TELECOM ITALIA S P A
Form 6-K
November 14, 2011

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 2011

TELECOM ITALIA S.p.A.
(Translation of registrant's name into English)

Piazza degli Affari 2
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- _______

PRESS RELEASE

Telecom Italia Group: Board of Directors examines and approves Interim Financial Statements at 30 September 2011

REVENUES: €22,059 MILLION (+10.9% COMPARED WITH THE FIRST NINE MONTHS OF 2010)

ADJUSTED NET FINANCIAL POSITION: €29,948 MILLION, DOWN €1,520 MILLION ON 31 DECEMBER 2010 (€31,468 MILLION); -€3 BILLION COMPARED WITH 30 SEPTEMBER 2010

BERNABÈ: "TELECOM ITALIA CONTINUES TO STRENGTHEN ITS POSITION IN GROUP CORE MARKETS AND ITS CASH GENERATION. THE IMPROVED DOMESTIC TRENDS, COUPLED WITH EFFECTIVE OPERATIONAL AND FINANCIAL MANAGEMENT ALLOWS US TO CONFIRM OUR TARGETS."

EBITDA: €9,175 MILLION (+8.3% COMPARED WITH THE FIRST NINE MONTHS OF 2010)

ORGANIC EBITDA: €9,234 MILLION (-1.0% COMPARED WITH THE FIRST NINE MONTHS OF 2010)

EBIT: €1,847 MILLION (4,304 MILLION AS OF 30 SEPTEMBER 2010), IN REDUCTION FOLLOWING THE GOODWILL WRITE-DOWN ALREADY REPORTED IN JUNE ON DOMESTIC BUSINESS OF €3,182 MILLION

ORGANIC EBIT: €5,052 MILLION (+4.9% COMPARED WITH THE FIRST NINE MONTHS OF 2010)

OPERATING FREE CASH FLOW: €4,524 MILLION (+1,073% COMPARED WITH THE FIRST NINE MONTHS OF 2010)

NET INCOME: -€1,206 MILLION; EXCLUDING THE GOODWILL WRITE-DOWN, THE NET RESULT FOR THE PERIOD WOULD AMOUNT TO €2 BILLION (+8.6% COMPARED WITH THE PREVIOUS YEAR)

BOARD OF DIRECTORS APPROVES JOINT PROJECT WITH GROUP F2i FOR FIBRE OPTICS IN MILAN

THIRD QUARTER 2011 RESULTS

REVENUES: €7,516 MILLION (+12.6% COMPARED WITH Q3 2010)

EBITDA: €3,198 MILLION (+16.6% COMPARED WITH Q3 2010)

EBIT: €1,888 MILLION (+32.7% COMPARED WITH Q3 2010)

CONSOLIDATED EARNINGS: €807 MILLION (+32.7% COMPARED WITH Q3 2010)

***

The preliminary results for the first nine months of 2011 will be illustrated to the financial community during a conference call scheduled for 10:00 am (Italian time) on 11 November. Journalists may listen to the conference call, without asking questions, by calling: +39 06 33168.

A slide presentation with audio streaming will be available at www.telecomitalia.com/9M2011/ita. Those unable to connect live may follow the presentation until 18 November 2011 by calling: +39 06 334843 (access code 373975#).

Telecom Italia

Press Office

+39 06 3688 2610

www.telecomitalia.com/media

Telecom Italia

Investor Relations

+39 02 8595 4131

www.telecomitalia.com/investorrelations

***

This press release uses certain alternative performance indicators not contemplated under IFRS accounting standards (EBITDA; EBIT; Organic Difference in Revenues, EBITDA and EBIT; Net Financial Borrowings and Adjusted Net Financial Borrowings, whose meaning and content are defined in the Appendix.

The Telecom Italia Group Interim Financial Report at 30 September 2011 was drafted in accordance with art. 154 ter (Financial Reporting) of Leg. Decree 58/1998 (Unified Finance Law - TUF) and subsequent amendments and supplements and with Consob Communication n. DEM/8041082 of April 30 2008 (Quarterly reporting by issuers of listed shares who give Italy as state of origin).

The accounting and consolidation principles adopted in the preparation of the Interim Statement were consistent with those used for the Telecom Italia Group Consolidated Statements at 31 December 2010, with the exception of certain new Principles/Interpretations adopted by the Group from 1 January 2011 and already explained in the 2010 statements. These new Principles/Interpretations have no impact on the Interim Financial Statements at 30 September 2011.

In particular we should point out that the updated impairment test on the value of goodwill, already performed for the First Half Financial Report at 30 June 2011, will be carried out with the drafting of the Annual 2011 Financial Statements, also on the basis of the flows foreseen by the new Industrial Plan 2012 2014, to be approved shortly.

With reference to internal factors, overall operational performance of Telecom Italia Group in Q3 2011 was in line with the targets previously communicated to the market based on the impairment test of 30 June 2011. As regards external factors, due to the high levels of macroeconomic uncertainty and volatility of the financial markets, we believe that stock prices and other external measures do not currently represent a pressing and unequivocal signal that a new impairment test is required.

Note that the section "Outlook for the 2011 financial year", contains forward-looking statements about the Group s intentions, beliefs and current expectations with regard to its financial results and other aspects of operations and strategies. Readers should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the statements owing to a number of factors, the majority of which are beyond the Group s control.

Milan, 11 November 2011

The Telecom Italia Board of Directors, chaired by Franco Bernabè, yesterday examined and approved the Group s Interim Financial Statements at 30 September 2011.

Telecom Italia Chairman Franco Bernabè said: *The first nine months of 2011 have been extremely eventful for our Group: the LTE frequencies in Italy, the acquisition of AES Atimus in Brazil, the capital increase of TIM Participações and the strengthening of our economic interest in Telecom Argentina, confirm the progress of our strategy of reinforcement in core markets. We also reported* added Bernabè - *continued improvement in operating results on the domestic market and in Latin America and further reinforcement of cash generation, bringing a sharp reduction in Telecom Italia's indebtedness. Effective operational and financial management of the Group permits us to confirm our previous targets .*

TELECOM ITALIA GROUP

On 27 July 2011 the 4G Holding group (belonging to the Domestic Business Unit) entered the consolidation area following the purchase of 71% of the ordinary shares of 4G Holding S.p.A. which in turn holds 100% of 4G Retail S.r.l. The acquisition of 4G Holding, with its 200 sales points in the major Italian shopping malls, will enable Telecom Italia to reinforce its positioning among specialist retailers of telephone devices and broaden its countrywide presence.

On 30 September 2011 Loquendo S.p.A. (Domestic Business Unit) was sold and consequently excluded from the consolidation perimeter.

On 13 October 2010 Sofora Telecom Argentina entered the consolidation area following the increase from 50% to 58% of Telecom Italia Group's stake in Sofora Telecomunicaciones S.A., the Telecom Argentina holding company. In January 2011 and

March 2011 further equity purchases were made raising the Group's economic interest in Telecom Argentina from 16.2% to 21.1%.

The Sofora data are presented within Telecom Italia Group under the BU known as "Argentina Business Unit".

In 2010 the following companies left the consolidation area: HanseNet Telekommunikation GmbH (a German broadband carrier) already posted under Discontinued Operations, which was sold on 16 February 2010; Elettra (included in the Domestic Business Unit International Wholesale), sold on 30 September 2010; BBNed Group (included in Other Operations), sold on 5 October 2010.

Revenues in the first nine months of 2011 amounted to **€22,059 million**, up 10.9% from **€19,899 million** in the first nine months of 2010. In terms of organic variation, the growth in consolidated revenues was by 1.9%.

In detail, the organic variation in revenues is calculated by:

taking into account the effect of changes to the consolidation area (+€1,707 million, mainly due to the entry of the Argentina BU);

taking into account the effect of exchange rate variations (+€81 million, almost entirely due to forex gains of the Brazil BU, amounting to €93 million);

excluding other non organic revenues, amounting to €35 million in the first nine months of 2010 following the termination in Q2 2010 of the loyalty program “1001TIM” which had resulted in a posting of revenues from bonus-points not used by the customer and previously deferred.

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

	1.1 30.9	**1.1 30.9**	**Change**		
	2011	**2010**			
(Euro mln.)	**%**	%	absolute	%	%
					organic

Domestic	14,098	*63.9*	15,032	*75.5*	(934)	(6.2)	(5.7)
- Core Domestic	*13,450*	*61.0*	*14,251*	*71.6*	*(801)*	*(5.6)*	*(5.4)*
- International Wholesale	*1,011*	*4.6*	*1,207*	*6.1*	*(196)*	*(16.2)*	*(13.3)*
Brazil	5,395	*24.5*	4,498	22.6	897	19.9	17.5
Argentina	2,324	*10.5*	-	-	2,324	-	27.4
Media, Olivetti and Other Operations	398	*1.8*	500	2.5	(102)	(20.4)	(9.1)
Adjustments and eliminations	*(156)*	*(0,7)*	*(131)*	*(0.6)*	*(25)*		
Total Consolidated	**22,059**	*100.0*	**19,899**	*100.0*	**2,160**	10.9	1.9

Consolidated **revenues for the third quarter of 2011** amounted to **€7,516 million**, up €840 million from the same period of 2010 (+12.6%). In organic terms the improvement was 3.7%, up 2.7 percentage points compared with the improvement in the first half of 2011. The performance in Q3 2011 was driven by the positive progress of the Brazil and Argentina Business Units which grew by 18.9% and 26.7% respectively, compared with the previous year period, and by the improving trend in the Domestic segment. In particular, Domestic revenues showed a significant easing in the downturn by nearly half in Q3 2011 compared with first quarters (-3.8% in Q3, -6.0% in Q2 and -7.4% in Q1).

EBITDA came to **€9,175 million**, up €700 million (+8.3%) on the previous year period, with margin at 41.6% of revenues (42.6% in the first nine months of 2010). **In organic terms** EBITDA fell by 1%, 1.2 pp lower in proportion to revenues (41.9% in the first nine months of 2011 compared with 43.1% in the first nine months of 2010).

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

(Euro mln.)	**1.1 30.9 2011**	%	**1.1 30.9 2010**	%	**Change** absolute	%	% organic
Domestic	6,993	*76.2*	7,210	*85.1*	(217)	*(3.0)*	(4.9)
% of Revenues	*49.6*		*48.0*		*1.6 pp*		*0.4 pp*
Brazil	1,444	*15.7*	1,281	*15.1*	163	12.7	10.7
% of Revenues	*26.8*		*28.5*		*(1.7) pp*		*(1.7) pp*
Argentina	759	*8.3*	-	-	759		*23.8*
% of Revenues	*32.7*		-				*(0.9) pp*
Media, Olivetti and Other Operations	(20)	*(0.2)*	(17)	*(0.2)*	(3)	(17.6)	
Adjustments and eliminations	*(1)*		1	-	(2)		
Total Consolidated	**9,175**	100.0	**8,475**	100.0	700	8.3	(1.0)
% of Revenues	*41.6*		42.6		*(1.0) pp*		*(1.2) pp*

Consolidated **EBITDA** in the **third quarter 2011** amounted to **€3,198 million**, up €456 million (+16.6%). In organic terms the increase was 0.8%. Organic EBITDA margin stood at 42.7% (- 1.3 percentage points from 44.0% in the same period of 2010); this fact is attributable to the greater weight of business in South America, whose margins are lower than Domestic business.

Write-downs of non current assets amount to **€3,182 million** in the first nine months of 2011, following the goodwill write-down of domestic business already done on the basis of the impairment test at 30 June 2011.

EBIT stood at **€1,847 million**, down €2,457 million compared with the first nine months of 2010.

The organic EBIT variation, excluding also the goodwill write-down referred to above, was a positive €235 million (**+4.9%**) while **organic EBIT margin rose to 22.9%** (22.2% in the first nine months of 2010).

Consolidated EBIT **in Q3 2011** amounted to **€1,888 million**, registering a €465 million increase on the same period of last year (+32.7%). In organic terms the increase was of 6.4%. Organic EBIT margin stood at 24.9%, up 0.7 percentage points compared with the third quarter of 2010.

The **net result attributable to shareholders of the parent company** was a negative €1,206 million, down €3,025 million compared with the first nine months of 2010 (€1,819 million). Excluding the effect of the goodwill write-down, profits for the period would amount to €1,976 million, up €157 million compared the previous year period.

The profits for **Q3 2011** attributable to equity holders of the parent company is **€807 million**, an increase of 32.7% compared with the same period of the previous year.

Capex amounted to **€3,190 million**, up €252 million compared with the first nine months of 2010, broken down as follows:

(Euro mln.)	**1.1 - 30.9.2011**		**1.1- 30.9.2010**		**Change**
		%		*%*	
Domestic	2,015	*63.2*	2,153	*73.3*	(138)
Brazil	807	*25.3*	741	*25.2*	66
Argentina	331	*10.4*	-	-	331
Media, Olivetti and Other Operations	37	*1.1*	44	*1.5*	(7)
Adjustments and eliminations	-	-	-	-	
Total Consolidated	**3,190**	**100.0**	**2,938**	**100.0**	**252**
% of Revenues	*14.5*		*14.8*		*(0.3) pp*

Operating free cash flow came to **€4,524 million**, up €1,073 million from the first nine months of 2010, (€684 million taking into account the payment in Q3 2010 to the Revenue Agency in relation to the Telecom Italia Sparkle case). This increase confirms the Group's high and growing cash generation capacity, resulting from the positive contribution of the Domestic and Brazil markets as well as from the entry into the consolidation area of the Argentina Business Unit.

Adjusted net financial position stood at **€29,948 million**, down €1,520 million compared with 31 December 2010 (€31,468 million). The improvement in operating free cash flow, together with the receipt of €398 million for the sale of a stake in EtecSA (Cuba), amply covered the payment of dividends (€1,326 million, of which €1,183 million distributed by the parent), taxes of around €700 million and equity purchases in the first nine months to increase Telecom Italia Group's economic interest in Telecom Argentina from 16.2% to 21.1%. Compared with 30 September 2010 (€32,985 million) the net financial position was lower by more than €3 billion, testifying to the positive progress on deleveraging.

In Q3 2011 adjusted net financial position fell by €1,171 million from the €31,119 million at 30 June 2011: the positive effects of dynamic management absorbed the payment of income taxes in July.

Accounting net financial position stood at **€30,250 million**, down by €1,837 million from 31 December 2010 (€32,087 million) and by €1,255 million against 30 June 2011 (€31,505 million).

Group **headcount** stood at 85,126 employees, of whom 58,266 in Italy (84.200 at 31 December 2010, of whom 58.045 in Italy).

***

BUSINESS UNIT RESULTS

Figures for Telecom Italia Group included in this press release refer to the following business units:

Domestic *Business Unit: includes domestic fixed-line and mobile-line voice and data services provided to end users (retail) and other carriers (wholesale), Telecom Italia Sparkle Group business (International Wholesale) as well as associated support operations;*

Brazil *Business Unit: refers to telecommunications operations in Brazil;*

Argentina *Business Unit: includes fixed-line (Telecom Argentina) and mobile (Telecom Personal) telecommunications in Argentina, and mobile (Núcleo) in Paraguay;*

Media *Business Unit: includes TV network-related activities and operations;*

Olivetti *Business Unit: focuses on the development and manufacturing of digital printing systems, office products and IT services;*

Other Operations*: includes financial firms and other smaller operations not strictly related to Telecom Italia Group's core business.*

Figures for Telecom Italia Media at 30 September 2011 can be found in the press release issued on 28 October 2011, following the Board Meeting's approval.

DOMESTIC

Domestic revenues amounted to **€14,098 million**, down 6.2% on the same period of 2010 (€15,032 million) and with an organic variation of -5.7%.

Highlights:

Core Domestic Revenues

Core Domestic **revenues** amounted to **€13,450 million**, down 5.6% (€14,251 million in the first nine months of 2010) and with an organic variation of -5.4%.

The performance of the individual market segments as compared with the same period of 2010 is as follows:

- **Consumer:** the segment reported a drop in revenues of €512 million compared with the first nine months of 2010 (-7.0%). In organic terms the reduction amounted to €477 million (-6.5%), confirming the recovery trend of the previous quarter (Q3 -4.0% compared with -6.4% in Q2 and -9.2% in Q1). Organic revenues do not include €35 million in Q2 2010 from the termination of the loyalty program "1001TIM" which had resulted in a posting of revenues from bonus-points not used by the customers and previously deferred**.** The organic decrease is entirely attributable to revenues from services (-€505 million, -7.0% in the nine months, -4.6% in the third quarter). This contraction is attributable to traditional voice services, both Mobile and Fixed-line, only partly offset by growth in Internet Mobile revenues (+€53 million, +16% compared with the previous year period; +23.7 in the third quarter);

- **Business:** this segment reported a reduction in revenues of €183 million, showing steady improvement from the beginning of the year (-6.9% in the first nine months of 2011 compared with -7.1% in H1 2011). The downturn primarily concerns the Mobile segment and traditional Fixed-line Voice services, the latter attributable to the erosion of the client base (-5.2% compared with 30 September 2010);

- **Top:** accumulated revenues fell in the first nine months of 2011 by €125 million compared with the previous year period (-4.9%) representing a recovery in the third quarter (-4.2% compared with -4.9% in Q2 and -5.8% in Q1). The decline came mainly in revenues from services (-€107 million, -4.8% in the first nine months of 2011) trending upward in Q3 (-3.3%compared with -3.8% in Q2 and -7.1% in Q1 2011), in particular thanks to growth in the Mobile Broadband and ICT fixed-line segments.

- **National Wholesale:** the increase in revenues (+€30 million, +1.9%) was driven by growth in OLO (Other Licensed Operators) Local Loop Unbundling, Wholesale Line Rental and Bitstream customers.

International Wholesale Revenues

In the first nine months of 2011 the International Wholesale segment (Telecom Italia Sparkle Group) posted **revenues** of **€1,011 million**, down €196 million from the same period of 2010 (-16.2%). This decline was almost entirely attributable to voice services (-€171 million, -20%), affected by sharp pricing pressures owing to the competitiveness of the market and by rationalization measures based on a more selective customer portfolio and traffic collection approach.

Besides the breakdown by market segment given above, the following revenue figures are distinguished by technology (fixed-line/mobile).

Fixed-Line Telecommunications Revenues

In the first nine months of 2011 **revenues** amounted to **€10,040 million,** down €476 million (-4.5%) from the previous year period. The contraction is mainly attributable to the reduction in **retail accesses** which as of end September 2011 stood at around **15 million** (-3.4% compared with 31 December 2010, -4.9% compared with 30 September 2010). This negative trend slowed in Q3 compared with previous quarters (-135,000 lines in Q3 2011 as against -183,000 lines in Q2 and 206,000 lines in Q1), thanks to commercial strategies aimed at customer retention and recovery. Revenues from BroadBand services meanwhile held firm thanks to a customer portfolio that remains almost stable despite tough market conditions, confirming the fiercely competitive environment and mounting signs of saturation. The total **BroadBand** portfolio amounted to **9.1 million accesses** (+14,000 compared to 31 December 2010), made up of 7.1 million Retail (with a market share that has levelled off at around 54% after a period of continual dilution) and 1.9 million Wholesale accesses.

Revenue trends in the main business areas are as follows:

	1.1 30.9. 2011		1.1 30.9.2010		Change	
(Euro mln.)		%		%	absolute	%
Retail Voice	4,261	42.4	4,613	43.9	(352)	(7.6)
Internet	1,267	12.6	1,317	12.5	(50)	(3.8)
Business Data	1,143	11.4	1,146	10.9	(3)	(0.3)
Wholesale	3,090	30.8	3,136	29.8	(46)	(1.5)
Others	279	2.8	304	2.9	(25)	(8.2)
Total Fixed-Line Telecommunications Revenues	**10,040**	**100.0**	**10,516**	**100.0**	**(476)**	**(4.5)**

Retail Voice

Revenues in this area have felt the effect of competitive dynamics that have led to a physiological reduction in the customer base (-3% from 31 December 2010, although the trend appears to be constantly slowing) and a contraction in traffic volumes. Revenues were also hit by the reduction in regulated fixed-to-mobile termination rates. The falling trend saw a distinct attenuation in Q3 thanks to a simpler tariff scheme.

Internet

In this area of business BroadBand revenues fell only slightly (-€13 million, -1.1%), protected by our market share and retail customer base (essentially stable at 7.1 million of which 87% with flat-rate schemes) and to our defence of ARPU (which grew in Q3 faster than in the same period of last year, partly thanks to the migration from free to flat-rate), notwithstanding the pressure and aggressiveness of our competitors in particular on price, especially in the first half of the year.

Business Data

Revenues in this segment appear essentially stable compared with the corresponding period of 2010, thanks to ICT revenues of €585 million (+€46 million, +8.5%) which has partially offset the effect of the economic climate and the contraction of prices on traditional leased lines and data transmission.

Wholesale

Revenues for the first nine months of 2011 for the entire segment, including Wholesale International, stood at €3,090 million, down due to the reduction in international voice services. In the first nine months of 2011 the customer portfolio of Telecom Italia's National Wholesale division reached 7 million accesses for voice services and over 1.9 million accesses for broadband services.

Mobile Telecommunications Revenues

The Mobile segment continues to show structural improvement in sales performance, demonstrating the value of the repositioning strategy: the **customer base** grew by 661,000 lines from the end of 2010 to reach **31.7 million** with a churn of 16.4% at 30 September 2011, down from 16.8% in the same period of 2010.

Revenues in the first nine months of 2011 came to **€5,286 million**, showing a steady trend of improvement (-6.5% in Q3 compared with -7.6% in Q2 and -12% in Q1). For service revenues the variation in organic terms compared with the same period of 2010 is -9.3% (-7.5% in Q3 as against -8.7% in Q2 and -11.7% in Q1).

Revenue trends in the main business areas are as follows:

	1.1 30.9. 2011		**1.1 30.9.2010**		**Change**	
(Euro mln.)		%		%	absolute	%
Outgoing voice	2,723	51.5	3,069	52.7	(346)	(11.3)
Incoming voice	871	16.5	1,047	18.0	(176)	(16.8)
VAS	1,503	28.4	1,536	26.4	(33)	(2.1)
Handsets	189	3.6	170	2.9	19	11.2
Total Mobile Telecommunications Revenues	**5,286**	**100.0**	**5,822**	**100.0**	**(536)**	**(9.2)**

Outgoing voice

The fall in revenues is entirely attributable to lower average prices (a steadily weakening trend stabilising in Q3), due to policies aimed at regaining competitiveness, supporting sales, reducing customer churn rates and stimulating traffic.

Incoming voice

Revenues in this area slipped mainly due to the lower mobile termination rates (-16.7%).

Value added services (VAS)

The fall in revenues is primarily attributable to messaging (-€25 million) and content services (-€38 million). Vice versa, revenues from Mobile Internet (Browsing) saw growth of €30 million (+4.8%) with significant improvement over the course of the year, thanks to growth in both large screen users (+6.2%, of which Consumer +21.8%) and small screen users (+19.1%, of which Consumer +28.4%) and to the greater penetration and diffusion of enabling devices (Internet keys and Smartphones).

Handset sales

Revenues showed a positive trend also in terms of mix, buoyed by the increasing incidence of advanced handsets and mobile internet enabling devices (Smartphone volumes: +95% compared with the first nine months of 2010; +145% in Q3 compared with the same period of 2010).

EBITDA for the Domestic business unit amounted to **€6,993 million**, down €217 million (-3.0%) from the corresponding period of 2010. The **EBITDA margin** was 49.6%, **up 1.6 percentage points** compared with the first nine months of 2010. The contraction in revenues (-€934 million on the corresponding period of 2010) was partly compensated by selective control of fixed costs allowing us to dramatically contain and reduce them (total costs -€717 million, of which -€418 million net of cost of goods sold and interconnection rates).

Organic EBITDA came to **€7,069 million**, down €368 million compared with the first nine months of 2010 (-4.9%), EBITDA margin at 50.1% of revenues slightly improved on the same period of 2010

(+0.4 percentage points). In particular in Q3 (as in Q2) we see a recovery in profits and a significant reduction in the negative trend compared with 2010: -2.5% in Q3 2011 (-€64 million) compared with -4.8% in Q2 (-€117 million) and -7.6% in Q1 (-€187 million).

EBIT for the Domestic business unit amounted to **€850 million**, down €3,188 million. In particular it felt the impact of the goodwill write-down for the Core Domestic cash generating unit of €3,182 million, already reported in H1. The **organic change in EBIT** was negative by €180 million (-4.2% in the previous year period) while organic EBIT margin came to 28.9% of revenues (28.4% in the first nine months of 2010).

Capex amounted to **€2,015 million**, down €138 million from the same period of 2010 mainly due to lower investments on IT and Service Creation. The capex margin was 14.3%, substantially in line with the first nine months of 2010.

The **headcount** came to **56,700 employees**, 170 higher than on 31 December 2010.

***

BRAZIL

(average real/euro exchange rate 2.29395)

Revenues of Tim Brasil Group in the first nine months of 2011 came to **12,375 million reais**, 1,843 million higher (**+17.5%**) than the corresponding period of 2010. Revenues from services in the first nine months of 2011 amounted to 11,093 million reais, up 9,945 million reais from the same period of previous year (+11.5%); meanwhile revenues from product sales rose from 587million reais in the first nine months of 2010 to 1,282 million reais in the same period of 2011 (+118.4%). ARPU stood at 21.2 reais in September 2011 compared with 23.9 reais in September 2010. The total number of **lines** at 30 September 2011 was **59.2 million**, **26.1% higher** than on 30 September 2010, representing a **26.0% market share**.

EBITDA amounted to **3,313 million reais**, up 314 million reais from the first nine months of 2010 (**+10.5 %**); this growth with more or less stable sales costs on service revenues required to support revenue growth in a highly competitive environment is explained by operational efficiencies in industrial costs, personnel and the management of commercial finance.

EBITDA margin was 26.8%, down 1.7 percentage points from the previous year period. This result is a consequence of a strategy of penetration of the smartphone/webphone market as a lever to grow mobile data services and therefore exclusively linked to the previously mentioned growth in product sales. Compared to the first nine months of 2010, the **organic change in EBITDA** amounted to **+322 million reais**, with the EBITDA margin standing at 26.8% (28.5% in the first nine months of 2010).

EBIT amounted to **1,567 million reais** (**+789 million reais** on the first nine months of 2010). This result can be ascribed to the higher contribution of EBITDA and to the reduction in amortisations of 467 million reais (1,745 million reais in the first nine months of 2011, 2,212 million reais in the first nine months of 2010).

Compared to the same period of 2010, the **organic change in EBIT** is positive by **797 million reais**, with the organic EBIT margin standing at 12.7% (compared to 7.4% in the first nine months of 2010).

Capex came to **1,852 million reais**, up 116 million reais compared with the first nine months of 2010. The extension of the new commercial strategy, begun in the first half and linked to handset sales, has led to a sharp fall in the capitalised component of SAC, while network infrastructure investments have risen to support voice and data traffic growth.

The **headcount** came to **10,223 employees**, 109 higher than on 31 December 2010.

ARGENTINA

(average peso/euro exchange rate 5,74763)

The restated BU figures for the first nine months are provided for information purposes (illustrative and comparative) and were not included in the consolidated results of Telecom Italia Group as of September 2010, given that the BU was consolidated with effect from 13 October 2010.

Revenues for the first nine months of 2011 came to **13,357 million pesos**, an increase of 2,872 million pesos (+27.4%) compared with the corresponding period of 2010 (10,485 million pesos) thanks to growth of the broadband and mobile customer base, as well as corresponding ARPU. The principal source of revenues for the Argentina Business Unit was mobile telephony which contributed 71% of consolidated BU revenues and grew by over 33% compared with the first nine months of 2010.

Fixed lines in service in the first nine months of 2011 (**4.1 million**) were up slightly from 31 December 2010 largely thanks to bundling with Internet services. Despite the freezing of tariffs imposed by the Economic Emergency Law of January 2002, **ARBU** *(Average Revenue Billed per User)* grew by more than 7% compared with the first nine months of 2010 as a result of sales of packages including minutes of traffic and value added services.

Telecom Argentina's overall **broadband client** portfolio at 30 September 2011 came to **1,505,000 accesses**, +125,000 year to date with a growth of approx. 9%. At the same time ARPU rose thanks to a pricing strategy which also involved fewer promotional discounts designed to win new customers and build loyalty.

Telecom Personal lines grew by 1,453,000 by the end of 2010 to reach a total **17.8** million lines by 30 September 2011, 31% of which with post-paid contracts. Meanwhile, thanks to the acquisition of high value customers and clear leadership in Smartphones, ARPU grew by around 16% to reach 49.8 pesos (42.8 pesos in the first nine months of 2010). Much of this growth is attributable to value added services (including SMS) and Mobile Internet, which together represent around 47% of mobile telephony revenues in the first nine months of 2011.

In Paraguay the **Núcleo** customer base grew by around 11% from 31 December 2010 to reach **2,078,000 lines**, 16% of which with post-paid contracts. The company has established a reputation for providing the best 3G Internet service (as regards speed), continuing the trend of significant growth in the number of lines.

EBITDA rose by 839 million pesos (+23.8%) to reach **4,363 million pesos** in the first nine months of 2011. The EBITDA margin was 32.7%, 0.9 percentage points less than the corresponding period in 2010, mainly due to the higher incidence of personnel costs.

EBIT amounted to **2,175 million pesos**, a fall of 124 million pesos the first nine months of 2011 (-5.4%). The reduction is entirely attributable to the adoption of the purchase price method resulting in costs totalling 669 million pesos (around €116 million), which were absent in the first nine months of 2010, mainly due to higher amortisations. Excluding such charges EBIT would have shown an increase of 545 million pesos (+23.7% compared with the first nine months of 2010) thanks to the greater contribution of EBITDA. EBITDA margin was 16.3%, down 5.6 percentage points from the previous year period. Without the effects of the purchase price method, the incidence on revenues would have been 21.3%, essentially in line with the previous year period.

Capex amounted to **€1,904 million pesos**, up 20.3% from the same period of last year.

Headcount at 30 September 2011 amounted to **16,249 employees**, 599 higher than at 31 December 2010 (+3.8%).

OLIVETTI

Revenues in the first nine months of 2011 were **€226 million**, down €33 million compared with the first nine months of 2010. In a market that has shrunk for the third year running, the downturn is due both to the Telecom Italia channel and to the fall in foreign sales. The other channels meanwhile report substantially resilient sales.

EBITDA was a **negative €36 million**, €12 million lower than in the first nine months of previous year. The fall was linked to lower margins on some proprietary products (especially inkjet printers) only in part offset by the control of fixed costs of €3 million compared with the first nine months of 2010.

EBIT was a **negative €40 million**, €13 million lower than in the first nine months of the previous year.

Capex amounted to **€4 million**, unchanged on the previous year period.

Headcount came to **1,090 employees**, (999 in Italy and 91 overseas).

***

OUTLOOK FOR THE 2011 FINANCIAL YEAR

As regards Telecom Italia Group's outlook for the ongoing financial year, the goals linked to the main economic indicators, as described in the 2011-2013 Industrial Plan, foresee the following outcomes for the whole of 2011:

- Organic revenues and EBITDA substantially stable compared with 2010 (considering 12-months' consolidation of the Argentina Business Unit);
- Capex of around €4.8 billion, excluding the effects of the outcome of the bid to use LTE mobile frequencies in the domestic market, of around €1.2 billion;
- Adjusted net financial position of around €30.7 billion by year-end 2011 (€29.5 billion excluding the outcome of the above bid).

***

EVENTS SUBSEQUENT TO 30 SEPTEMBER 2011

Bond issue

On 20 October 2011 Telecom Italia S.p.A. issued a bond of €750 million with an annual coupon of 7% and maturity at 20 January 2017. The bond issued at a price of 99.406% has a yield of 7.15%.

On 3 November 2011, Telecom Italia S.p.A. reopened the same bond issue for €250 million at a price of 102.522% and a yield of 6.423%. Altogether the issue amounted to €1 billion with a yield of 6.97%.

LTE frequency bid

On 3 October 2011 the Ministry of Economic Development Department of Communications following the conclusion of bidding procedures informed Telecom Italia that it has been awarded two blocks of frequencies at 800 MHz, a block of frequencies at 1800 MHz and three blocks of frequencies at 2600 MHz. The total cost is €1,223 million, including a discount of €38 million to Telecom Italia in exchange for its commitment to use the frequencies awarded to build new networks using eco-sustainable equipment for over 50% of the work.

On 13 October 2011 Telecom Italia presented a request to pay part of the sum (up to a maximum of €456 million) in instalments. On 28 October 2011 Telecom Italia paid the sum of €767 million and took out a loan of €456 million for the remainder to be paid in instalments.

TIM Participações S.A. capital increase

On 27 October 2011 the capital increase of Tim Participações S.A. was completed via the issuance of total 200,258,368 ordinary shares at an ask price of 8.60 reais each, for a total 1.7 billion reais (around €700 million). In addition to the 190,796,858 shares of the initial offering, were 9,461,510 greenshoe option shares, entirely exercised, which TIM Participações S.A. granted to Morgan Stanley S.A. and Morgan Stanley & Co. LLC, member of the placement syndicate.

Telecom Italia Group, through Telecom Italia International N.V. – parent of the holding TIM Brasil Serviços and Participações S.A. – entirely underwrote its reserved quota of the capital increase for the sum of 1.1

billion reais (around €450 million), but was not able to acquire any of the shares issued following exercise of the greenshoe option. As a consequence its stake in Tim Participações S.A. fell to 66.68% from the previous 66.94%.

Acquisition of AES Atimus Group

On 31 October 2011 was completed, through the subsidiary Tim Celular S.A., the acquisition of AES Atimus Group from Companhia Brasiliana de Energia. The group is a telecommunications infrastructure operator in the states of San Paolo and Rio de Janeiro. The net price paid was of around 1.5 billion reais (approx. €650 million). Tim Celular S.A. therefore holds 100% of the company Eletropaulo Telecomunicações Ltda and 98.3% of AES Communications Rio de Janeiro S.A.

Share purchase of Telecom Argentina S.A. (Sofora Group)

On 27 October 2011 Inversiones Milano S.A., a wholly owned subsidiary of Telecom Italia Group, purchased 14.48 million class B shares of Telecom Argentina at a price of 20.50 argentine pesos per share. The equivalent-value of the transaction amounted to 296.84 million argentine pesos (around €51 million) and was paid on 1 November 2011. With this deal, Telecom Italia Group's economic interest in Telecom Argentina rose to 22.61%.

***

BOARD OF DIRECTORS APPROVES JOINT PROJECT WITH GROUP F2i FOR FIBRE OPTICS IN MILAN

The Board of Directors has approved a plan to set up a new company jointly with Group F2i (which would hold a controlling stake) to wire Milan s buildings with fibre optic cable.

The new company would be responsible for laying the "dead" fibre inside the buildings, making it available at transparent and non-discriminatory conditions to any operator wishing to provide ultrabroadband services.

The plan foresees the eventual cabling of around 36,000 buildings, over 80% of properties in the city.

The Board has authorized top management to proceed with negotiations and finalize the agreements.

***

CORPORATE GOVERNANCE ISSUES

Below we present the calendar of meetings to approve the Telecom Italia S.p.A. financial statements for FY 2012:

23 February: Board of Directors' meeting to approve the preliminary financial statements;

29 March: Board of Directors' meeting to approve the annual financial statements and consolidated statements at 31 December 2011;

3 May: Board of Directors' meeting to approve the interim financial statements at 31 March 2012;

15 May: Shareholders   Meeting for the approval of the financial statements at 31 December 2011;

1 August: Board of Directors' meeting to approve the 2012 half-yearly financial statements;

8 November: Board of Directors' meeting to approve the interim financial statements at 30 September 2012.

Payment of the 2011 dividend is scheduled for May 2012.

Any changes to the above dates will be promptly communicated.

***

The Manager designate for the preparation of accounting and corporate documents, Andrea Mangoni, hereby declares, pursuant to paragraph 2, Art.154-bis of Italy   s Financial Law, that the accounting information contained herein corresponds to the company   s documentation, accounting books and records.

ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES

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

The non-IFRS 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 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, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses.

Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level).

The organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors.

Details of the economic amounts used to arrive at the organic change are provided in this press release as well as an analysis of the major non-organic components for the nine months ended September 30, 2011 and 2010.

.

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. In this press release is included a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.

In order to better represent the actual change in net financial debt, starting with the Half- Year Financial Report at June 30, 2009, in addition to the usual measure (renamed Net financial debt carrying amount) a new measure has been introduced denominated Adjusted net financial debt , which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Net financial debt is calculated as follows:

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

* * *

The reclassified Separate Consolidated Income Statements, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows as well as the Consolidated Net Financial Debt of the Telecom Italia Group, herewith presented, are the same as those included in the Interim Report at September 30, 2011 and are unaudit.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	**3rd Quarter 2011**	**3rd Quarter 2010**	**9 months to 9/30/2011**	**9 months to 9/30/2010**	Change (a-b)	**Change (a - b)**
			(a)	(b)	amount	%
Revenues	7,516	6,676	22,059	19,899	2,160	10.9
Other income	59	56	167	160	7	4.4
Total operating revenues and other income	7,575	6,732	22,226	20,059	2,167	10.8
Acquisition of goods and services	(3,210)	(2,760)	(9,442)	(8,097)	(1,345)	(16.6)
Employee benefits expenses	(920)	(1,066)	(2,884)	(2,911)	27	0.9
Other operating expenses	(427)	(292)	(1,271)	(862)	(409)	(47.4)
Changes in inventories	54	5	135	(120)	255	°
Internally generated assets	126	123	411	406	5	1.2
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	3,198	2,742	9,175	8,475	700	8.3
Depreciation and amortization	(1,336)	(1,328)	(4,169)	(4,173)	4	0.1
Gains (losses) on disposals of non-current assets	26	16	23	14	9	°
Impairment reversals (losses) on non-current assets	-	(7)	(3,182)	(12)	(3,170)	°
Operating profit (loss) (EBIT)	1,888	1,423	1,847	4,304	(2,457)	(57.1)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(7)	9	(19)	48	(67)	°
Other income (expenses) from investments	-	(1)	15	1	14	°
Finance income	(41)	(684)	1,644	2,780	(1,136)	(40.9)
Finance expenses	(464)	132	(3,110)	(4,330)	1,220	28.2

Profit (loss) before tax from continuing operations	1,376	879	377	2,803	(2,426)	°
Income tax expense	(456)	(217)	(1,237)	(899)	(338)	(37.6)
Profit (loss) from continuing operations	920	662	(860)	1,904	(2,764)	°
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	-	(11)	(2)	(9)	°
Profit (loss) for the period	920	662	(871)	1,902	(2,773)	°
Attributable to:						
Owners of the Parent	807	608	(1,206)	1,819	(3,025)	°
Non-controlling interests	113	54	335	83	252	°

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(millions of euros)		**3rd Quarter 2011**	**3rd Quarter 2010**	**9 months to 9/30/2011**	**9 months to 9/30/2010**
Profit (loss) for the period	(a)	920	662	(871)	1,902
Other components of the Statements of Comprehensive Income:					
Available-for-sale financial assets:					
Profit (loss) from fair value adjustments		4	15	9	30
Loss (profit) transferred to the Separate Consolidated Income Statement		-	(1)	1	4
Income tax expense		(3)	(3)	(4)	(10)
	(b)	1	11	6	24
Hedging instruments:					
Profit (loss) from fair value adjustments		608	(998)	262	396
Loss (profit) transferred to the Separate Consolidated Income Statement		(484)	817	150	(294)
Income tax expense		(35)	47	(115)	(29)
	(c)	89	(134)	297	73
Exchange differences on translating foreign operations:					
Profit (loss) on translating foreign operations		(494)	(231)	(851)	358
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		-	-	75	-
Income tax expense		-	-	-	-
	(d)	(494)	(231)	(776)	358
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:					
Profit (loss)		(1)	(42)	-	12
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-	-	-
Income tax expense		-	-	-	-
	(e)	(1)	(42)	-	12
Total	(f=b+c+d+e)	(405)	(396)	(473)	467
Total Profit (loss) for the period	(a+f)	515	266	(1,344)	2,369
Attributable to:					
Owners of the Parent		479	268	(1,372)	2,196

Non-controlling interests	36	(2)	28	173

TELECOMITALIA GROUP CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)		9/30/2011 (a)	12/31/2010 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		40,565	43,923	(3,358)
Other Intangible assets		7,260	7,936	(676)
		47,825	51,859	(4,034)
Tangible assets				
Property, plant and equipment owned		14,260	15,238	(978)
Assets held under finance leases		1,112	1,177	(65)
		15,372	16,415	(1,043)
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		66	85	(19)
Other investments		42	43	(1)
Securities, financial receivables and other non-current financial assets		2,737	1,863	874
Miscellaneous receivables and other non-current assets		1,116	934	182
Deferred tax assets		1,218	1,863	(645)
		5,179	4,788	391
Total Non-current assets	(a)	68,376	73,062	(4,686)
Current assets				
Inventories		527	387	140
Trade and miscellaneous receivables and other current assets		7,813	7,790	23
Current income tax receivables		122	132	(10)
Securities other than investments		1,030	1,316	(286)
Financial receivables and other current financial assets		571	438	133
Cash and cash equivalents		4,142	5,526	(1,384)
Current assets sub-total		14,205	15,589	(1,384)
Discontinued operations/Non-current assets held for sale		-	389	(389)
of a financial nature		-	-	-
of a non-financial nature		-	389	(389)
Total Current assets	(b)	14,205	15,978	(1,773)
Total Assets	(a+b)	82,581	89,040	(6,459)

(millions of euros)		9/30/2011 (a)	12/31/2010 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		26,268	28,819	(2,551)
Equity attributable to non-controlling interests		3,550	3,736	(186)
Total Equity	(c)	29,818	32,555	(2,737)
Non-current liabilities				
Non-current financial liabilities		34,255	34,348	(93)
Employee benefits		1,041	1,129	(88)
Deferred tax liabilities		1,047	991	56
Provisions		827	860	(33)
Miscellaneous payables and other non-current liabilities		1,080	1,086	(6)
Total non-current liabilities	(d)	38,250	38,414	(164)
Current liabilities				
Current financial liabilities		4,475	6,882	(2,407)
Trade and miscellaneous payables and other current liabilities		9,831	10,954	(1,123)
Current income tax payables		207	235	(28)
Current liabilities sub-total		14,513	18,071	(3,558)
Liabilities directly associated with Discontinued operations/				
Non-current assets held for sale		-	-	-
of a financial nature		-	-	-
of a non-financial nature		-	-	-
Total Current liabilities	(e)	14,513	18,071	(3,558)
Total Liabilities	(f=d+e)	52,763	56,485	(3,722)
Total Equity and Liabilities	(c+f)	82,581	89,040	(6,459)

TELECOMITALIA GROUP CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)		9 months to 9/30/2011	9 months to 9/30/2010
Cash flows from operating activities:			
Profit (loss) from continuing operations		(860)	1,904
Adjustments for:			
Depreciation and amortization		4,169	4,173
Impairment losses (reversals) on non-current assets (including investments)		3,196	71
Net change in deferred tax assets and liabilities		583	383
Losses (gains) realized on disposals of non-current assets (including investments)		(37)	(15)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		19	(48)
Change in employee benefits		(95)	204
Change in inventories		(124)	107
Change in trade receivables and net amounts due from customers on construction contracts		131	(335)
Change in trade payables		(496)	(808)
Net change in current income tax receivables/payables		(30)	(190)
Net change in miscellaneous receivables/payables and other assets/liabilities		(166)	(889)
Cash flows from (used in) operating activities	(a)	6,290	4,557
Cash flows from investing activities:			
Purchase of intangible assets on an accrual basis		*(1,309)*	*(1,249)*
Purchase of tangible assets on an accrual basis		*(1,881)*	*(1,689)*
Total purchase of intangible and tangible assets on an accrual basis		(3,190)	(2,938)
Change in amounts due to fixed asset suppliers		*(536)*	*(633)*
Total purchase of intangible and tangible assets on a cash basis		(3,726)	(3,571)
Acquisition of control of subsidiaries or other businesses, net of cash acquired		(20)	(3)
Acquisitions/Disposals of other investments		(1)	(35)
Change in financial receivables and other financial assets		(471)	(86)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		51	142
Proceeds from sale/repayment of intangible, tangible and other non-current assets		412	47
Cash flows from (used in) investing activities	(b)	(3,755)	(3,506)
Cash flows from financing activities:			
Change in current financial liabilities and other		448	1,245
Proceeds from non-current financial liabilities (including current portion)		2,445	1,659
Repayments of non-current financial liabilities (including current portion)		(4,986)	(4,915)
Consideration paid for equity instruments		-	-
Share capital proceeds/reimbursements (including subsidiaries)		-	67
Dividends paid		(1,326)	(1,061)
Changes in ownership interests in consolidated subsidiaries		(155)	-

Cash flows from (used in) financing activities	(c)	(3,574)	(3,005)
Cash flows from (used in) discontinued operations/ non-current assets held for sale	(d)	**-**	**-**
Aggregate cash flows	(e=a+b+c+d)	(1,039)	(1,954)
Net cash and cash equivalents at beginning of the period	(f)	5,282	**5,484**
Net foreign exchange differences on net cash and cash equivalents	(g)	(132)	83
Net cash and cash equivalents at end of the period	(h=e+f+g)	4,111	3,613

Additional Cash Flow Information

(millions of euros)	9 months to 9/30/2011	9 months to 9/30/2010
Income taxes (paid) received	(701)	(683)
Interest expense paid	(2,273)	(2,338)
Interest income received	845	837
Dividends received	1	2

Analysis of Net Cash and Cash Equivalents

(millions of euros)	9 months to 9/30/2011	9 months to 9/30/2010
Net cash and cash equivalents at beginning of the period:		
Cash and cash equivalents - from continuing operations	5,526	5,504
Bank overdrafts repayable on demand - from continuing operations	(244)	(101)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	81
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-
	5,282	5,484
Net cash and cash equivalents at end of the period:		
Cash and cash equivalents - from continuing operations	4,142	3,818
Bank overdrafts repayable on demand - from continuing operations	(31)	(206)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	1
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-
	4,111	3,613

TELECOMITALIA GROUP NET FINANCIAL DEBT

(millions of euros)	9/30/2011 (a)	12/31/2010 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	24,114	24,589	(475)
Amounts due to banks, other financial payables and liabilities	8,794	8,317	477
Finance lease liabilities	1,347	1,442	(95)
	34,255	34,348	(93)
Current financial liabilities(*)			
Bonds	2,839	4,989	(2,150)
Amounts due to banks, other financial payables and liabilities	1,385	1,661	(276)
Finance lease liabilities	251	232	19
	4,475	6,882	(2,407)
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	-	-	