TELECOM ITALIA S P A
Form 6-K
November 28, 2016

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 NOVEMBER 2016

TELECOM ITALIA S.p.A.

(Translation of registrant s name into English)

Via Gaetano Negri 1

20123 Milan, Italy

(Address of principal executive offices)

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

FORM 20-F 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

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

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INTERIM MANAGEMENT

REPORT

AT SEPTEMBER 30, 2016

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This document has been translated into English for the convenience of the readers.

In the event of discrepancy, the Italian language version prevails.

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THE TELECOM ITALIA GROUP

THE BUSINESS UNITS

DOMESTIC

The Domestic Business Unit operates as the consolidated market leader in the sphere of voice and data services on fixed and mobile networks for final retail customers and other wholesale operators.

In the international field, the Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

Olivetti, which is now part of the Business segment of Core Domestic, operates in the area of office products and services for Information Technology.

INWIT S.p.A. operates in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for Telecom Italia and other operators.

CORE DOMESTIC

- Consumer
- Business
- Wholesale
- Other (INWIT S.p.A. and support structures)

INTERNATIONAL WHOLESALE

Telecom Italia Sparkle group

- Telecom Italia Sparkle S.p.A.
- Lan Med Nautilus group

BRAZIL

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

Tim Brasil Serviços e Participações S.A.

Tim Participações S.A.

Intelig Telecomunicações Ltda

Tim Celular S.A.

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BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

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HIGHLIGHTS FIRST NINE MONTHS OF 2016

You are reminded that on March 8, 2016 the sale was completed of the controlling interest still held in the Sofora Telecom Argentina group, classified under Discontinued Operations.

FINANCIAL HIGHLIGHTS

In terms of economic and financial performance of the first nine months of 2016:

Consolidated revenues amounted to 13.9 billion euros, down by 6.3% on the first nine months of 2015 (-3.7% in organic terms).

Revenues for the third quarter of 2016 amounted to 4.8 billion euros, up 1.4% on the third quarter of 2015, continuing the trend of improvement (-12.1% in the first quarter and -7.7% in the second quarter of 2016).

EBITDA amounted to 5.9 billion euros, up 4.6% on the first nine months of 2015 (+6.9% in organic terms). The organic EBITDA margin stood at 42.2%, 4.2 percentage points higher than the corresponding period of the previous year. EBITDA for the first nine months of 2016 was pulled lower by a total of 153 million euros in non-recurring expenses (460 million euros in the first nine months of 2015), without which the organic change in EBITDA would have been +1.2%, with an EBITDA margin of 43.3%, up 2.1 percentage points compared to the first nine months of 2015.

EBITDA for the third quarter of 2016 amounted to 2.2 billion euros, up 8.5% on the third quarter of 2015. In organic terms and without non-recurring expenses, the increase on the third quarter of 2015 would have been +6.6%, with an EBITDA margin of 45.7%, representing an improvement on the previous quarters of 2016 (+2.1 percentage points on the second quarter and +5.5 percentage points on the first quarter).

Operating profit (EBIT) came to 2.8 billion euros, down 1.4% compared to the first nine months of 2015 (+1.6% in organic terms), pulled down by non-recurring net expenses of 144 million euros (161 million euros in the first nine months of 2015, at constant exchange rates), without which the organic change in EBIT would have been +0.9%, with an EBIT margin of 20.9%, up 1.0 percentage points on the first nine months of 2015.
EBIT for the third quarter of 2016 amounted to 1.1 billion euros, up 6.2% on the third quarter of 2015.

Profit for the period attributable to Owners of the Parent increased by over 1 billion euros, to reach 1.5 billion euros (0.4 billion euros in the first nine months of 2015).

Capital expenditures for the first nine months of 2016 amounted to 3,107 million euros (3,233 million euros in the first nine months of 2015). In the third quarter the Company continued to implement more selective capital expenditure by identifying projects with higher returns, targeted at innovation and transformation, without affecting levels of Ultra Broad Band coverage and service quality. In the domestic market, capital expenditure for developing next-generation network (NGN) infrastructure enabled the fiber-optic coverage to reach 55% of the population, while the 4G (LTE) network now covers 95% of the population.

Adjusted net financial debt amounted to 26,735 million euros at September 30, 2016, down 543 million euros compared to December 31, 2015 (27,278 million euros). In the first nine months of 2016, the benefits from the completion of the sale of the Sofora Telecom Argentina group (with the receipt of the sale proceeds and the consequent deconsolidation of the relative net financial debt), together with the cash inflow from business operations, were sufficient to cover the cash requirements resulting from financial operations, the real estate project and renegotiation of lease agreements, dividend payments, and the effect of several disputes and regulatory penalties. The level of debt was also negatively affected by the exchange rate fluctuation of the Brazilian real.

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Financial highlights (*)

(millions of euros)		3rd Quarter 2016	3rd Quarter 2015	9 months to 9/30/2016 (a)	9 months to 9/30/2015 (b)	% Change Reported (a/b)	% Change Organic
Revenues		4,843	4,777	13,939	14,878	(6.3)	(3.7)
EBITDA	(1)	2,152	1,983	5,878	5,622	4.6	6.9
EBITDA Margin		*44.4%*	*41.5%*	*42.2%*	*37.8%*	*4.4pp*	
Organic EBITDA Margin		*44.4%*	*41.1%*	*42.2%*	*38.0%*	*4.2pp*	
EBIT	(1)	1,081	1,018	2,768	2,806	(1.4)	1.6
EBIT Margin		*22.3%*	*21.3%*	*19.9%*	*18.9%*	*1.0pp*	
Organic EBIT Margin		*22.3%*	*21.4%*	*19.9%*	*18.8%*	*1.1pp*	
Profit (loss) from Discontinued operations/Non-current assets held for sale			150	47	480	(90.2)	
Profit (loss) for the period attributable to owners of the Parent		477	334	1,495	367		
Capital expenditures (CAPEX)		1,124	1,087	3,107	3,233	(3.9)	

		9/30/2016	12/31/2015	Change Amount
Adjusted net financial debt	(1)	26,735	27,278	(543)

(*) Within the Brazil Business Unit, Management recently identified that incorrect accounting entries were made in prior years in connection with the recognition of service revenues from the sale of prepaid traffic. Such incorrect accounting entries, which did not have any impact neither in terms of net financial position nor on cash and cash equivalents, resulted in the early recognition of revenues with respect to prepaid traffic not yet consumed. The comparative financial information as of December 31, 2015 and for the nine-month period ended September 30, 2015, have been therefore revised, with no material impact.

(1) Details are provided under Alternative Performance Measures .

at September 30, 2016

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CONSOLIDATED OPERATING PERFORMANCE

REVENUES

Revenues for the first nine months of 2016 amounted to 13,939 million euros, down 6.3% on the first nine months of 2015 (14,878 million euros). The decrease of 939 million euros was mainly attributable to the Brazil Business Unit (777 million euros) and the Domestic Business Unit (91 million euros).

In terms of organic change, consolidated revenues fell by 3.7% (-529 million euros), and were calculated as follows:

(millions of euros)	9 months to 9/30/2016	9 months to 9/30/2015	Change amount	Change %
REPORTED REVENUES	13,939	14,878	(939)	(6.3)
Foreign currency financial statements translation effect		(410)	410	
Changes in the scope of consolidation				
ORGANIC REVENUES	13,939	14,468	(529)	(3.7)

Exchange rate fluctuations[(1)] were attributable to the Brazil Business Unit. There were no material changes in the scope of consolidation[(2)].

The breakdown of revenues by operating segment is the following:

(millions of euros)	9 months to 9/30/2016	% of total	9 months to 9/30/2015	% of total	Change amount	Change %	Change % organic
Domestic [(*)]	11,036	79.2	11,127	74.8	(91)	(0.8)	(0.8)
Core Domestic [(**)]	*10,239*	*73.5*	*10,390*	*69.8*	*(151)*	*(1.5)*	*(1.5)*
International Wholesale	*1,003*	*7.2*	*971*	*6.5*	*32*	*3.3*	*3.3*
Brazil	2,922	21.0	3,699	24.9	(777)	(21.0)	(11.2)
Other Operations	10	0.1	90	0.6	(80)		
Adjustments and eliminations	*(29)*	*(0.3)*	*(38)*	*(0.3)*	*9*		
Consolidated Total	13,939	100.0	14,878	100.0	(939)	(6.3)	(3.7)

(*) Following the change in the business mission of Persidera, the Media Business Unit was incorporated into the Domestic Business Unit (Core Domestic) as of January 1, 2016; without that change, the revenues of the Domestic Business Unit for the first nine months of 2016 would have totaled 10,982 million euros.
(**) From January 1, 2016, this also includes the company Olivetti. Figures for the period under comparison have been changed accordingly.

EBITDA

EBITDA totaled 5,878 million euros (5,622 million euros in the first nine months of 2015), up 256 million euros (+4.6%) compared to the first nine months of 2015; the EBITDA margin was 42.2% (37.8% in the first nine months of 2015, +4.4 percentage points).

Organic EBITDA was up 379 million euros (+6.9%) compared to the first nine months of 2015; the organic EBITDA margin was up 4.2 percentage points, from 38.0% for the first nine months of 2015 to 42.2% for the first nine months of 2016.

In the first nine months of 2016 and 2015, the Telecom Italia Group recognized non-recurring operating expenses connected to events and transactions that by their nature do not occur continuously in the normal course of operations and have been shown because their amount is significant. They include expenses resulting from corporate restructuring and reorganization processes, expenses resulting from regulatory disputes and penalties and the liabilities related to those expenses, expenses for disputes with former employees, and liabilities with customers and/or suppliers.

(1) The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 1.11603 for the US dollar in the first nine months of 2016 and 1.11459 in the first nine months of 2015. For the Brazilian real the average exchange rates used were 3.96106 in the first nine months of 2016 and 3.52233 in the first nine months of 2015. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.
(2) The change in the scope of consolidation has been calculated by excluding the contribution of the companies that have exited from the comparison figure and adding in the estimated contribution of any companies entering the scope of consolidation.

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These were broken down as follows:

(millions of euros)	9 months to 9/30/2016	9 months to 9/30/2015
Employee benefits expenses		
Expenses related to restructuring and rationalization	(128)	(48)
Acquisition of raw materials and Change in inventories		
Expenses related to agreements and the development of non-recurring projects		(12)
Sundry expenses and provisions		