refinancing requirements at least for the next 12 -18 months.

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REGULATORY AND COMPLIANCE RISKS

Regulatory risks

The telecommunications industry is highly regulated. In this context, new decisions by the regulator and changes in the regulatory environment may affect the expected results of the Group. More specifically, the elements which introduce uncertainty are:

- lack of predictability in the timing of the introduction and consequent results of new processes;
- decisions with retroactive effect (i.e. revision of prices relating to prior years as a result of an administrative judgment) with potential impact on the timing of return on investment;
- decisions that can influence the technological choices made and to be made, with potential impact on the timing of return on investment.

In 2015, in order to further enhance the guarantees of equality of treatment between retail customers and wholesale customers, Telecom Italia initiated a project aimed at intervening on both the equivalence model and the instruments used to assess the supply of wholesale services. The project and the related implementation roadmap were approved by the Board of Directors of Telecom Italia on November 5, 2015. The risk is associated with the assessment of the effectiveness of Telecom Italia s project by the designated organizations (AGCOM and AGCM). The positive assessment of the implementation of the equivalence project is a necessary condition for the termination of the A428 proceedings for failure to provide services, with consequent removal of the associated sanction risk.

Compliance risks

The Telecom Italia Group may be exposed to risks of non-compliance due to non-observance/ breach of internal (self-regulation such as, for example, bylaws, code of ethics) and external rules (laws and regulations), with consequent judicial or administrative penalties, financial losses or reputational damage.

The Group aims to ensure that processes, procedures, systems and corporate conduct comply with legal requirements. There may be some necessary time lags in making the processes compliant when non-conformity has been identified.

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CORPORATE BOARDS AT MARCH 31, 2016

BOARD OF DIRECTORS

The shareholders meeting held on April 16, 2014 appointed the Board of Directors of the Company for the three years 2014-2016, until the approval of the financial statements for the year ended December 31, 2016, to be composed of 13 directors. The same shareholders meeting also appointed Giuseppe Recchi as Chairman of the Company s Board of Directors.

Subsequently, the Shareholders Meeting of December 15, 2015 resolved to increase the number of members of the Board of Directors from 13 to 17, appointing four new directors proposed by the shareholder Vivendi S.A. (Arnaud Roy de Puyfontaine, Stéphane Roussel, Hervé Philippe and Félicité Herzog), with the same term in office as the existing directors.

The Chief Executive Officer, Marco Patuano, (who had been appointed on April 18, 2014) resigned with effect from March 22, 2016. On March 30, 2016, the Board of Directors appointed Flavio Cattaneo, already a board director of the Company, to replace him as Chief Executive Officer.

As a result, the Board of Directors of the Company at March 31, 2016 was composed as follows:

Chairman	Giuseppe Recchi
Chief Executive Officer	Flavio Cattaneo
Directors	Tarak Ben Ammar
	Davide Benello (independent)
	Lucia Calvosa (independent)
	Laura Cioli (independent)
	Francesca Cornelli (independent)
	Arnaud Roy de Puyfontaine
	Jean Paul Fitoussi
	Giorgina Gallo (independent)
	Félicité Herzog (independent)
	Denise Kingsmill (independent)

	Luca Marzotto (independent)
	Hervé Philippe
	Stéphane Roussel
	Giorgio Valerio (independent)
Secretary to the Board	Antonino Cusimano

All the board members are domiciled for the positions they hold in Telecom Italia at the registered offices of the Company in Milan, Via G. Negri 1.

The following board committees were in place at March 31, 2016:

- Control and Risk Committee: composed of the Directors: Lucia Calvosa (Chair appointed in the meeting of May 8, 2014), Laura Cioli, Francesca Cornelli, Giorgina Gallo, and Félicité Herzog (appointed by the Board of Directors on February 15, 2016, which also decided to increase the number of members of the committee from 5 to 6) and Giorgio Valerio;

- Nomination and Remuneration Committee: composed of the Directors: Davide Benello (Chair appointed in the meeting of May 9, 2014), Denise Kingsmill, Luca Marzotto, Arnaud de Puyfontaine and Stéphane Roussel (all appointed by the Board of Directors on February 15, 2016, which accepted the resignation of Jean Paul Fitoussi and decided to increase the number of members of the committee from 4 to 5).

On April 27, 2016, the Board of Directors appointed the director Arnaud de Puyfontaine as Vice Chairman of the Company, without assigning him any delegated powers.

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BOARD OF STATUTORY AUDITORS

The ordinary shareholders meeting of May 20, 2015 appointed the Company s Board of Statutory Auditors with a term up to the approval of the 2017 financial statements.

The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Roberto Capone
Acting Auditors	Vincenzo Cariello
	Paola Maiorana
	Gianluca Ponzellini
	Ugo Rock
Alternate Auditors	Francesco Di Carlo
	Gabriella Chersicla
	Piera Vitali
	Riccardo Schioppo

INDEPENDENT AUDITORS

The shareholders meeting held on April 29, 2010 appointed the audit firm PricewaterhouseCoopers S.p.A. to audit the Telecom Italia financial statements for the nine-year period 2010-2018.

MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE FINANCIAL REPORTS

At the meeting of April 18, 2014, the Board of Directors confirmed Piergiorgio Peluso (Head of the Group Administration, Finance and Control Function) as the manager responsible for preparing Telecom Italia s financial reports.

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MACRO-ORGANIZATION CHART AT MARCH 31, 2016

On April 1, 2016, as a result of Carlotta Ventura having left the Group, Giuseppe Recchi assumed responsibility *ad interim* for the Brand Strategy & Media Function.

On April 15, 2016, as a result of Paolo Vantellini having left the Group, Piergiorgio Peluso assumed responsibility *ad interim* for the Business Support Office Function.

On April 20, 2016, the Chief Pricing Office was established and assigned to Massimo Arciulo.

On May 2, 2016 the Special Projects Function of the Group was established and assigned to Francesco Micheli.

On May 11, 2016, Stefano De Angelis was appointed Chairman of TIM Brasil and Flavio Cattaneo assumed responsibility *ad interim* for the Consumer & Small Enterprise Market Function.

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INFORMATION FOR INVESTORS

The Group attaches great importance to the quality of the information on its activities provided to the financial markets, investors and all its stakeholders. Subject to the requirements of confidentiality dictated by the running of the business and statutory obligations, this communication takes place in full compliance with the criteria of transparency, fairness, clarity, timeliness and equality of access. The Company has also established specific communication channels for shareholders, bondholders and other stakeholders who are interested in obtaining financial and non-financial information on the Group.

TELECOM ITALIA S.P.A. SHARE CAPITAL AT MARCH 31, 2016

Share capital	10,740,236,908.50 euros
Number of ordinary shares (without nominal value)	13,499,911,771
Number of savings shares (without nominal value)	6,027,791,699
Number of Telecom Italia S.p.A. ordinary treasury shares	37,672,014
Number of Telecom Italia S.p.A. ordinary shares held by Telecom Italia Finance S.A.	126,082,374
Percentage of ordinary treasury shares held by the Group to total share capital	0.84%
Market capitalization (based on March 2016 average prices)	18,346 million euros

Regarding the trading of shares issued by Group companies on regulated markets, the ordinary and savings shares of Telecom Italia S.p.A. are listed in Italy (FTSE index), as well as the ordinary shares of INWIT S.p.A., whereas the ordinary shares of Tim Participações S.A. are listed in Brazil (BOVESPA index).

The ordinary and savings shares of Telecom Italia S.p.A., and the ordinary shares of Tim Participações S.A. are also listed on the NYSE (New York Stock Exchange); trading occurs through ADS (American Depositary Shares) that respectively represent 10 ordinary shares and 10 savings shares of Telecom Italia S.p.A. and 5 ordinary shares of Tim Participações S.A..

SHAREHOLDERS

Composition of Telecom Italia S.p.A. shareholders according to the Shareholders Book at March 31, 2016, supplemented by communications received and other available sources of information (ordinary shares):

(*) Direct and indirect equity investment

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With effect from June 17, 2015, the shareholder agreement in place between the shareholders of Telco S.p.A. was dissolved, as disclosed by public notices in accordance with the applicable regulations. As a result, there are no longer any significant shareholder agreements for Telecom Italia pursuant to Article 122 of Italian Legislative Decree 58/1998.

MAJOR HOLDINGS IN SHARE CAPITAL

At March 31, 2016, taking into account the entries in the Shareholders Book, communications sent to Consob and the Company pursuant to Article 120 of Italian Legislative Decree 58 of February 24, 1998, and other available sources of information, the relevant holdings of Telecom Italia S.p.A. s ordinary share capital are as follows:

Holder	Type of ownership	Percentage of ownership
Vivendi S.A.	Direct/Indirect	(*) 24.68%
JPMorgan Chase & Co.	Indirect	(**) 2.14%
People s Bank of China	Direct	2.07%

(*) Equity interest obtained following receipt of notifications by Vivendi S.A. pursuant to Article 152 octies, paragraph 7, of the Consob Issuer Regulations.
(**) Plus an additional 2.69% without voting rights.
On March 12, 2014, Blackrock Inc. notified Consob that, as an asset management company, it indirectly held a quantity of ordinary shares equal to 4.78% of the total ordinary shares of Telecom Italia at March 31, 2016.

COMMON REPRESENTATIVES

The special meeting of the savings shareholders held on May 22, 2013 elected Dario Trevisan as the common representative for three financial years, up to the approval of the financial statements for the year ended December 31, 2015.

By decree of April 11, 2014, the Milan Court confirmed the appointment of Enrico Cotta Ramusino (already appointed by decree of March 7, 2011) as the common representative of the bondholders for the Telecom Italia S.p.A. 2002-2022 bonds at variable rates, open special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired , with a mandate for the three-year period 2014-2016.

By decree of June 12, 2015, the Milan Court appointed Monica Iacoviello as the common representative of the bondholders for the Telecom Italia S.p.A. 1,250,000,000 euros 5.375 percent. Notes due 2019 up to the approval of the 2017 Annual Report.

RATING AT MARCH 31, 2016

At March 31, 2016, the three rating agencies Standard & Poor s, Moody s and Fitch Ratings rated Telecom Italia as follows:

	Rating	Outlook
STANDARD & POOR S	BB+	Stable
MOODY S	Ba1	Negative
FITCH RATINGS	BBB-	Stable

WAIVER OF THE OBLIGATION TO PUBLISH DISCLOSURE DOCUMENTS FOR EXTRAORDINARY OPERATIONS

On January 17, 2013, the Board of Directors of Telecom Italia S.p.A. resolved to exercise the option, as per article 70 (8) and article 71 (1 bis) of the Consob Regulation 11971/99, to waive the obligations to publish disclosure documents in the event of significant operations such as mergers, demergers, capital increases by means of the transfer of assets in kind, acquisitions and disposals.

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SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of significant non-recurring events and transactions on the results of the Telecom Italia Group is reported below.

(millions of euros)	1st Quarter 2016	1st Quarter 2015
Employee benefits expenses:		
Expenses related to restructuring and rationalization	(73)	
Other operating expenses:		
Sundry expenses	(2)	(1)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(75)	(1)
Gains (losses) on non-current assets:		
Gains on disposals of non-current assets	1	
Impact on EBIT Operating profit (loss)	(74)	(1)
Finance expenses:		
Interest expenses and miscellaneous finance expenses	(5)	
Impact on profit (loss) before tax from continuing operations	(79)	(1)
Effect on income taxes on non-recurring items	24	
Discontinued operations Effect of the disposal of the Sofora Telecom Argentina group	(12)	
Impact on profit (loss) for the period	(67)	(1)

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In the first quarter of 2016, the Telecom Italia Group did not undertake any atypical and/or unusual transactions, as defined in Consob Communication DEM/6064293 of July 28, 2006.

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ALTERNATIVE PERFORMANCE MEASURES

In this Interim Report at March 31, 2016 of the Telecom Italia Group, in addition to the conventional financial performance measures required by IFRS, a series of *alternative performance measures* are presented for the purposes of providing a better understanding of results from operations and the financial position. Such measures, which are also presented in other periodical financial reports (annual and interim) should, however, not be construed 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 the organic change in revenues, EBITDA and EBIT allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level). This method of presenting information is also used in presentations to analysts and investors. This Interim Report provides a reconciliation between the accounting or reported figure and the organic figure.

Net Financial Debt: Telecom Italia believes that 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. This Interim Report includes a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.

To better represent the real performance of Net Financial Debt, in addition to the usual indicator (called Net financial debt carrying amount), Adjusted net financial debt is also shown, which excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities.

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 relating to 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 assets/liabilities
E=(C + D)	Adjusted net financial debt

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TELECOM ITALIA GROUP

CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

AT MARCH 31, 2016

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(millions of euros)		note	3/31/2016	12/31/2015 Revised	1/1/2015 Revised
Non-current assets					
Intangible assets					
Goodwill		4)	29,436	29,383	29,943
Intangible assets with a finite useful life		5)	6,516	6,480	6,827
			35,952	35,863	36,770
Tangible assets		6)			
Property, plant and equipment owned			12,816	12,659	12,544
Assets held under finance leases			2,210	2,208	843
			15,026	14,867	13,387
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method			41	41	36
Other investments			41	45	43
Non-current financial assets			2,766	2,989	2,445
Miscellaneous receivables and other non-current assets			1,899	1,778	1,614
Deferred tax assets			894	853	1,118
			5,641	5,706	5,256
Total Non-current assets	(a)		56,619	56,436	55,413
Current assets					
Inventories			341	254	313
Trade and miscellaneous receivables and other current assets			5,534	5,112	5,617
Current income tax receivables			26	163	101
Current financial assets					
Securities other than investments, financial receivables and other current financial assets			1,130	1,840	1,611
Cash and cash equivalents			2,665	3,559	4,812
			3,795	5,399	6,423
Current assets sub-total			9,696	10,928	12,454

Discontinued operations/Non-current assets held for sale		7)			
of a financial nature				227	165
of a non-financial nature				3,677	3,564
				3,904	3,729
Total Current assets	(b)		9,696	14,832	16,183
Total Assets	(a+b)		66,315	71,268	71,596

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Equity and Liabilities

(millions of euros)		note	3/31/2016	12/31/2015 Revised	1.1.2015 Revised
Equity		8)			
Share capital issued			10,740	10,740	10,723
less: Treasury shares			(90)	(90)	(89)
Share capital			10,650	10,650	10,634
Additional Paid-in capital			1,731	1,731	1,725
Other reserves and retained earnings (accumulated losses), including profit (loss) for the period			5,800	5,173	5,709
Equity attributable to Owners of the Parent			18,181	17,554	18,068
Non-controlling interests			2,035	3,695	3,516
Total Equity	(c)		20,216	21,249	21,584
Non-current liabilities					
Non-current financial liabilities		9)	30,354	30,518	32,325
Employee benefits			1,459	1,420	1,056
Deferred tax liabilities			367	323	438
Provisions			551	551	720
Miscellaneous payables and other non-current liabilities			1,140	1,110	697
Total Non-current liabilities	(d)		33,871	33,922	35,236
Current liabilities					
Current financial liabilities		9)	4,440	6,224	4,686
Trade and miscellaneous payables and other current liabilities			7,701	7,882	8,536
Current income tax payables			87	110	36
Current liabilities sub-total			12,228	14,216	13,258
Liabilities directly associated with Discontinued operations/Non-current assets held for sale		7)			
of a financial nature				348	43
of a non-financial nature				1,533	1,475
				1,881	1,518
Total Current Liabilities	(e)		12,228	16,097	14,776
Total Liabilities	(f=d+e)		46,099	50,019	50,012
Total Equity and Liabilities	(c+f)		66,315	71,268	71,596

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SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	note	1st Quarter 2016	1st Quarter 2015 Revised
Revenues		4,440	5,054
Other income		47	53
Total operating revenues and other income		4,487	5,107
Acquisition of goods and services		(1,923)	(2,171)
Employee benefits expenses		(848)	(833)
Other operating expenses		(247)	(265)
Change in inventories		85	47
Internally generated assets		158	148
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		1,712	2,033
Depreciation and amortization		(1,009)	(1,052)
Gains/(losses) on disposals of non-current assets		3	
Impairment reversals (losses) on non-current assets		(2)	
Operating profit (loss) (EBIT)		704	981
Share of losses (profits) of associates and joint ventures accounted for using the equity method			
Other income (expenses) from investments			2
Finance income		1,120	1,512
Finance expenses		(1,146)	(2,329)
Profit (loss) before tax from continuing operations		678	166
Income tax expense		(221)	(74)
Profit (loss) from continuing operations		457	92
Profit (loss) from Discontinued operations/Non-current assets held for sale	7)	47	169
Profit (loss) for the period		504	261
Attributable to:			
Owners of the Parent		433	82
Non-controlling interests		71	179

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(euros)	1st Quarter 2016	1st Quarter 2015 Revised
Earnings per share:		
Earnings per share (Basic)		
Ordinary Share	0.02	0.00
Savings Share	0.03	0.01
of which:		
from Continuing operations attributable to Owners of the Parent		
Ordinary Share	0.02	0.00
Savings Share	0.03	0.01
Earnings per share (Diluted)		
Ordinary Share	0.01	0.00
Savings Share	0.02	0.01
of which:		
from Continuing operations attributable to Owners of the Parent		
Ordinary Share	0.01	0.00
Savings Share	0.02	0.01

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 8

(millions of euros)		1st Quarter 2016	1st Quarter 2015 Revised
Profit (loss) for the period	(a)	504	261
Other components of the Consolidated Statements of Comprehensive Income			
Other components that subsequently will not be reclassified in the Separate Consolidated Income Statements			
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)			
Income tax effect			
	(b)		
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)			
Income tax effect			
	(c)		
Total other components that subsequently will not be reclassified in the Separate Consolidated Income Statements	(d=b+c)		
Other components that subsequently will be reclassified in the Separate Consolidated Income Statements			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		87	39
Loss (profit) transferred to the Separate Consolidated Income Statements		(82)	(4)
Income tax effect		(4)	(7)
	(e)	1	28
Hedging instruments:			
Profit (loss) from fair value adjustments		(679)	539
Loss (profit) transferred to the Separate Consolidated Income Statements		382	(455)
Income tax effect		88	(22)
	(f)	(209)	62
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		146	(158)
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statements		304	
Income tax effect			

	(g)	450	(158)
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)			
Loss (profit) transferred to the Separate Consolidated Income Statements			
Income tax effect			
	(h)		
Total other components that subsequently will be reclassified to the Separate Consolidated Income Statements	(i=e+f+g+h)	242	(68)
Total other components of the Consolidated Statements of Comprehensive Income	(k=d+i)	242	(68)
Total comprehensive income (loss) for the period	(a+k)	746	193
Attributable to:			
Owners of the Parent		638	(44)
Non-controlling interests		108	237

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2015 to March 31, 2015

	Equity attributable to Owners of the Parent										
(millions of euros)	Share capital	Additional Paid-in capital	Reserve for available-for-sale financial assets	Reserve for cash flow hedges	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other profits (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	Total	Non-controlling interests	Total equity
Balance at December 31, 2014	10,634	1,725	75	(637)	(350)	(96)		6,794	18,145	3,554	21,699
Revised for errors					(1)			(76)	(77)	(38)	(115)
Adjusted Balance at December 31, 2014	10,634	1,725	75	(637)	(351)	(96)		6,718	18,068	3,516	21,584
Changes in equity during the period:											
Dividends approved										(17)	(17)
Total comprehensive income (loss) for the period			28	62	(216)			82	(44)	237	193
Convertible bond issue maturing 2022 equity component								186	186		186

Issue of equity instruments								7	7		7
Other changes								(5)	(5)	(3)	(8)
Balance at March 31, 2015	10,634	1,725	103	(575)	(567)	(96)		6,988	18,212	3,733	21,945

Changes from January 1, 2016 to March 31, 2016 Note 8

(millions of euros)	Equity attributable to Owners of the Parent: Share capital	Additional Paid-in capital	Reserve for available-for-sale financial assets	Reserve for cash flow hedges	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other profits (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	Total	Non-controlling interests	Total equity
Balance at December 31, 2015	10,650	1,731	32	(249)	(1,459)	(87)		6,992	17,610	3,723	21,333
Revised for errors					(57)			1	(56)	(28)	(84)
Adjusted Balance at December 31, 2015	10,650	1,731	32	(249)	(1,516)	(87)		6,993	17,554	3,695	21,249
Changes in equity during the period:											
Dividends approved											
Total comprehensive income (loss) for the period			1	(209)	413			433	638	108	746
Disposal of the Sofora Telecom Argentina group										(1,795)	(1,795)
Other changes								(11)	(11)	27	16

Balance at March 31, 2016	10,650	1,731	33	(458)	(1,103)	(87)	7,415	18,181	2,035	20,216

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Consolidated Statements of Cash Flows

(millions of euros)	note	1st Quarter 2016	1st Quarter 2015 Revised
Cash flows from operating activities:			
Profit (loss) from continuing operations		457	92
Adjustments for:			
Depreciation and amortization		1,009	1,052
Impairment losses (reversals) on non-current assets (including investments)		2	3
Net change in deferred tax assets and liabilities		90	(11)
Losses (gains) realized on disposals of non-current assets (including investments)		(4)	
Share of losses (profits) of associates and joint ventures accounted for using the equity method			
Change in employee benefits		59	(6)
Change in inventories		(87)	(40)
Change in trade receivables and net amounts due from customers on construction contracts		30	(345)
Change in trade payables		(25)	(605)
Net change in current income tax receivables/payables		96	51
Net change in miscellaneous receivables/payables and other assets/liabilities		(279)	(45)
Cash flows from (used in) operating activities	(a)	1,348	146
Cash flows from investing activities:			
Purchase of intangible assets	5)	*(342)*	*(429)*
Purchase of tangible assets	6)	*(648)*	*(535)*
Total purchase of intangible and tangible assets on an accrual basis		(990)	(964)
Change in amounts due for purchases of intangible and tangible assets		*(494)*	*(374)*
Total purchase of intangible and tangible assets on a cash basis		(1,484)	(1,338)
Acquisition of control in subsidiaries or other businesses, net of cash acquired		(6)	
Acquisitions/disposals of other investments		(3)	
Change in financial receivables and other financial assets		862	(1,631)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		492	

Proceeds from sale/repayment of intangible, tangible and other non-current assets			3	3
Cash flows from (used in) investing activities	(b)		(136)	(2,966)
Cash flows from financing activities:				
Change in current financial liabilities and other			(522)	1,327
Proceeds from non-current financial liabilities (including current portion)			931	3,015
Repayments of non-current financial liabilities (including current portion)			(2,157)	(965)
Share capital proceeds/reimbursements (including subsidiaries)				186
Dividends paid				(3)
Changes in ownership interests in consolidated subsidiaries				
Cash flows from (used in) financing activities	(c)		(1,748)	3,560
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d)	7)	(45)	9
Aggregate cash flows	(e=a+b+c+d)		(581)	749
Net cash and cash equivalents at beginning of the period	(f)		3,216	4,910
Net foreign exchange differences on net cash and cash equivalents	(g)		26&n	