TELECOM ITALIA S P A
Form 6-K
June 19, 2015

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 2015

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- _______

INTERIM REPORT AT MARCH 31, 2015

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

Contents

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
- National Wholesale
- Other (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 operates in the area of office products and services for Information Technology. It carries out Solution Provider activities to automate processes and business activities for small and medium-size enterprises, large corporations and vertical markets.

OLIVETTI

Olivetti group

- Olivetti S.p.A.

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.

MEDIA

Media operates in the management of Digital Multiplexes, as well as the provision of accessory services and digital signal broadcasting platforms to third parties.

Telecom Italia Media S.p.A.

- Persidera S.p.A.

Board of Directors

Chairman	Giuseppe Recchi
Chief Executive Officer	Marco Patuano
Directors	Tarak Ben Ammar
	Davide Benello (independent)
	Lucia Calvosa (independent)
	Flavio Cattaneo (independent)
	Laura Cioli (independent)
	Francesca Cornelli (independent)
	Jean Paul Fitoussi
	Giorgina Gallo (independent)
	Denise Kingsmill (independent)
	Luca Marzotto (independent)
	Giorgio Valerio (independent)
Secretary to the Board	Antonino Cusimano

Board of Statutory Auditors

Chairman	Enrico Maria Bignami
Acting Auditors	Roberto Capone
	Gianluca Ponzellini
	Salvatore Spiniello
	Ferdinando Superti Furga
Alternate Auditors	Ugo Rock
	Vittorio Mariani
	Franco Patti
	Fabrizio Riccardo Di Giusto

Highlights – First Three Months of 2015

The first quarter of 2015 continued the trend of steady recovery in domestic revenues, with a lower decline than in previous quarters, due to the slowdown in the contraction of traditional services and the growth of innovative services. The Mobile segment in particular showed a continued strengthening in competitive positioning, with market share holding steady and a limited erosion of Average Revenues per User (ARPU), primarily driven by greater penetration in mobile Internet. In the Fixed-line segment, recovery in revenues was driven by strong broadband ARPU performance, steady growth in ADSL customers, with premium bundle/flat deals, and the development of ICT services.

In Brazil the market felt the effects of the deterioration in the macroeconomic environment, which resulted in a contraction in domestic demand and an increase in inflation, which is now above 8%, in addition to a marked depreciation of the reais. These factors contributed to a general slowdown in the growth of the mobile market compared to previous quarters.

In this scenario, market share in the mobile segment for Tim Brasil was essentially stable, with a significant increase of the postpaid customer base, but also accompanied by a decline in revenues due to the acceleration of the migration of traditional voice-SMS services to IP solutions, as well as the further reduction in the Mobile Termination Rate (MTR), in force since the end of February 2015. The fall in mobile revenues was partly eased by revenue growth in the Fixed-line business, particularly in the wholesale business segment of Intelig and the broadband of TIM Live.

Specifically, for the first quarter of 2015:

- Consolidated revenues amounted to 5.1 billion euros, down by 2.6% on the first quarter of 2014 (-3.1% in organic terms).

- EBITDA amounted to 2 billion euros, down by 7.7% on the first quarter of 2014 (-8.1% in organic terms). The organic EBITDA margin stood at 40.2%, 2.2 percentage points lower than the corresponding period of the previous year.

- Operating profit (EBIT) amounted to 1 billion euros, decreasing by 16.1% compared to the first quarter of 2014.

- Profit for the period attributable to owners of the Parent totaled 80 million euros (versus 222 million euros in the first quarter of 2014) and reflected the negative impact of the bond buyback transactions and some items of a purely accounting and valuation nature that do not generate any financial adjustment, connected in particular to the fair value valuation of the option embedded in the mandatory convertible bond, issued at the end of 2013, with a three-year duration. Without these impacts the profit for the first quarter of 2015 would have been over 300 million euros.

- Capital expenditures in the first quarter of 2015, totaling 964 million euros (684 million euros in the first quarter 2014), continue the program of acceleration envisaged in the industrial plan for the three-year period 2015-2017. In Italy, the strong boost to the capital expenditures for the development of next-generation infrastructure have enabled fiber optic (NGN) coverage of 32% of the population with around 8 million homes reached and mobile 4G network (LTE) coverage of over 80% of the population.

- Adjusted net financial debt at March 31, 2015 came to 27,430 million euros, up 779 million euros compared to the end of 2014 (26,651 million euros).

Financial Highlights

(millions of euros)		1st Quarter 2015	1st Quarter 2014	% Change Reported	Organic
Revenues		5,053	5,188	(2.6)	(3.1)
EBITDA	(1)	2,031	2,200	(7.7)	(8.1)
EBITDA Margin		*40.2%*	*42.4%*	*(2.2) pp*	
Organic EBITDA Margin		*40.2%*	*42.4%*	*(2.2) pp*	
EBIT	(1)	979	1,167	(16.1)	(16.5)
EBIT Margin		*19.4%*	*22.5%*	*(3.1) pp*	
Organic EBIT Margin		*19.4%*	*22.5%*	*(3.1) pp*	
Profit (loss) from Discontinued operations/Non-current assets held for sale		169	133	27.1	
Profit (loss) for the period attributable to owners of the Parent		80	222	(64.0)	
Capital expenditures (CAPEX)		964	684	40.9	
		3/31/2015	31/12/2014	Change Amount	
Adjusted net financial debt	(1)	27,430	26,651	779	

(1) Details are provided under “Alternative Performance Measures”.

Consolidated Operating Performance

Revenues

Revenues amounted to 5,053 million euros in the first quarter of 2015, down 2.6% from 5,188 million euros in the first quarter of 2014. The decrease of 135 million euros was essentially attributable to the Domestic Business Unit (-97 million euros) and the Brazil Business Unit (-40 million euros).

In terms of organic change, consolidated revenues fell by 3.1% (-163 million euros), and were calculated as follows:

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change amount	%
HISTORICAL REVENUES	5,053	5,188	(135)	(2.6)
Foreign currency financial statements translation effect		22	(22)	
Changes in the scope of consolidation		6	(6)	
COMPARABLE REVENUES	5,053	5,216	(163)	(3.1)

Exchange rate fluctuations(1) related to the Domestic Business Unit for 14 million euros and to the Brazil Business Unit for 8 million euros, while the change in the scope of consolidation(2) was the result of the entry into the scope of consolidation of Rete A (Media Business Unit), following the acquisition of control on June 30, 2014 and subsequent merger by absorption into its parent company Persidera S.p.A..

The breakdown of revenues by operating segment is as follows:

(millions of euros)	1st Quarter 2015	% of total	1st Quarter 2014	% of total	Change amount	%	% organic
Domestic	3,631	71.9	3,728	71.9	(97)	(2.6)	(3.0)
Core Domestic	*3,355*	*66.4*	*3,469*	*66.9*	*(114)*	*(3.3)*	*(3.3)*
International Wholesale	*310*	*6.1*	*301*	*5.8*	*9*	*3.0*	*(1.6)*
Olivetti	*51*	*1.0*	*49*	*0.9*	*2*	*4.1*	*4.1*
Brazil	1,411	27.9	1,451	28.0	(40)	(2.8)	(3.3)
Media and Other Operations	21	0.4	15	0.3	6		
Adjustments and eliminations	*(10)*	*(0.2)*	*(6)*	*(0.2)*	*(4)*		
Consolidated Total	5,053	100.0	5,188	100.0	(135)	(2.6)	(3.1)

The Domestic Business Unit (divided into Core Domestic, International Wholesale and Olivetti) recorded a decline of 97 million euros (-2.6%) in revenues for the first quarter of 2015, compared to the same period of 2014, confirming the recovery since the second half of the previous year (fourth quarter 2014: -5.0%, third quarter: -5.0%, second quarter: -8.2%, first quarter: -8.3%). This improvement in performance was due to a progressive stabilization of the customer base and ARPU on traditional services – accompanied by a defense of market share, mainly on Mobile, and an acceleration in the growth of broadband and ultrabroadband services.

In detail:

- Revenues from services in the first quarter of 2015 amounted to 3,435 million euros, down by 3.3% compared to the first quarter of 2014. In particular, revenues from services in the Mobile business came to 1,053 million euros, a decrease of 46 million euros compared to the first quarter of 2014 (-4.2%). Revenues from Fixed-line services amounted to 2,595 million euros and were down by 119 million euros compared to the same period of the previous year (-4.4%).

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(1) The average exchange rates used for the translation into euro of the US dollar (in terms of units of local currency per 1 euro) was 1.12752 in the first quarter of 2015 and 1.36978 in the first quarter of 2014. For the Brazilian real, the average exchange rates used were 3.22251 in the first quarter of 2015 and 3.23981 in the first quarter of 2014. 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.

- Product sales, including change in work in progress, recorded revenues of 196 million euros for the first quarter of 2015, up on the same period of 2014 (+22 million euros), due to the growth in volumes of smartphone sales.

The Brazil Business Unit recorded revenues for the first quarter of 2015 amounting to 4,547 million reais, down 155 million reais on the same period of the prior year (-3.3%). Revenues from services fell by 3.9% compared to the first quarter of 2014, mainly attributable to the reduction in the mobile termination rate. Revenues from product sales were, however, higher than in the first quarter of 2014 (+0.7%).

The total number of lines for the Business Unit at March 31, 2015 was 75.7 million, essentially unchanged compared to December 31, 2014.

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".

EBITDA

EBITDA totaled 2,031 million euros (2,200 million euros in the first quarter of 2014), decreasing by 169 million euros compared to the corresponding period of 2014; the EBITDA margin was 40.2% (42.4% in the first quarter of 2014).

Organic EBITDA was down 179 million euros (-8.1%) compared to the first quarter of 2014; the EBITDA margin fell by 2.2 percentage points, from 42.4% in the first quarter of 2014 to 40.2% in the first quarter of 2015).

Organic EBITDA is calculated as follows:

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change amount	%
HISTORICAL EBITDA	2,031	2,200	(169)	(7.7)
Foreign currency financial statements translation effect		7	(7)	
Changes in the scope of consolidation		3	(3)	
COMPARABLE EBITDA	2,031	2,210	(179)	(8.1)

Exchange rate fluctuations mainly related to the Domestic Business Unit (5 million euros) and the Brazil Business Unit (2 million euros), while the change in the scope of consolidation was the result of the acquisition of Rete A.

Details of EBITDA and EBITDA Margins by operating segment are provided below:

(millions of euros)	1st Quarter 2015	% of total	1st Quarter 2014	% of total	Change amount	%	% organic
Domestic	1,610	79.3	1,792	81.5	(182)	(10.2)	(10.4)
EBITDA Margin	*44.3*		*48.1*			*(3.8) pp*	*(3.7) pp*
Brazil	415	20.4	406	18.5	9	2.2	1.6
EBITDA Margin	*29.4*		*28.0*			*1.4 pp*	*1.4 pp*
Media and Other Operations	7	0.4	3	0.1	4		
Adjustments and eliminations	*(1)*	*(0.1)*	*(1)*	*(0.1)*	–		
Consolidated Total	2,031	100.0	2,200	100.0	(169)	(7.7)	(8.1)
EBITDA Margin	*40.2*		*42.4*			*(2.2) pp*	*(2.2) pp*

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

- Acquisition of goods and services (2,172 million euros; 2,179 million euros in the first quarter of 2014).

The reduction of 7 million euros was mainly attributable to the decrease in the Brazil Business Unit's acquisition of goods and services (down by 19 million euros, including a negative exchange rate effects of 5 million euros), offset by the increase in acquisition of goods and services by the Domestic Business Unit (10 million euros) due mainly to higher purchases of equipment and handsets. These sales volumes were linked to the increase achieved in product sales;

- Employee benefits expenses (833 million euros; 775 million euros in the first quarter of 2014).

These increased by 58 million euros. The change was influenced by:

– the increase of 46 million euros in employee benefits expenses in Italy, caused mainly by the higher contractual minimums established in the TLC National Collective Labor Agreement signed on February 1, 2013, which led to remuneration increases in April and October 2014, in addition to the recognition of the notional costs connected to the commencement of the Broad-Based Share Ownership Plan and the Stock Option Plan, offset by the lower costs deriving from the decrease in the average workforce by 83 employees compared to the first quarter of 2014;

– the increase of 12 million euros in employee benefits expenses outside Italy, deriving from the increase in the average workforce by 559 employees and the local salary variations affecting the Brazil Business Unit.

• Other operating expenses (265 million euros; 267 million euros in the first quarter of 2014).

Other operating expenses fell by 2 million euros compared to the first quarter of 2014, mainly because of the decrease in the Brazil Business Unit (-7 million euros, including a positive exchange rate effect of 1 million euros), which was almost entirely offset by the increase in the Domestic Business Unit (+4 million euros).

In particular:

– write-downs and expenses in connection with credit management (77 million euros; 83 million euros in the first quarter of 2014) consisting of 59 million euros for the Domestic Business Unit (59 million euros in the first quarter of 2014) and 18 million euros for the Brazil Business Unit (24 million euros in the first quarter of 2014);

– provision charges (24 million euros; 18 million euros in the first quarter of 2014) consisting of 18 million euros for the Brazil Business Unit (17 million euros in the first quarter of 2014) and 6 million euros for the Domestic Business Unit (1 million euros in the first quarter of 2014);

– TLC operating fees and charges (106 million euros; 108 million euros in the first quarter of 2014) consisting of 96 million euros for the Brazil Business Unit (95 million euros in the first quarter of 2014) and 10 million euros for the Domestic Business Unit (13 million euros in the first quarter of 2014);

– sundry expenses, at 58 million euros, were unchanged compared to the first quarter of 2014.

Depreciation and amortization

Details are as follows:

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change
Amortization of intangible assets with a finite useful life	463	465	(2)
Depreciation of property, plant and equipment – owned and leased	589	605	(16)
Total	1,052	1,070	(18)

The decrease of 18 million euros in depreciation and amortization was mainly attributable to the Domestic Business Unit (-43 million euros). This change was partly due to the revision of the useful lives of the passive infrastructure of the Mobile Base Transceiver Stations, which resulted in an overall impact of 33 million euros of lower depreciation. Further details are provided in the Note "Tangible assets (owned and under finance leases)" of the Condensed Consolidated Financial Statements at March 31, 2015 of the Telecom Italia Group.

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

In the first quarter of 2015 this item amounted to zero.

In the first quarter of 2014 this item amounted to 37 million euros and mainly related to the realized gain, of about 38 million euros, from the sale by Telecom Italia S.p.A. of a property located in Milan.

Net impairment losses on non-current assets

Net impairment losses on non-current assets were zero both in the first quarter of 2015 and in the corresponding comparative period.

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually. At March 31, 2015 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 was therefore confirmed.

EBIT

EBIT totaled 979 million euros (1,167 million euros in the first quarter of 2014), decreasing by 188 million euros compared to the corresponding period of 2014; the EBIT margin was 19.4% (22.5% in the first quarter of 2014).

Organic EBIT was down 193 million euros, with an organic EBIT margin of 19.4% (22.5% in the first quarter of 2014).

Organic EBIT was calculated as follows:

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change amount	%
HISTORICAL EBIT	979	1,167	(188)	(16.1)
Foreign currency financial statements translation effect		4	(4)	
Changes in the scope of consolidation		1	(1)	
COMPARABLE EBIT	979	1,172	(193)	(16.5)

Exchange rate fluctuations mainly related to the Domestic Business Unit, while the change in the scope of consolidation was the result of the acquisition of Rete A.

Other income (expenses) from investments, net

In the first quarter of 2015, this item amounted to 2 million euros.

In the first quarter of 2014, the item was positive and amounted to 11 million euros, essentially relating to the remeasurement at fair value of the 41.07% interest already held in Trentino NGN S.r.l., performed pursuant to IFRS 3, following the acquisition of control of the company by Telecom Italia S.p.A. on February 28, 2014 at a price of 17 million euros.

Finance income (expenses), net

Finance income (expenses) showed an increase in net expenses of 133 million euros, from -685 million euros for the first quarter of 2014 to -818 million euros for the first quarter of 2015.

This increase was linked to the net effect resulting from the change in certain non-monetary items – of a valuation and accounting nature, linked in particular to derivatives – which was offset by the reduction in finance expenses related to the debt position.

In particular, the following is noted:

- an increase in the balance of finance expenses linked to the changes in the valuations of several hedging derivatives, attributable to market fluctuations linked to currency translation. These are unrealized valuation and accounting changes which do not result in any actual monetary settlement. In addition, the application in the first quarter of 2015 of IFRS 13 - Fair Value Measurement, in relation to the credit quality of counterparties for financial assets and liabilities, resulted in the recognition of a negative impact of around 33 million euros; in the first quarter of 2014 the impact was positive at 8 million euros;

- a negative impact from the adjustments on Non-hedging derivatives of 297 million euros (negative impact of 155 million euros in the first quarter of 2014), relating to the fair value measurement through profit or loss (separately from the related liability) of the option embedded in the mandatory convertible bond, issued by Telecom Italia Finance S.A. at the end of 2013, for an amount of 1.3 billion euros ("Guaranteed Subordinated Mandatory Convertible Bonds due 2016 convertible into ordinary shares of Telecom Italia S.p.A.").

Income tax expense

This item amounted to 74 million euros, down 180 million euros on the first quarter of 2014 (254 million euros), largely due to the smaller taxable base of the Parent Telecom Italia.

Profit (loss) from Discontinued operations/Non-current assets held for sale

In the first quarter of 2015, the item Profit from Discontinued operations/Non-current assets held for sale amounted to 169 million euros (133 million euros in the first quarter of 2014) and referred mainly to the positive contribution to the consolidated result from the Sofora - Telecom Argentina group worth 171 million euros (133 million euros in the first quarter of 2014).

More details are provided in the section "Discontinued operations/Non-current assets held for sale" of this Interim Management Report and in the Note "Discontinued operations/Non-current assets held for sale" in the Condensed Consolidated Financial Statements at March 31, 2015 of the Telecom Italia Group.

Profit (loss) for the period

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

(millions of euros)	1st Quarter 2015	1st Quarter 2014
Profit (loss) for the period	258	367
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	56	196
Profit (loss) from Discontinued operations/Non-current assets held for sale	24	26
Profit (loss) for the period attributable to owners of the Parent	80	222
Non-controlling interests:		
Profit (loss) from continuing operations	33	38
Profit (loss) from Discontinued operations/Non-current assets held for sale	145	107
Profit (loss) for the period attributable to non-controlling interests	178	145

Financial and Operating Highlights – The Business Units of the Telecom Italia Group

Domestic

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change amount	Change %	Change % organic
Revenues	3,631	3,728	(97)	(2.6)	(3.0)
EBITDA	1,610	1,792	(182)	(10.2)	(10.4)
EBITDA Margin	*44.3*	*48.1*		*(3.8) pp*	*(3.7) pp*
EBIT	814	990	(176)	(17.8)	(18.0)
EBIT Margin	*22.4*	*26.6*		*(4.2) pp*	*(4.1) pp*
Headcount at period end (number)	52,965	[1] 53,076	(111)	(0.2)	

(1) Headcount at December 31, 2014

Fixed

	3/31/2015	12/31/2014	3/31/2014
Physical accesses at period end (thousands)[1]	19,581	19,704	20,238
of which Retail physical accesses at period end (thousands)	*12,283*	*12,480*	*13,027*
Broadband accesses at period end (thousands) [2]	8,784	8,750	8,761
of which Retail broadband accesses at period end (thousands)	*6,945*	*6,921*	*6,933*
Network infrastructure in Italy:			
copper access network (millions of km – pair, distribution and connection)	115.3	115.2	115.0
access and carrier network in optical fiber (millions of km - fiber)	8.6	8.3	7.0
Total traffic:			
Minutes of traffic on fixed-line network:	20.3	84.2	21.6
Domestic traffic (billions)	16.7	68.9	17.8
International traffic (billions)	3.6	15.3	3.8
Broadband traffic (PBytes) [3]	947	3,161	725

(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

Profit (loss) for the period

Mobile

	3/31/2015	12/31/2014	3/31/2014
Lines at period end (thousands)	30,140	30,350	30,996
Change in lines (%)	(0.7)	(2.8)	(0.7)
Churn rate (%) [1]	6.4	24.2	6.1
Total traffic:			
Outgoing retail traffic (billions of minutes)	10.8	42.7	10.4
Incoming and outgoing retail traffic (billions of minutes)	16.2	62.7	15.0
Browsing traffic (PBytes) [2]	39.4	133.9	28.5
Average monthly revenues per line (in euros) [3]	11.3	12.1	11.5

(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 financial and operating highlights of the Domestic Business Unit are reported according to three 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 defined on the basis of the "customer centric" organizational model are as follows:

– Consumer: comprises the aggregate of voice and Internet services and products managed and developed for persons and families in the Fixed and Mobile telecommunications markets, as well as public telephony;

– Business: the segment consists of voice, data, and Internet services and products, as well as 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;

– National Wholesale: 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;

– Other (Support Structures): includes:

– Operations: covering technological innovation and processes of development, engineering, building and operation of network infrastructures, real estate properties and plant engineering, delivery processes, and assurance for customer services; development of the information technology strategy, guidelines and plan; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers;

– 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;

- Olivetti: operates in the sector of office products and information technology services. It is a solution provider for the automation of business processes and activities for SMEs, large corporations and vertical markets. Its market is focused primarily in Europe, Asia and South America.

Main financial data

Key results for the first quarter of 2015 for the Domestic Business Unit are presented in the following tables, broken down by market/business segment and compared to the first quarter of 2014.

Core Domestic

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change amount	Change %
Revenues	3,355	3,469	(114)	(3.3)
Consumer	*1,723*	*1,749*	*(26)*	*(1.5)*
Business	*1,138*	*1,202*	*(64)*	*(5.3)*
National Wholesale	*448*	*461*	*(13)*	*(2.8)*
Other	*46*	*57*	*(11)*	*(19.3)*
EBITDA	1,578	1,759	(181)	(10.3)
EBITDA Margin	*47.0*	*50.7*		*(3.7) pp*
EBIT	806	980	(174)	(17.8)
EBIT Margin	*24.0*	*28.3*		*(4.3) pp*
Headcount at period end (number)	51,789	(1)51,849	(60)	(0.1)

(1) Headcount at December 31, 2014

International Wholesale – Telecom Italia Sparkle group

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change amount	Change %	Change % organic
Revenues	310	301	9	3.0	(1.6)
of which third party	*247*	*235*	*12*	*5.1*	*(0.8)*
EBITDA	43	45	(2)	(4.4)	(14.0)
EBITDA Margin	*13.9*	*15.0*		*(1.1) pp*	*(2.0) pp*
EBIT	17	21	(4)	(19.0)	(29.2)
EBIT Margin	*5.5*	*7.0*		*(1.5) pp*	*(2.1) pp*
Headcount at period end (number)(*)	638	(1)641	(3)	(0.5)	

(1) Headcount at December 31, 2014

(*) Includes employees with temp work contracts: 4 employees at March 31, 2015 (4 at December 12, 2014).

Olivetti

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change	
			amount	%
Revenues	51	49	2	4.1
EBITDA	(9)	(10)	1	10.0
EBITDA Margin	*(17.6)*	*(20.4)*		*2.8 pp*
EBIT	(10)	(11)	1	9.1
EBIT Margin	*(19.6)*	*(22.4)*		*2.8 pp*
Headcount at period end (number)[(*)]	538	[(1)]586	(48)	(8.2)

(1) Headcount at December 31, 2014

(*) Includes employees with temp work contracts: none at March 31, 2015 (4 at December 31, 2014).

Revenues

Revenues in the first quarter of 2015 still showed a decline when compared to the first quarter of 2014 (-2.6%, -97 million euros), but with a continuation of the trend of recovery that began in the second half of last year (fourth quarter 2014: -5.0%; third quarter: -5.0%; second quarter: -8.2%; first quarter: -8.3%).

This improvement in performance was due to a progressive stabilization of the customer base and ARPU on traditional services, accompanied by a defense of market share – mainly on Mobile – and an acceleration in the growth of broadband and ultrabroadband services.

In detail:

Core Domestic Revenues

- Consumer: revenues for the Consumer segment for the first quarter amounted to a total of 1,723 million euros, decreasing 26 million euros compared to the same period of 2014 (-1.5%). This performance, although still slightly negative, continues the recovery starting from the second half of 2014 (-5.1% in the fourth quarter 2014; in the third quarter -5.2%; in the second quarter -9.2%; and in the first quarter -11.7%). In particular, revenues from Mobile services fell by 32 million euros (-4.3%) compared to the same period of the previous year, an improvement on the -7.2% in the fourth quarter of 2014 (-6.6% in the third quarter 2014, -13.7% in the second quarter and -16.9% in the first quarter). This reflected the positive impact from the structural improvement in competition performance, the gradual stabilization of market share and steady growth in mobile Internet. Revenues from Fixed-line services (-13 million euros, -1.4% compared to the same period of the previous year) also continued the trend of significant improvement since the second half of 2014 (-3.4% in the fourth quarter of 2014; -6.1% in the third quarter; -7.9% in the second quarter; -6.2% in the first quarter of 2014) owing to the gradual stabilization/recovery in ARPU levels, due to the increased proportion of customers with flat contracts. ARPU is also starting to show signs of a progressive recovery following service upgrades (Fiber);

- Business: in the first quarter of 2015, revenues for the Business segment amounted to 1,138 million euros, decreasing 64 million euros (-5.3%), an improvement on the performance for the same period of the previous year (-103 million euros, -7.9%). More specifically, the decline in revenues from Mobile services recorded in the first quarter of 2015 (-16 million euros, -5.3% compared to the same period of 2014), continued the trend of recovery seen during 2014: -8.4% in the fourth quarter, -10.3% in the third quarter, -15.7% in the second quarter, -12.1% in the first quarter. The decline in traditional mobile voice and messaging services (-22 million euros), due to the repositioning of customers towards bundles with lower overall ARPU, was partly offset by the strong performance of the innovative services component (+6 million euros, +4.6% compared to the same period of the previous year) driven by the browsing component (+8 million euros, +7.9% on the same period of the previous year). Revenues from Fixed-line services (-56 million euros, -6.6% in the first quarter of 2015 compared to the same period of the previous year), are holding essentially steady, despite continuing to feel the effects of the economic downturn, the contraction in prices on traditional voice and data services and technological migration towards VoIP systems, partially offset by steady growth in ICT revenues and in particular from Cloud Services (+37% compared to the first quarter of 2014);

- National Wholesale: Wholesale segment revenues amounted to 448 million euros in the first quarter of 2015, decreasing 13 million euros compared to the same period of 2014 (-2.8%). The decline was mainly attributable to the start of the migration to IP infrastructure solutions and Ethernet, and the fall in revenues from mobile traffic on national roaming.

Revenues International Wholesale – Telecom Italia Sparkle group

Revenues for International Wholesale – Telecom Italia Sparkle group in the first quarter of 2015 totaled 310 million euros, up 9 million euros (+3.0%) compared to the same period of 2014. In particular, the increase relates to revenues for IP/Data services (+9 million euros, +14%) and revenues for voice services (+3 million euros, +1%). The other business segments remained predominantly stable (-2 million euros, -1%).

Olivetti Revenues

Revenues of the Olivetti group amounted to 51 million euros in the first quarter of 2015, an increase of 2 million euros compared to the same period of 2014 (+4.1%). This performance is mainly due to the sale of multifunctional products under long-term rental agreements (+8 million euros compared to the first quarter of 2014) which offset the decrease in sales through Italian market channels (-5 million euros compared to the same period of 2014) and in foreign markets (-1 million euros compared to the first quarter of 2014). At product level, there was a decline of 9 million euros in sales of devices (PCs and tablets), linked to the reduction in trading in these kinds of products.

EBITDA

EBITDA of the Domestic Business Unit amounted to 1,610 million euros in the first quarter of 2015, down by 182 million euros on the same period of 2014 (-10.2%), with an EBITDA margin of 44.3% (-3.8% compared to the same period of 2014). The decline was due to the decrease in revenues from services (-119 million euros compared to the same period of 2014) and the increase in operating expenses, particularly personnel-related.

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

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change
Acquisition of goods and services	1,341	1,331	10
Employee benefits expenses	734	688	46
Other operating expenses	123	119	4

- acquisition of goods and services increased 10 million euros (+0.8%) compared to the first quarter of 2014, mainly due to higher costs for the purchase of equipment and handsets linked to the increase in sales volumes (+23 million euros compared to +21 million euros of revenues in the comparative period) and higher customer acquisition costs for the sales network (+8 million euros), partially offset by efficiency measures on costs, which resulted in a reduction in general and administrative expenses (-19 million euros);

- employee benefits expenses increased 46 million euros compared to 2014, mainly due to the higher contractual minimums established in the TLC National Collective Labor Agreement signed on February 1, 2013, which led to remuneration increases in April and October 2014, in addition to the recognition of the notional costs connected to the commencement of the Broad-Based Share Ownership Plan and the Stock Option Plan, offset by the lower costs resulting from the decrease in the average workforce by 144 employees compared to the first quarter of 2014;

- other operating expenses, totaled 123 million euros, stable compared to the same period of 2014 (+4 million euros).

Details of other operating expenses are shown in the table below:

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change
Write-downs and expenses in connection with credit management	59	59	-
Provision charges	6	1	5
TLC operating fees and charges	11	13	(2)
Indirect duties and taxes	25	25	-
Sundry expenses	22	21	1
Total	123	119	4

EBIT

EBIT for the first quarter of 2015 was 814 million euros (990 million euros compared with the same period of 2014); the EBIT margin fell from 26.6% in the first quarter 2014 to 22.4% in the first quarter of 2015. The EBIT performance reflected the reduction in EBITDA described above. This was partially offset by the reduction in depreciation and amortization (-43 million euros), attributable in part to the revision of the useful lives of the passive infrastructure of the Mobile Base Transceiver Stations, which resulted in an overall impact of 33 million euros of lower depreciation. Further details are provided in the Note “Tangible assets (owned and under finance leases)” of the Condensed Consolidated Financial Statements at March 31, 2015 of the Telecom Italia Group.

In the first quarter 2014, EBIT reflected the effects of the recognition of a gain of around 38 million euros realized from the sale by Telecom Italia S.p.A. of a property located in Milan.

Brazil

	(millions of euros)		(millions of Brazilian reais)			
	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	Change	
					amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
Revenues	1,411	1,451	4,547	4,702	(155)	(3.3)
EBITDA	415	406	1,337	1,316	21	1.6
EBITDA Margin	*29.4*	*28.0*	*29.4*	*28.0*		1.4 pp
EBIT	163	181	527	588	(61)	(10.4)
EBIT Margin	*11.6*	*12.5*	*11.6*	*12.5*		*(0.9) pp*
Headcount at period end (number)			12,765	(1) 12,841	(76)	(0.6)

(1) Headcount at December 31, 2014.

	1st Quarter 2015	1st Quarter 2014
Lines at period end (thousands) (*)	75,749	(1) 75,721
MOU (minutes/month) (**)	120.3	140.0
ARPU (reais)	16.7	18.0

(1) Number at December 31, 2014.

(*) Estimate. Includes corporate lines; The figure for the comparative period has been restated accordingly.

(**) Net of visitors.

Revenues

Revenues for the first quarter of 2015 amounted to 4,547 million reais, a decline (-155 million reais, -3.3%) compared to the same period of 2014. Service revenues totaled 3,940 million reais, a decrease of 159 million reais compared to 4,099 million reais for the first quarter of 2014 (-3.9%). The lower revenues were mainly attributable to the revenues from incoming mobile traffic caused above all by the further reduction of the mobile termination rate (MTR) in February 2015 (-286 million reais, -38.9%), the impact of which was partially offset by the revenues generated by mobile VAS (+228 million reais, +21.3%).

Mobile Average Revenue Per User (ARPU) was 16.7 reais in the first quarter of 2015 compared with 18.0 reais in the same period of 2014 (-7.2%). The change in ARPU reflects the abovementioned reduction in the mobile termination rate.

Revenues from product sales amounted to 607 million reais in the first quarter of 2015 (+0.7%, 603 million reais in the first quarter 2014), driven mainly by the different product mix, with growth in the smartphone component and a higher average sales price.

The total number of lines at March 31, 2015 amounted to 75,749 thousand, essentially unchanged compared to December 31, 2014 and representing a market share of approximately 26.8% (27% at December 31, 2014).

EBITDA

EBITDA in the first quarter of 2015 amounted to 1,337 million reais, an improvement of 21 million reais (+1.6%) compared to the same period of 2014. The increase in EBITDA was essentially driven by lower costs for the acquisition of goods and services, mainly attributable to lower revenues due to other TLC operators and the reduction in other operating expenses, despite higher employee benefits expenses. The EBITDA margin stood at 29.4%, 1.4 percentage points higher than in the first quarter of 2014.

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

	(millions of euros)		(millions of Brazilian reais)		
	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	Change
	(a)	(b)	(c)	(d)	(c-d)
Acquisition of goods and services	827	846	2,666	2,740	(74)
Employee benefits expenses	97	84	313	273	40
Other operating expenses	139	147	449	477	(28)
Change in inventories	(38)	(10)	(122)	(33)	(89)

- acquisition of goods and services totaled 2,666 million reais (2,740 million reais in the first quarter of 2014). The 2.7% decrease compared to the same period of the previous year (-74 million reais) was broken down as follows:

  -255million reais for revenues due to other TLC operators;
  +101million reais for purchases relating primarily to costs of products for resale;
  +48million reais for external service costs.
  +32million reais for rent and lease costs.
- employee benefits expenses, amounting to 313 million reais, were up 40 million reais compared with the first quarter of 2014 (+14.7%). The average workforce grew from 11,127 employees in the first quarter of 2014 to 11,745 employees in the first quarter of 2015. The ratio of employee benefits expenses to total revenues was 6.9%, up 1.1 percentage points compared to the first quarter of 2014;

- other operating expenses amounted to 449 million reais, a decrease of 5.9% on the first quarter of 2014. The expenses were broken down as follows:

(millions of Brazilian reais)	1st Quarter 2015	1st Quarter 2014	Change
	56	76	(20)

Write-downs and expenses in connection with credit management			
Provision charges	57	56	1
TLC operating fees and charges	308	310	(2)
Indirect duties and taxes	15	17	(2)
Sundry expenses	13	18	(5)
Total	449	477	(28)

EBIT

EBIT was 527 million reais, decreasing 61 million reais compared to the first quarter of 2014. This result, despite the improvement in EBITDA, was attributable to higher depreciation and amortization charges of 83 million reais (811 million reais in the first quarter of 2015, compared to 728 million reais in the first quarter of 2014).

Media

On June 30, 2014 Telecom Italia Media (TI Media) and Gruppo Editoriale L'Espresso (Espresso group) completed the merger of the digital terrestrial network operator businesses controlled by Persidera S.p.A. and Rete A S.p.A, respectively.

The merger of Rete A by absorption into Persidera was completed on December 1, 2014.

The table below shows the results of the Media Business Unit, which for the first quarter of 2014 did not include the results of Rete A; these results are, however, considered for the calculation of the organic changes.

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change		
			amount	%	% organic
Revenues	21	15	6	40.0	0.0
EBITDA	9	6	3	50.0	0.0
EBITDA Margin	*42.9*	*40.0*			
EBIT	3	(1)	4		
EBIT Margin	*14.3*	*(6.7)*			
Headcount at period end (number) (*)	87	(1) 89	(2)	(2.2)	

(1) Headcount at December 31, 2014

(*) Includes employees with temp work contracts (zero at 03/31/2015, 1 at 12/31/2014)

At March 31, 2015, the three Digital Multiplexes formerly of Persidera S.p.A. had reached a population coverage of 95.6% of the Italian population.

In contrast, the coverage of the two Digital Multiplexes of the former Rete A was 93.4% and 93.7%.

Revenues

Revenues amounted to 21 million euros in the first quarter of 2015, increasing by 6 million euros (+40.0%) compared to the 15 million euros recorded in the first quarter of 2014. This change, which was partly driven by the merger of Rete A (acquired on June 30, 2014 and merged into Persidera S.p.A. in December 2014) which had not yet occurred in the first quarter of 2014, was entirely attributable to the Network Operator. Including the assets formerly of Rete A in the first quarter of 2014, the organic change in revenues was essentially zero.

EBITDA

EBITDA was a positive 9 million euros in the first quarter of 2015, up 3 million euros (+50.0%) compared to the same period of 2014 (6 million euros). This performance was driven by the aforementioned increase in revenues, only partially offset by an increase in other operating expenses of 3 million euros at the Network Operator, mainly attributable to the costs from the former Rete A operations not present in the first quarter of 2014; including these costs, organic EBITDA was in line with the first quarter of 2014.

EBIT

EBIT was 3 million euros (-1 million euros in the first quarter 2014). This performance reflected the change in EBITDA described above and the reduction in depreciation and amortization of 1 million euros.

Discontinued operations/Non-current assets held for sale

The results are provided below for the Sofora - Telecom Argentina group, which has been classified under "Discontinued operations/Non-current assets held for sale" following the agreement for the sale to Fintech entered into on November 13, 2013 and subsequently amended on October 24, 2014, as described in the 2014 Annual Report.

The average exchange rate used for the translation into euro of the Argentine peso (expressed in terms of units of local currency per 1 euro) was 9.78805 in the first quarter of 2015 and 10.39657 in the first quarter of 2014.

Income statement impacts of the Sofora - Telecom Argentina group:

	(millions of euros)		(millions of Argentine pesos)			
	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	Change amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
Income statement impacts of the Sofora - Telecom Argentina group:						
Revenues	906	718	8,872	7,466	1,406	18.8
EBITDA	268	203	2,626	2,106	520	24.7
EBITDA Margin	*29.6*	*28.2*	*29.6*	*28.2*		*1.4 pp*
EBIT	269	203	2,630	2,110	520	24.6
EBIT Margin	*29.6*	*28.3*	*29.6*	*28.3*		*1.3 pp*
Finance income/(expenses), net	(7)	(3)	(63)	(27)	(36)	-
Profit (loss) before tax from Discontinued operations/Non-current assets held for sale	262	200	2,567	2,083	484	23.2
Income tax expense	(91)	(67)	(893)	(705)	(188)	26.7
Profit (loss) after tax from Discontinued operations/Non-current assets held for sale	171	133	1,674	1,378	296	21.5

	3/31/2015	12/31/2014	Change amount	Change %
Fixed-line				
Lines at period end (thousands)	4,077	4,093	(16)	(0.4)
ARBU (Average Revenue Billed per User) (Argentine pesos)	60.5	54.6 (3)	5.9	10.8
Mobile				
Lines at period end (thousands)	21,841	22,066	(225)	(1.0)
Telecom Personal mobile lines (thousands)	19,332	19,585	(253)	(1.3)
% postpaid lines (1)	*32%*	*32%*		
MOU Telecom Personal (minutes/month)	90.5	93,9 (3)	(3.4)	(3.6)
ARPU Telecom Personal (Argentine pesos)	86.2	68.3 (3)	17.9	26.1
Núcleo mobile lines (thousands) (2)	2,509	2,481	28	1.1
% postpaid lines (1)	*19%*	*19%*		
Broadband				
Broadband accesses at period end (thousands)	1,768	1,771	(3)	(0.2)
ARPU (Argentine pesos)	178.5	138.0 (3)	40.5	29.4

(1) Includes lines with a ceiling invoiced at the end of the month which can be topped-up with prepaid refills.

(2) Includes WiMAX lines.

(3) Figures for the first quarter of 2014. The value of the MOU has now been redetermined to also take into account the minutes offered free of charge when customers top-up.

Revenues

Revenues for the first quarter of 2015 amounted to 8,872 million pesos, increasing 1,406 million pesos (+18.8%) compared with the first quarter of 2014 (7,466 million pesos), mainly thanks to the growth in the relative average revenue per user (ARPU). The main source of revenues was mobile telephony, which accounted for about 73% of the consolidated revenues of the Sofora - Telecom Argentina group, an increase of 18% on the first quarter of 2014.

Fixed-line telephony service**:** the number of fixed lines decreased by 16 thousand compared to the end of 2014, totaling 4,077 thousand at March 31, 2015. Even though regulated fixed-line services in Argentina continued to be influenced by the rate freeze imposed by the Emergency Economic Law of January 2002, ARBU rose by 10.8% compared to the first quarter of 2014, thanks to the sale of additional services and the spread of traffic plans. Revenues from data and ICT services also rose, because the prices of their contracts are set in US dollars and so they benefited from the exchange rate difference with respect to the first quarter of 2014.

Mobile telephony service**:** Telecom Personal mobile lines in Argentina decreased by 253 thousand compared to the end of 2014, coming to a total of 19,332 thousand lines at March 31, 2015, 32% of which were postpaid. At the same time, thanks to high-value customer acquisitions and leadership in the smartphone segment, ARPU grew by 26.1% to 86.2 pesos (68.3 pesos in the first quarter of 2014). A large part of this growth was attributable to value-added services (including revenue sharing and Internet) which together accounted for 58% of revenues from mobile telephony services in the first quarter of 2015.

In Paraguay, the Núcleo customer base increased by 1.1% compared to December 31, 2014, reaching 2,509 thousand lines, 19% of which are postpaid.

BroadBand: Telecom Argentina's portfolio of broadband lines totaled 1,768 thousand accesses at March 31, 2015, a decrease of 3 thousand on December 31, 2014. ARPU rose by 29.4% to 178.5 pesos (138.0 pesos in the first quarter of 2014), largely thanks to up-selling strategies and price adjustments.

EBITDA

EBITDA showed an increase of 520 million pesos (+24.7%) compared to the first quarter of 2014, reaching 2,626 million pesos. The ratio of employee benefits expenses came to 29.6%, up 1.4 percentage points over the first quarter of 2014, mainly due to the reduction in costs for high-grade handsets and accessories, which was partially offset by higher employee benefits expenses.

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

	(millions of euros)		(millions of Argentine pesos)		
	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	Change
	(a)	(b)	(c)	(d)	(c-d)
Acquisition of goods and services	355	336	3,471	3,493	(22)
Employee benefits expenses	160	114	1,568	1,182	386
Other operating expenses	124	93	1,211	973	238
Change in inventories	-	(27)	2	(276)	278

- acquisition of goods and services totaled 3,471 million pesos (3,493 million pesos in the first quarter of 2014), with a rise in external service costs in particular of 441 million pesos and a reduction in purchases of goods of 419 million pesos;

- employee benefits expenses stood at 1,568 million pesos, an increase of 386 million pesos compared to the first quarter of 2014 (+32.7%). The change was due to salary increases resulting from periodic revisions in union agreements, primarily linked to inflation. The ratio of employee benefits expenses to total revenues rose to 17.7%, up 1.9 percentage points over the first quarter of 2014;

- other operating expenses amounted to 1,211 million pesos, increasing 238 million pesos on the first quarter of 2014. These expenses consist of the following:

(millions of Argentine pesos)	1st Quarter	1st Quarter	Change

	2015	2014	
Write-downs and expenses in connection with credit management	183	118	65
Provision charges	68	44	24
TLC operating fees and charges	166	137	29
Indirect duties and taxes	707	611	96
Sundry expenses	87	63	24
Total	1,211	973	238

EBIT

EBIT for the first quarter of 2015 came to 2,630 million pesos compared to 2,110 million pesos recorded for the first quarter of 2014. The increase of 520 million pesos was attributable to the improvement in EBITDA.

The EBIT margin stood at 29.6% of revenues (+1.3 percentage points compared to the first quarter of 2014).

As required by IFRS 5, the calculation of the depreciation and amortization for the Sofora – Telecom Argentina group was suspended with effect from its date of classification as a discontinued operation.

Capital expenditures

Capital expenditures in the first quarter of 2015 amounted to 864 million pesos, down 138 million pesos compared to the first quarter of 2014 (1,002 million pesos). Capital expenditures for the period related to customer acquisition costs, the enlargement and upgrading of the access network to increase capacity and improve quality for the 3G mobile network, and the upgrading of broadband services on the fixed-line network, in addition to backhauling to support the growth in data traffic volumes. In the first quarter 2015, activation of the sites for the start-up of the 4G service was also completed.

Consolidated Financial Position and Cash Flows Performance

Non-current assets

- **Goodwill**: decreased by 96 million euros, from 29,943 million euros at the end of 2014 to 29,847 million euros at March 31, 2015, due to changes in foreign exchange rates applicable to the Group's Brazilian operations[1] [2].

Further details are provided in the Note "Goodwill" in the condensed consolidated financial statements at March 31, 2015 of the Telecom Italia Group.

- **Other intangible assets**: decreased by 158 million euros, from 6,827 million euros at the end of 2014 to 6,669 million euros at March 31, 2015, representing the balance of the following items:

– capex (+429 million euros);

– amortization charge for the period (-463 million euros);

– disposals, exchange differences, reclassifications and other movements (for a net negative balance of 124 million euros).

- **Tangible assets**: Tangible assets decreased by 281 million euros, from 13,387 million euros at the end of 2014 to 13,106 million euros at March 31, 2015, and is the balance of the following:

– capex (+535 million euros);

– depreciation charge for the period (-589 million euros);

– disposals, exchange differences, reclassifications and other changes (for a net positive balance of 227 million euros).

Discontinued operations/Non-current assets held for sale

These related to the Sofora - Telecom Argentina group and included:

- financial assets of 217 million euros;
- non-financial assets of 3,995 million euros.

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, 2015.

Consolidated equity

Consolidated equity amounted to 22,050 million euros (21,699 million euros at December 31, 2014), of which 18,282 million euros attributable to Owners of the Parent (18,145 million euros at December 31, 2014) and 3,768 million euros attributable to non-controlling interests (3,554 million euros at December 31, 2014).

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

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(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 3.45149 at March 31, 2015 and 3.22489 at December 31, 2014.

(millions of euros)	3/31/2015	12/31/2014
At the beginning of the period	21,699	20,186
Total comprehensive income (loss) for the period	183	1,539
Dividends approved by:	(17)	(343)
Telecom Italia S.p.A.	–	*(166)*
Other Group companies	*(17)*	*(177)*
Issue of equity instruments	7	64
Convertible bond issue maturing 2022 - equity component	186	–
Effect of Rete A acquisition	–	40
Effect of equity transactions of the Sofora – Telecom Argentina group	–	160
Other changes	(8)	53
At the end of the period	22,050	21,699

Cash flows

Adjusted net financial debt stood at 27,430 million euros, up 779 million euros compared to December 31, 2014 (26,651 million euros).

Excluding the net financial assets of the Sofora - Telecom Argentina group, amounting to 98 million euros (122 million euros at December 31, 2014), the adjusted net financial debt would have increased by 755 million euros compared to December 31, 2014.

The table below summarizes the main transactions that had an impact on the change in adjusted net financial debt during the first quarter of 2015:

Change in adjusted net financial debt

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change
EBITDA	2,031	2,200	(169)
Capital expenditures on an accrual basis	(964)	(684)	(280)
Change in net operating working capital:	(1,500)	(1,502)	2
Change in inventories	*(40)*	*(27)*	*(13)*
Change in trade receivables and net amounts due from customers on construction contracts	*(345)*	*(77)*	*(268)*
Change in trade payables (*)	*(980)*	*(1,065)*	*85*
Other changes in operating receivables/payables	*(135)*	*(333)*	*198*
Change in employee benefits	(6)	(5)	(1)
Change in operating provisions and Other changes	(16)	(23)	7
Net operating free cash flow	(455)	(14)	(441)
% of Revenues	*(9.0)*	*(0.3)*	*(8.7) pp*
Sale of investments and other disposals flow	3	74	(71)
	186	–	186

Share capital increases/reimbursements, including incidental costs			
Financial investments flow	–	(9)	9
Dividends payment	(3)	–	(3)
Finance expenses, income taxes and other net non-operating requirements flow	(486)	(624)	138
Reduction/(Increase) in adjusted net financial debt from continuing operations	(755)	(573)	(182)
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	(24)	(149)	125
Reduction/(Increase) in adjusted net financial debt	(779)	(722)	(57)

(*) 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 2015 was particularly impacted by the following:

Capital expenditures on an accrual basis

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

(millions of euros)	1st Quarter 2015		1st Quarter 2014		Change
		% of total		% of total	
Domestic	676	70.1	493	72.1	183
Brazil	287	29.8	189	27.6	98
Media and Other Operations	1	0.1	2	0.3	(1)
Adjustments and eliminations	–	–	–	–	–
Consolidated Total	964	100.0	684	100.0	280
% of Revenues	*19.1*		13.2		*5.9 pp*

Capital expenditure in the first quarter of 2015 totaled 964 million euros, up 280 million euros on the first quarter of 2014. In particular:

- the **Domestic Business Unit** reported capital expenditure, up 183 million euros compared to the first quarter of 2014. This increase reflected in particular the amount paid for the renewal for three years of the GSM license of 117 million euros, in addition to innovative investments for the development of next-generation networks and services (+83 million euros), representing 33% overall capital expenditure (28% in the same period of 2014);

- the **Brazil Business Unit** reported an increase of 98 million euros on the first quarter of 2014, essentially without any exchange rate effect. This capital expenditure was mainly aimed at the development of industrial infrastructure.

Change in net operating working capital

The change in net operating working capital for the first quarter 2015 was a decrease of 1,500 million euros (decrease of 1,502 million euros in the first quarter 2014). In particular:

- the change in inventories and the management of trade receivables generated negative impacts of 40 million euros and 345 million euros, respectively; in particular, the negative change in trade receivables was influenced by the lower amount of assignments of receivables to factoring companies in the first quarter 2015 due to the temporary presence of liquidity temporarily above the amounts considered optimal;

- the change in trade payables (- 980 million euros) was linked to 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 other operating receivables/payables (-135 million euros) include a negative amount of 224 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.

Share capital increases/reimbursements, including incidental costs

In the first quarter of 2015, the amount of 186 million euros 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.

In particular, the reduction of 186 million euros in net financial debt corresponded to the difference between the credit received by bondholders following the issue of the bond and the debt component of the financial instrument issued. The debt component is equal to the fair value of an identical liability issued by the Company at market conditions, but without conversion rights, while the remaining part, up to the amount of the credit received, was recognized as an equity item (residual method).

Sale of investments and other disposals flow

This was positive by 3 million euros in the first quarter of 2015 and related to sales of assets as part of normal operations.

In the first quarter 2014 it amounted to 74 million euros and was mainly due to the receipt of 71 million euros from the sale by Telecom Italia S.p.A. of a property located in Milan.

Financial investments flow

In the first quarter of 2015 this item amounted to zero.

In the first quarter 2014 this item amounted to 9 million euros and mainly related to Telecom Italia S.p.A.'s acquisition of control over Trentino NGN S.r.l. on February 28, 2014.

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

The item mainly included the payment, during the first quarter of 2015, of net finance expenses (622 million euros) and income taxes (18 million euros), as well as the change in non-operating receivables and payables.

Net financial debt

Net financial debt is composed as follows:

(millions of euros)	3/31/2015 (a)	12/31/2014 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	25,084	23,440	1,644
Amounts due to banks, other financial payables and liabilities	8,296	7,901	395
Finance lease liabilities	947	984	(37)
	34,327	32,325	2,002
Current financial liabilities (*)			
Bonds	3,905	2,645	1,260
Amounts due to banks, other financial payables and liabilities	1,968	1,872	96
Finance lease liabilities	163	169	(6)
	6,036	4,686	1,350
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	119	43	76
Total Gross financial debt	40,482	37,054	3,428
Non-current financial assets			
Securities other than investments	(6)	(6)	–
Financial receivables and other non-current financial assets	(3,607)	(2,439)	(1,168)
	(3,613)	(2,445)	(1,168)
Current financial assets			
Securities other than investments	(1,617)	(1,300)	(317)
Financial receivables and other current financial assets	(525)	(311)	(214)
Cash and cash equivalents	(5,507)	(4,812)	(695)
	(7,649)	(6,423)	(1,226)
Financial assets relating to Discontinued operations/Non-current assets held for sale	(217)	(165)	(52)
Total financial assets	(11,479)	(9,033)	(2,446)
Net financial debt carrying amount	29,003	28,021	982
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(1,573)*	*(1,370)*	*(203)*
Adjusted net financial debt	27,430	26,651	779
Breakdown as follows:			
Total adjusted gross financial debt	37,303	34,421	2,882
Total adjusted financial assets	(9,873)	(7,770)	(2,103)
(*) of which current portion of medium/long-term debt:			
Bonds	*3,905*	*2,645*	*1,260*

Amounts due to banks, other financial payables and liabilities	*1,398*	*1,413*	*(15)*
Finance lease liabilities	*163*	*169*	*(6)*

The financial risk management policies of the Telecom Italia Group are aimed at diversifying 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.

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 2015 resulted in a positive effect on net financial debt at March 31, 2015 of 519 million euros (1,316 million euros at December 31, 2014).

Gross financial debt

Bonds

Bonds at March 31, 2015 were recorded for a total of 28,989 million euros (26,085 million euros at December 31, 2014). Their nominal repayment amount was 28,225 million euros, up 3,311 million euros compared to December 31, 2014 (24,914 million euros).

Changes in bonds over the first quarter of 2015 are shown below:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 1,000 million euros 3.250% maturing 01/16/2023	Euro	1,000	01/16/2015
Telecom Italia S.p.A. bond convertible(*) into ordinary shares 2,000 million euros 1.125% maturing 03/26/2022	Euro	2,000	03/26/2015

(*) The bond will only become convertible upon approval of the related capital increase by the Shareholders' Meeting of Telecom Italia S.p.A. called for May 20, 2015.

On January 21, 2015, Telecom Italia S.p.A. successfully concluded the buyback offer on four bond issues maturing between June 2015 and September 2017, buying back a total nominal amount of 810.3 million euros.

Details of the bond issues bought back are provided below:

Bond Name	Outstanding nominal amount prior to the purchase offer (euros)	Repurchased nominal amount (euros)	Buyback price
Buybacks			
Telecom Italia S.p.A. - 750 million euros, maturing June 2015, coupon 4.625% (1)	577,701,000	63,830,000	101.650%
Telecom Italia S.p.A. - 1 billion euros, maturing January 2016, coupon 5.125% (2)	771,550,000	108,200,000	104.661%
Telecom Italia S.p.A. - 1 billion euros, maturing January 2017, coupon 7.00%	1,000,000,000	374,308,000	111.759%
Telecom Italia S.p.A. - 1 billion euros, maturing September 2017, coupon 4.50%	1,000,000,000	263,974,000	108.420%

(1) Net of buybacks by the Company of 172 million euros during 2014.

(2) Net of buybacks by the Company of 228 million euros during 2014.

In reference to the Telecom Italia S.p.A. 2002–2022 bonds, reserved for subscription by employees of the Group, the nominal amount at March 31, 2015 was 198 million euros, up 2 million euros compared to December 31, 2014 (196 million euros).

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, 2015:

(billions of euros)	3/31/2015		12/31/2014	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – expiring May 2017	4.0	-	4.0	-
	3.0	-	3.0	-

Revolving Credit Facility – expiring March 2018				
Total	7.0	-	7.0	-

Telecom Italia has two syndicated Revolving Credit Facilities of 4 billion euros and 3 billion euros maturing respectively on May 24, 2017 and May 25, 2018, both of which undrawn.

Telecom Italia also has a bilateral term loan expiring August 3, 2016, for 100 million euros from Banca Regionale Europea, drawn down for the full amount.

On October 20, 2014, a bilateral term loan was signed with Cassa Depositi e Prestiti for an amount of 150 million euros with a 5-year expiry, drawn down for the full amount.

On November 10, 2014, a bilateral term loan was signed with Mediobanca for an amount of 200 million euros with a 5-year expiry, 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 7.06 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 5.4%.

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, 2015 of the Telecom Italia Group.

Current financial assets and liquidity margin

The Telecom Italia Group's available liquidity margin amounted to 14,124 million euros at March 31, 2015 (net of 183 million euros related to Discontinued Operations), corresponding to the sum of "Cash and cash equivalents" and "Current securities other than investments", totaling 7,124 million euros (6,112 million euros at December 31, 2014), 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 beyond the next 24 months. Against a use of cash from operations, the increase in "Cash and cash equivalents" compared to December 31, 2014 was due to the net positive effect of the trend in repayments/new issues and the use of liquidity to repurchase Group bonds.

In particular:

Cash and cash equivalents amounted to 5,507 million euros (4,812 million euros at December 31, 2014). The different technical forms of investing available cash at March 31, 2015 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 1,617 million euros (1,300 million euros at December 31, 2014). These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They consist of 257 million euros of Italian and European treasury bonds purchased by Telecom Italia S.p.A. and 735 million euros of Italian treasury bonds purchased by Telecom Italia Finance S.A., 5 million euros of Italian Treasury Certificates (CCTs) (assigned to Telecom Italia S.p.A. as the holder of trade receivables, as per Italian Ministry of the Economy and Finance Decree of December 3, 2012) and 620 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.

Consolidated Financial Statements – Telecom Italia Group

The Interim Management Report at March 31, 2015 of the Telecom Italia Group has been prepared in accordance with article 154–ter (Financial Reports) of Legislative Decree no. 58/1998 (Consolidated Law on Finance - TUF) as amended. This document also includes the Condensed Consolidated Financial Statements at March 31, 2015, prepared in compliance with the IFRS issued by the IASB and endorsed by the EU and, specifically, IAS 34 Interim Reports.

The accounting policies and consolidation principles adopted in the preparation of the condensed consolidated financial statements at March 31, 2015 are the same as those adopted in the Telecom Italia Group annual consolidated financial statements at December 31, 2014, to which reference can be made, except for the application of the new Standards/Interpretations adopted by the Group from January 1, 2015. However, as described in the notes to the condensed consolidated financial statements at March 31, 2015, the new Standards/Interpretations had no effects on the consolidated financial statements of the Group.

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 2015" 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 change took place in the scope of consolidation during the first quarter of 2015:

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

The following changes in the scope of consolidation occurred during 2014:

- *Telecom Italia Ventures S.r.l. (Domestic Business Unit): established in July 2014;*

- *Rete A S.p.A. (Media Business Unit): on June 30, 2014 Persidera S.p.A. acquired 100% of the company. As a result Rete A entered the Group's scope of consolidation and was consolidated on a line-by-line basis. The merger of Rete A into Persidera was completed on December 1, 2014;*

- *TIMB2 S.r.l. (Media Business Unit): established in May 2014;*

- *Trentino NGN S.r.l. (Domestic Business Unit): on February 28, 2014 the Telecom Italia Group acquired the controlling interest in the company, which is now part of the Group's scope of consolidation.*

Separate Consolidated Income Statements

(millions of euros)	1st Quarter 2015 (a)	1st Quarter 2014 (b)	Change (a-b) amount	Change (a-b) %
Revenues	5,053	5,188	(135)	(2.6)
Other income	53	84	(31)	(36.9)
Total operating revenues and other income	5,106	5,272	(166)	(3.1)
Acquisition of goods and services	(2,172)	(2,179)	7	0.3
Employee benefits expenses	(833)	(775)	(58)	(7.5)
Other operating expenses	(265)	(267)	2	0.7
Change in inventories	47	23	24	–
Internally generated assets	148	126	22	17.5
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,031	2,200	(169)	(7.7)
Depreciation and amortization	(1,052)	(1,070)	18	1.7
Gains (losses) on disposals of non-current assets	–	37	(37)	–
Impairment reversals (losses) on non-current assets	–	–	–	–
Operating profit (loss) (EBIT)	979	1,167	(188)	(16.1)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	–	(5)	5	–
Other income (expenses) from investments	2	11	(9)	(81.8)
Finance income	1,511	366	1,145	–
Finance expenses	(2,329)	(1,051)	(1,278)	–
Profit (loss) before tax from continuing operations	163	488	(325)	(66.6)
Income tax expense	(74)	(254)	180	70.9
Profit (loss) from continuing operations	89	234	(145)	(62.0)
Profit (loss) from Discontinued operations/Non-current assets held for sale	169	133	36	27.1
Profit (loss) for the period	258	367	(109)	(29.7)
Attributable to:				
Owners of the Parent	80	222	(142)	(64.0)
Non-controlling interests	178	145	33	22.8

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 2015	1st Quarter 2014
Profit (loss) for the period	(a)	258	367
Other components of the Consolidated Statement 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		39	24
Loss (profit) transferred to the Separate Consolidated Income Statements		(4)	(6)
Income tax effect		(7)	(3)
	(e)	28	15
Hedging instruments:			
Profit (loss) from fair value adjustments		539	(26)
Loss (profit) transferred to the Separate Consolidated Income Statements		(455)	2
Income tax effect		(22)	4
	(f)	62	(20)
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(165)	(175)
		–	–

Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statements			
Income tax effect		–	–
	(g)	(165)	(175)
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)	(75)	(180)
Total other components of the Consolidated Statements of Comprehensive Income	(k=d+i)	(75)	(180)
Total comprehensive income (loss) for the period	(a+k)	183	187
Attributable to:			
Owners of the Parent		(51)	280
Non-controlling interests		234	(93)

Consolidated Statements of Financial Position

(millions of euros)		3/31/2015 (a)	12/31/2014 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		29,847	29,943	(96)
Intangible assets with a finite useful life		6,669	6,827	(158)
		36,516	36,770	(254)
Tangible assets				
Property, plant and equipment owned		12,293	12,544	(251)
Assets held under finance leases		813	843	(30)
		13,106	13,387	(281)
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		36	36	–
Other investments		48	43	5
Non-current financial assets		3,613	2,445	1,168
Miscellaneous receivables and other non-current assets		1,594	1,571	23
Deferred tax assets		1,195	1,118	77
		6,486	5,213	1,273
Total Non-current assets	(a)	56,108	55,370	738
Current assets				
Inventories		353	313	40
Trade and miscellaneous receivables and other current assets		6,361	5,615	746
Current income tax receivables		32	101	(69)
Current financial assets				
Securities other than investments, financial receivables and other current financial assets		*2,142*	*1,611*	*531*
Cash and cash equivalents		*5,507*	*4,812*	*695*
		7,649	6,423	1,226
Current assets sub-total		14,395	12,452	1,943
Discontinued operations/Non-current assets held for sale				
of a financial nature		217	165	52
of a non-financial nature		3,995	3,564	431
		4,212	3,729	483
Total Current assets	(b)	18,607	16,181	2,426
Total Assets	(a+b)	74,715	71,551	3,164

(millions of euros)		3/31/2015 (a)	12/31/2014 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		18,282	18,145	137
Non-controlling interests		3,768	3,554	214
Total Equity	(c)	22,050	21,699	351
Non-current liabilities				
Non-current financial liabilities		34,327	32,325	2,002
Employee benefits		1,059	1,056	3
Deferred tax liabilities		530	438	92
Provisions		628	720	(92)
Miscellaneous payables and other non-current liabilities		793	697	96
Total Non-current liabilities	(d)	37,337	35,236	2,101
Current liabilities				
Current financial liabilities		6,036	4,686	1,350
Trade and miscellaneous payables and other current liabilities		7,604	8,376	(772)
Current income tax payables		21	36	(15)
Current liabilities sub-total		13,661	13,098	563
Liabilities directly associated with Discontinued operations/Non-current assets held for sale				
of a financial nature		119	43	76
of a non-financial nature		1,548	1,475	73
		1,667	1,518	149
Total Current Liabilities	(e)	15,328	14,616	712
Total Liabilities	(f=d+e)	52,665	49,852	2,813
Total Equity and Liabilities	(c+f)	74,715	71,551	3,164

Consolidated Statements of Cash Flows

(millions of euros)		1st Quarter 2015	1st Quarter 2014	
Cash flows from operating activities:				
Profit (loss) from continuing operations		89	234	
Adjustments for:				
Depreciation and amortization		1,052	1,070	
Impairment losses (reversals) on non-current assets (including investments)		3	–	
Net change in deferred tax assets and liabilities		(11)	105	
Losses (gains) realized on disposals of non-current assets (including investments)		–	(38)	
Share of losses (profits) of associates and joint ventures accounted for using the equity method		–	5	
Change in employee benefits		(6)	(5)	
Change in inventories		(40)	(27)	
Change in trade receivables and net amounts due from customers on construction contracts		(345)	(77)	
Change in trade payables		(606)	(496)	
Net change in current income tax receivables/payables		49	117	
Net change in miscellaneous receivables/payables and other assets/liabilities		(39)	(347)	
Cash flows from (used in) operating activities	(a)	146		541
Cash flows from investing activities:				
Purchase of intangible assets on an accrual basis		*(429)*	*(309)*	
Purchase of tangible assets on an accrual basis		*(535)*	*(375)*	
Total purchase of intangible and tangible assets on an accrual basis		(964)	(684)	
Change in amounts due to fixed asset suppliers		*(374)*	*(569)*	
Total purchase of intangible and tangible assets on a cash basis		(1,338)	(1,253)	
Acquisition of control in subsidiaries or other businesses, net of cash acquired		–	(9)	
Acquisitions/disposals of other investments		–	–	
Change in financial receivables and other financial assets		(1,631)	(110)	
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		–	–	
Proceeds from sale/repayment of intangible, tangible and other non-current assets		3	74	
Cash flows from (used in) investing activities	(b)	(2,966)		(1,298)
Cash flows from financing activities:				
Change in current financial liabilities and other		1,327	65	
Proceeds from non-current financial liabilities (including current portion)		3,015	1,094	

Repayments of non-current financial liabilities (including current portion)		(965)	(2,108)
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)	3,560	(949)
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d)	9	(190)
Aggregate cash flows	(e=a+b+c+d)	749	(1,896)
Net cash and cash equivalents at beginning of the period	(f)	4,910	6,296
Net foreign exchange differences on net cash and cash equivalents	(g)	(57)	(84)
Net cash and cash equivalents at end of the period	(h=e+f+g)	5,602	4,316

Additional Cash Flow Information

(millions of euros)	1st Quarter 2015	1st Quarter 2014
Income taxes (paid) received	(18)	(16)
Interest expense paid	(771)	(873)
Interest income received	149	158
Dividends received	–	–

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Quarter 2015	1st Quarter 2014
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents - from continuing operations	4,812	5,744
Bank overdrafts repayable on demand – from continuing operations	(19)	(64)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	117	616
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	4,910	6,296
Net cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	5,507	3,945
	(31)	(55)

Bank overdrafts repayable on demand – from continuing operations			
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	126	426	
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–	
	5,602		4,316

Analysis of the main consolidated financial and operating items

Acquisition of goods and services

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change
Purchases of goods	486	436	50
Revenues due to other TLC operators and interconnection costs	557	626	(69)
Commercial and advertising costs	352	332	20
Power, maintenance and outsourced services	322	319	3
Rent and leases	177	182	(5)
Other service expenses	278	284	(6)
Total acquisition of goods and services	2,172	2,179	(7)
% of Revenues	*43.0*	*42.0*	*1.0 pp*

Employee benefits expenses

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change
Employee benefits expenses - Italy	729	683	46
Employee benefits expenses – Outside Italy	104	92	12
Total employee benefits expenses	833	775	58
% of Revenues	*16.5*	*14.9*	*1.6 pp*

Average salaried workforce

(equivalent number)	1st Quarter 2015	1st Quarter 2014	Change
Average salaried workforce – Italy	47,428	47,511	(83)
Average salaried workforce – Outside Italy	12,009	11,450	559
Total average salaried workforce [(1)]	59,437	58,961	476
	15,541	15,653	(112)

Profit (loss) for the period

Non-current assets held for sale - Sofora - Telecom Argentina group			
Total average salaried workforce - including Non-current assets held for sale	74,978	74,614	364

(1) Includes employees with temp work contracts: 4 in the first quarter of 2015 (3 in Italy and 1 outside Italy). In the first quarter of 2014, the average headcount was 9 (4 in Italy and 5 outside Italy).

Headcount at period end

(number)	3/31/2015	12/31/2014	Change
Headcount – Italy	52,806	52,882	(76)
Headcount – Outside Italy	13,031	13,143	(112)
Total headcount at period end[(1)]	65,837	66,025	(188)
Non-current assets held for sale - Sofora - Telecom Argentina group	16,362	16,420	(58)
Total headcount at period end - including Non-current assets held for sale	82,199	82,445	(246)

(1) Includes employees with temp work contracts: 4 employees at March 31, 2015, and 9 employees at December 31, 2014.

Headcount at period end – Breakdown by Business Unit

(number)	3/31/2015	12/31/2014	Change
Domestic	52,965	53,076	(111)
Brazil	12,765	12,841	(76)
Media	87	89	(2)
Other Operations	20	19	1
Total	65,837	66,025	(188)

Other income

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change
Late payment fees charged for telephone services	16	18	(2)
Recovery of employee benefit expenses, purchases and services rendered	6	8	(2)
Capital and operating grants	7	7	–
Damage compensation, penalties and sundry recoveries	8	10	(2)
Other income	16	41	(25)
Total	53	84	(31)

Other operating expenses

(millions of euros)	1st Quarter 2015	1st Quarter 2014	Change
Write-downs and expenses in connection with credit management	77	83	(6)
Provision charges	24	18	6
TLC operating fees and charges	106	108	(2)
Indirect duties and taxes	31	31	–
Penalties, settlement compensation and administrative fines	15	13	2
Association dues and fees, donations, scholarships and traineeships	5	4	1
Sundry expenses	7	10	(3)
Total	265	267	(2)

Profit (loss) for the period

Events Subsequent to March 31, 2015

For details of subsequent events see the specific Note "Events Subsequent to March 31, 2015" in the Telecom Italia Group condensed consolidated financial statements at March 31, 2015.

Business Outlook for the Year 2015

In 2015, the telecommunications market will continue to experience a decline in traditional services (voice and accesses), partly offset by the increase in revenues from innovative services thanks to the growing demand for connectivity and digital services. The combined effect of these trends is expected to cause a further overall decline in the domestic market, but much more limited than in previous years, particularly in the Mobile segment. In Brazil the forecast is for growth, albeit at slower rates than in previous years, as a result of the steady penetration and saturation of the Mobile market, as well as the migration from traditional voice-SMS messaging services to Internet services and the impact of the reduction in mobile termination rates (MTRs).

In this scenario, the Telecom Italia Group – as announced in the 2015–2017 Plan – will continue to defend its market shares and invest in the development of infrastructures, with a sharp increase in investments in innovative components. Specifically, the five areas of technology development will be fixed fiber optic ultrabroadband, mobile ultrabroadband, the establishment of new data centers to support cloud services, international fiber connections, and the transformation of industrial process to structurally reduce running costs by streamlining and upgrading infrastructures.

The aim of the additional investment is to create the conditions for revenue stabilization and recovery, based increasingly on the spread of innovative services with digital content.

Investments within the Domestic perimeter will total around 10 billion euros over the plan period, of which around 5 billion euros exclusively for the innovative component (NGN, LTE, Cloud Computing, Data Center, Sparkle and Restructuring) which, by 2017, will enable 75% of the population to be reached by fiber optics and over 95% by 4G. In Brazil, investments will rise to 14 billion reais with the objective of extending 4G coverage to over 15,000 sites and 3G coverage to over 14,000 sites by 2017.

In this scenario, management – in keeping with the developments identified in the 2015-2017 Three-Year Plan – expects to see a progressive improvement in operating performance for the current year in both the Domestic market (with the objective of EBITDA stabilization by 2016) and in Brazil.

Main risks and uncertainties

The business outlook for 2015 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 macro economic 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, with the consequent reduction in income available for consumption and, in Brazil, generally by the slowdown in economic growth.

In addition, the Telecom Italia Group is currently undertaking numerous extraordinary transactions, including corporate transactions, whose feasibility and completion could be affected by factors outside the control of management, such as political and regulatory factors, currency exchange restrictions, etc.

Risks related to competition

The telecommunications market is characterized by strong competition that may reduce our market share and lower prices and margins. Competition is focused both on innovative products and services, and the price of traditional services.

Operational risks

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

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;
- increase the geographical coverage of innovative services;
- upgrade old systems and networks to adapt them 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 absence of these risks. 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 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.

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.

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.

Corporate Boards at March 31, 2015

Board of Directors

The shareholders' meeting held on April 16, 2014 appointed the new board of directors of the Company, composed of 13 directors, with a three-year term of office, until the approval of the financial statements for the year ended December 31, 2016. The same shareholders' meeting also appointed Giuseppe Recchi as Chairman of the Company's board of directors. On April 18, 2014, the board of directors appointed Marco Patuano as Chief Executive Officer of the Company.

As a result, the Board of Directors of the Company is now composed as follows:

Chairman	Giuseppe Recchi
Chief Executive Officer	Marco Patuano
Directors	Tarak Ben Ammar
	Davide Benello (independent)
	Lucia Calvosa (independent)
	Flavio Cattaneo (independent)
	Laura Cioli (independent)
	Francesca Cornelli (independent)
	Jean Paul Fitoussi
	Giorgina Gallo (independent)
	Denise Kingsmill (independent)
	Luca Marzotto (independent)
	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, 2015:

- Control and Risk Committee: composed of the Directors: Lucia Calvosa (Chairman appointed in the meeting of May 8, 2014), Laura Cioli, Francesca Cornelli, Giorgina Gallo and Giorgio Valerio;

- Nomination and Remuneration Committee: composed of the Directors: Davide Benello (Chairman appointed in the meeting of May 9, 2014) Jean Paul Fitoussi, Denise Kingsmill and Luca Marzotto (appointed by the Board of Directors on March 26, 2015, as a replacement for the Director Flavio Cattaneo).

Board of Statutory Auditors

The ordinary shareholders' meeting of May 15, 2012 appointed the Company's Board of Statutory Auditors with a term up to the approval of the 2014 financial statements (related Shareholders' Meeting has been called for May 20, 2015).

At the shareholders' meeting of April 17, 2013, Roberto Capone formerly alternate auditor, was appointed acting auditor, after substituting for Sabrina Bruno who had resigned, and Fabrizio Riccardo Di Giusto was appointed alternate auditor. Their terms of office were aligned to those of the other members of the Board of Statutory Auditors. The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Enrico Maria Bignami
Acting Auditors	Roberto Capone
	Gianluca Ponzellini
	Salvatore Spiniello
	Ferdinando Superti Furga
Alternate Auditors	Ugo Rock
	Vittorio Mariani
	Franco Patti
	Fabrizio Riccardo Di Giusto

In view of the reappointment of the Board of Statutory Auditors for the years 2015-2017, the following lists of candidates have been duly submitted:

- List submitted by Telco S.p.A. (holding of around 22.3% of the voting share capital)

Candidates for the office of Acting Auditor

1. Gianluca PONZELLINI
2. Ugo ROCK
3. Paola MAIORANA
4. Simone TINI
5. Stefania BARSALINI

Candidates for the office of Alternate Auditor

1. Francesco DI CARLO
2. Gabriella CHERSICLA
3. Maurizio DATTILO
4. Barbara NEGRI

- List submitted by a group of Asset Management Companies and institutional investors (holding of around 1.9% of the voting share capital)

Candidates for the office of Acting Auditor

1. Roberto CAPONE
2. Vincenzo CARIELLO
3. Daria Beatrice LANGOSCO DI LANGOSCO

Candidates for the office of Alternate Auditor

1. Piera VITALI

2. Riccardo SCHIOPPO

Independent Auditors

The shareholders' meeting held on April 29, 2010 appointed the audit firm of 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.

Macro-Organization Chart at March 31, 2015

Following the appointment of Oscar Cicchetti as Chief Executive Officer of INWIT S.p.A., the Tower function was superseded on April 1, 2015. INWIT S.p.A. is under the remit of the Chief of Operations.

On April 15, 2015 the “Press Office & Opinion Makers Relations” function was renamed “Institutional Communication”.

On April 20, 2015 the Fast Rollout FTTH/B project was set up under the remit of the Chief of Operations.

Information for Investors

Telecom Italia S.p.A. Share Capital at March 31, 2015

Share capital	10,723,391,861.60 euros
Number of ordinary shares (without nominal value)	13,470,955,451
Number of savings shares (without nominal value)	6,026,120,661
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.	124,544,373
Percentage of ordinary treasury shares held by the Group to total share capital	0.83%
Market capitalization (based on March 2015 average prices)	20,025 million euros

The ordinary and savings shares of Telecom Italia S.p.A. and Telecom Italia Media S.p.A. are listed in Italy (FTSE index) whereas the ordinary shares of Tim Participações S.A. are listed in Brazil (BOVESPA index). The Telecom Italia S.p.A. ordinary and savings shares and the Tim Participações S.A. ordinary shares are also listed on the New York Stock Exchange (NYSE). The shares are listed through American Depositary Shares (ADS) representing, respectively, 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, 2015, supplemented by communications received and other available sources of information (ordinary shares):

The shareholders of Telco (whose capital with voting rights at the date of March 31, 2015 was as follows: Generali group - 30.58%; Mediobanca S.p.A. - 11.62%; Intesa Sanpaolo S.p.A. - 11.62%; Telefónica S.A. - 46.18%) signed a shareholders' agreement, relevant for Telecom Italia pursuant to Legislative Decree 58/1998, art. 122. The description of the basic contents of the agreement is contained in the Report on the Corporate Governance and Share Ownership Structure, posted on the website: www.telecomitalia.com.

On June 16, 2014, Generali, Intesa Sanpaolo and Mediobanca moreover exercised the right to ask for the demerger of Telco in accordance with the shareholders' agreement. As a result, on June 26, the board of directors of Telco approved the partial non-proportional demerger of the company, which will result in an allocation, to the four newly-established beneficiary companies (each fully controlled by each of the shareholders Telefónica, Mediobanca, Generali and Intesa Sanpaolo), of the respective interests held by Telco in Telecom Italia – updated due to the effect of the dilution of the Telco investment in the ordinary share capital of Telecom Italia S.p.A., resulting from the issuance of new ordinary shares for the execution, effective from July 31, 2014, of the 2014 Broad-Based Share Ownership Plan – and therefore specifically: 14.72% to the newco controlled by Telefónica, to 4.30% to the newco of the Generali group, and 1.64% to each of the newcos controlled respectively by Intesa Sanpaolo and Mediobanca. The demerger resolution was passed by the extraordinary shareholders' meeting of Telco on July 9, 2014. As of the effective date of the demerger all the effects of the shareholders' agreement in place between the shareholders of Telco shall cease.

Under the demerger plan the transaction is subject, among other things, to obtaining the authorizations from *Conselho Administrativo de Defesa Econômica* (CADE, Brazilian antitrust authority), *Agência Nacional de Telecomunicações* (Anatel, Brazilian regulatory authority), *Comisión Nacional de Defensa de la Competencia* (CNDC, Argentine antitrust authority) and *Istituto per la Vigilanza sulle Assicurazioni (IVASS formerly ISVAP,* Italian regulatory authority of insurance companies).

To date IVASS, Anatel and CADE have issued their authorizations.

As far as the Company is concerned directly, Anatel has issued its approval subject, among other things, to the suspension of all political rights of Telefónica in Telecom Italia and its subsidiaries, ordering that this limitation be added by Telecom Italia S.p.A. to its Company Bylaws. Compliance with this provision must be proved by filing an authenticated copy of the amended Bylaws with the Authority. The shareholder Telco S.p.A. subsequently asked for an addition to be made to the agenda for the Shareholders' Meeting already called for May 20, 2015, with introduction of the following additional item: "*Additions to the Company Bylaws requsted by Telefónica, via Telco, in accordance with the order issued by the Agência Nacional de Telecomunicações (ANATEL). Related resolutions*". The bylaw amendment essentially involves the addition of a transitional clause relating to the suspension of the Telefónica's administrative rights in Telecom Italia, after the Telco demerger.

Major Holdings in Share Capital

At March 31, 2015, taking into account the entries in the Shareholders Book, communications sent to Consob and the Company pursuant to Legislative Decree 58 dated February 24, 1998, article 120, and other sources of information, the principal shareholders of Telecom Italia S.p.A. ordinary share capital were as follows:

Holder	Type of ownership	Percentage of ownership
Telco S.p.A.	Direct	22.30%
People's Bank of China	Direct	2.07%

Specifically: On March 12, 2014, Blackrock Inc. notified Consob that, as an asset management company, it indirectly held a quantity of ordinary shares equal to 4.79% of the total ordinary shares of Telecom Italia S.p.A. at March 31, 2015.

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 October 18, 2012, the Milan Court confirmed Francesco Pensato 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 2014 Annual Report.

Rating at March 31, 2015

At March 31, 2015, 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 -	Negative

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.

Profit (loss) for the period

Significant non-recurring events and transactions

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

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(millions of euros)	1st Quarter 2015	1st Quarter 2014
Other operating expenses:		
Sundry expenses	(1)	–
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(1)	–
Gains (losses) on non-current assets:		
Gains on disposals of non-current assets	–	38
Impact on EBIT – Operating profit (loss)	(1)	38
Other income (expenses) from investments:		
Fair value measurement of the investment in Trentino NGN S.r.l.	–	11
Impact on profit (loss) before tax from continuing operations	(1)	49
Effect on income taxes on non-recurring items	–	(17)
Impact on profit (loss) for the period	(1)	32

Positions or transactions resulting from atypical and/or unusual operations

In the first quarter of 2015 the Telecom Italia Group did not undertake any atypical and/or unusual transactions, as defined in Consob Communication DEM/6064293 of July 28, 2006.

Alternative Performance Measures

In this Interim Report at March 31, 2015 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 "reported" figure and the "comparable" 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. The 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