ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES

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

The 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 the Business Units level) in addition to EBIT. These measures are calculated as follows:

Profit 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	
+/-	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 Units 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 first quarter 2012 and 2011.

- **Net Financial Debt**: Telecom Italia believes that the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. In the 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 Yearly 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, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows as well as the Consolidated Net Financial Debt of the Telecom Italia Group, herewith presented, are the same as those included in the Interim Report at March 31, 2012 and are unaudited.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Quarter 2012 (a)	1st Quarter 2011 (b)	Change (a - b) amount	%
Revenues	**7,392**	**7,073**	**319**	**4.5**
Other income	52	48	4	8.3
Total operating revenues and other income	**7,444**	**7,121**	**323**	**4.5**
Acquisition of goods and services	(3,231)	(2,995)	(236)	(7.9)
Employee benefits expenses	(998)	(990)	(8)	(0.8)
Other operating expenses	(456)	(398)	(58)	(14.6)
Changes in inventories	53	49	4	8.2
Internally generated assets	151	142	9	6.3
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**2,963**	**2,929**	**34**	**1.2**
Depreciation and amortization	(1,340)	(1,425)	85	6.0
Gains (losses) on disposals of non-current assets	(4)	-	(4)	°
Impairment reversals (losses) on non-current assets	-	1	(1)	°
Operating profit (loss) (EBIT)	**1,619**	**1,505**	**114**	**7.6**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(3)	(4)	1	25.0
Other income (expenses) from investments	-	17	(17)	°
Finance income	803	952	(149)	(15.7)
Finance expenses	(1,242)	(1,422)	180	12.7
Profit (loss) before tax from continuing operations	**1,177**	**1,048**	**129**	**12.3**
Income tax expense	(457)	(396)	(61)	(15.4)
Profit (loss) from continuing operations	**720**	**652**	**68**	**10.4**
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	-	-	-
Profit (loss) for the period	**720**	**652**	**68**	**10.4**
Attributable to:				
• **Owners of the Parent**	**606**	**549**	**57**	**10.4**
• Non-controlling interests	114	103	11	10.7

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)		1st Quarter 2012	1st Quarter 2011
Profit (loss) for the period	**(a)**	**720**	**652**
Other components of the Statements of Comprehensive Income:			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		25	5
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Net fiscal impact		(4)	(1)
	(b)	**21**	**4**
Hedging instruments:			
Profit (loss) from fair value adjustments		(511)	(20)
Loss (profit) transferred to the Separate Consolidated Income Statement		222	321
Net fiscal impact		80	(84)
	(c)	**(209)**	**217**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(156)	(350)
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		-	-
Net fiscal impact		-	-
	(d)	**(156)**	**(350)**
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		-	1
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Net fiscal impact		-	-
	(e)	**-**	**1**
Total	**(f=b+c+d+e)**	**(344)**	**(128)**
Total Profit (loss) for the period	**(a+f)**	**376**	**524**
Attributable to:			
• **Owners of the Parent**		**366**	**628**
Non-controlling interests		10	(104)

TELECOM ITALIA GROUP–CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)		3/31/2012 (a)	12/31/2011 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		36,943	36,957	(14)
Other intangible assets		8,406	8,600	(194)
		45,349	**45,557**	**(208)**
Tangible assets				
Property, plant and equipment owned		14,515	14,854	(339)
Assets held under finance leases		1,072	1,094	(22)
		15,587	**15,948**	**(361)**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		43	47	(4)
Other investments		38	38	-
Non-current financial assets		2,416	2,949	(533)
Miscellaneous receivables and other non-current assets		1,204	1,128	76
Deferred tax assets		1,317	1,637	(320)
		5,018	**5,799**	**(781)**
Total Non-current assets	**(a)**	**65,954**	**67,304**	**(1,350)**
Current assets				
Inventories		496	447	49
Trade and miscellaneous receivables and other current assets		8,056	7,770	286
Current income tax receivables		25	155	(130)
Current financial assets				
Securities other than investments, financial receivables and other current financial assets		1,171	1,469	(298)
Cash and cash equivalents		5,492	6,714	(1,222)
		6,663	8,183	(1,520)
Current assets sub-total		**15,240**	**16,555**	**(1,315)**
Discontinued operations/Non-current assets held for sale				
of a financial nature		-	-	-
of a non-financial nature		-	-	-
		-	-	-
Total Current assets	**(b)**	**15,240**	**16,555**	**(1,315)**
Total Assets	**(a+b)**	**81,194**	**83,859**	**(2,665)**

(millions of euros)		3/31/2012 (a)	12/31/2011 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		23,156	22,791	365
Equity attributable to non-controlling interests		3,918	3,904	14
Total Equity	**(c)**	**27,074**	**26,695**	**379**
Non-current liabilities				
Non-current financial liabilities		34,097	35,860	(1,763)
Employee benefits		856	850	6
Deferred tax liabilities		958	1,056	(98)
Provisions		839	831	8
Miscellaneous payables and other non-current liabilities		1,177	1,156	21
Total Non-current liabilities	**(d)**	**37,927**	**39,753**	**(1,826)**
Current liabilities				
Current financial liabilities		5,961	6,091	(130)
Trade and miscellaneous payables and other current liabilities		9,978	10,984	(1,006)
Current income tax payables		254	336	(82)
Current liabilities sub-total		**16,193**	**17,411**	**(1,218)**
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)**	**16,193**	**17,411**	**(1,218)**
Total Liabilities	**(f=d+e)**	**54,120**	**57,164**	**(3,044)**
Total Equity and Liabilities	**(c+f)**	**81,194**	**83,859**	**(2,665)**

TELECOM ITALIA GROUP–CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)		1st Quarter 2012	1st Quarter 2011
Cash flows from operating activities:			
Profit (loss) from continuing operations		720	652
Adjustments for:			
Depreciation and amortization		1,340	1,425
Impairment losses (reversals) on non-current assets (including investments)		1	2
Net change in deferred tax assets and liabilities		298	260
Losses (gains) realized on disposals of non-current assets (including investments)		4	(17)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		3	4
Change in employee benefits		2	1
Change in inventories		(48)	(39)
Change in trade receivables and net amounts due from customers on construction contracts		118	161
Change in trade payables		(661)	(270)
Net change in current income tax receivables/payables		46	30
Net change in miscellaneous receivables/payables and other assets/liabilities		(421)	(98)
Cash flows from (used in) operating activities	**(a)**	**1,402**	**2,111**
Cash flows from investing activities:			
Purchase of intangible assets on an accrual basis		*(424)*	*(404)*
Purchase of tangible assets on an accrual basis		*(530)*	*(497)*
Total purchase of intangible and tangible assets on an accrual basis		(954)	(901)
Change in amounts due to fixed asset suppliers		*(353)*	*(546)*
Total purchase of intangible and tangible assets on a cash basis		(1,307)	(1,447)
Acquisition of control of subsidiaries or other businesses, net of cash acquired		(7)	-
Acquisitions/disposals of other investments		-	(1)
Change in financial receivables and other financial assets		758	546
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		(5)	(1)
Proceeds from sale/repayment of intangible, tangible and other non-current assets		15	378
Cash flows from (used in) investing activities	**(b)**	**(546)**	**(525)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(728)	(838)
Proceeds from non-current financial liabilities (including current portion)		297	1,130
Repayments of non-current financial liabilities (including current portion)		(1,672)	(1,470)
Share capital proceeds/reimbursements (including subsidiaries)		(2)	-
Dividends paid		-	-
Changes in ownership interests in consolidated subsidiaries		-	(155)
Cash flows from (used in) financing activities	**(c)**	**(2,105)**	**(1,333)**
Cash flows from (used in) discontinued operations/non-current assets held for sale	**(d)**	**-**	-
Aggregate cash flows	**(e=a+b+c+d)**	**(1,249)**	**253**
Net cash and cash equivalents at beginning of the period	**(f)**	**6,670**	5,282
Net foreign exchange differences on net cash and cash equivalents	**(g)**	-	(65)
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**5,421**	**5,470**

Additional Cash Flow Information

(millions of euros)	1st Quarter 2012	1st Quarter 2011
Income taxes (paid) received	(57)	(57)
Interest expense paid	(1,027)	(947)
Interest income received	312	314
Dividends received	-	-

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Quarter 2012	1st Quarter 2011
Net cash and cash equivalents at beginning of the period:		
Cash and cash equivalents - from continuing operations	6,714	5,526
Bank overdrafts repayable on demand - from continuing operations	(44)	(244)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	-
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-
	6,670	**5,282**
Net cash and cash equivalents at end of the period:		
Cash and cash equivalents - from continuing operations	5,492	5,487
Bank overdrafts repayable on demand - from continuing operations	(71)	(17)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	-
Bank overdrafts repayable on demand - from Discontinued operations/Non-current assets held for sale	-	-
	5,421	**5,470**

TELECOM ITALIA GROUP–NET FINANCIAL DEBT

(millions of euros)	3/31/2012 (a)	12/31/2011 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	22,722	24,478	(1,756)
Amounts due to banks, other financial payables and liabilities	10,102	10,078	24
Finance lease liabilities	1,273	1,304	(31)
	34,097	**35,860**	**(1,763)**
Current financial liabilities(*)			
Bonds	3,588	3,895	(307)
Amounts due to banks, other financial payables and liabilities	2,134	1,951	183
Finance lease liabilities	239	245	(6)
	5,961	**6,091**	**(130)**
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	-	-	-
Total Gross financial debt	**40,058**	**41,951**	**(1,893)**
Non-current financial assets			
Securities other than investments	(11)	(12)	1
Financial receivables and other non-current financial assets	(2,405)	(2,937)	532
	(2,416)	**(2,949)**	**533**
Current financial assets			
Securities other than investments	(674)	(1,007)	333
Financial receivables and other current financial assets	(497)	(462)	(35)
Cash and cash equivalents	(5,492)	(6,714)	1,222
	(6,663)	**(8,183)**	**1,520**
Financial assets relating to Discontinued operations/Non-current assets held for sale	-	-	-
Total financial assets	**(9,079)**	**(11,132)**	**2,053**
Net financial debt carrying amount	**30,979**	**30,819**	**160**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	(667)	(405)	**(262)**
Adjusted net financial debt	**30,312**	**30,414**	**(102)**
Breakdown as follows:			
Total adjusted gross financial debt	**37,513**	**39,382**	**(1,869)**
Total adjusted financial assets	**(7,201)**	**(8,968)**	**1,767**
(*)of which current portion of medium/long-term debt:			
Bonds	*3,588*	*3,895*	*(307)*
Amounts due to banks, other financial payables and liabilities	*1,296*	*1,064*	*232*
Finance lease liabilities	*239*	*245*	*(6)*

TELECOM ITALIA GROUP–INFORMATION BY OPERATING SEGMENTS

Domestic

(millions of euros)	1st Quarter 2012	1st Quarter 2011	Change amount	Change %	Change % organic
Revenues	4,486	4,596	(110)	(2.4)	(2.4)
EBITDA	2,193	2,236	(43)	(1.9)	(3.4)
EBITDA margin	*48.9*	*48.7*		*0.2pp*	*(0.5)pp*
EBIT	1,278	1,222	56	4.6	1.7
EBIT margin	*28.5*	*26.6*		*1.9pp*	*1.2pp*
Headcount at period-end (number) (1)	55,621	(*)55,389	232	0.4	

(1) The change of 232 units includes the effects of the acquisition, from January 1, 2012, of the 249 units of the Contact Center activities of Advalso, a company belonging to the Olivetti Business Unit.
(*) Headcount at December 31, 2011.

Core Domestic

(millions of euros)	1st Quarter 2012	1st Quarter 2011	Change amount	Change %	Change % organic
Revenues	4,253	4,396	(143)	(3.3)	(3.2)
Consumer	*2,190*	*2,216*	*(26)*	*(1.2)*	*(1.2)*
Business (°)	*726*	*773*	*(47)*	*(6.1)*	*(6.1)*
Top (°)	*775*	*833*	*(58)*	*(7.0)*	*(7.0)*
National Wholesale	*518*	*525*	*(7)*	*(1.3)*	*(1.3)*
Other	*44*	*49*	*(5)*	*(10.2)*	*(4.3)*
EBITDA	2,149	2,177	(28)	(1.3)	(2.8)
EBITDA margin	50.5	*49.5*		*1.0pp*	*0.2pp*
EBIT	1,257	1,190	67	5.6	2.7
EBIT margin	29.6	*27.1*		*2.5pp*	*1.7pp*
Headcount at period-end (number)	54,613	(*)54,380	233	0.4	

(*) Headcount at December 31, 2011.
(°) The data of the Business and Top segments relating to the 1st quarter 2011 have been reclassified consistently with those of the 1st quarter 2012 in order to take into account new classification criteria introduced at the beginning of the year.

International Wholesale

(millions of euros)	1st Quarter 2012	1st Quarter 2011	Change amount	Change %	Change % organic
Revenues	347	317	30	9.5	8.8
of which third parties	*244*	*211*	33	*15.6*	*14.6*
EBITDA	48	61	(13)	(21.3)	(22.6)
EBITDA margin	*13.8*	*19.2*		*(5.4)pp*	*(5.6)pp*
EBIT	21	31	(10)	(32.3)	(32.3)
EBIT margin	6.1	9.8		*(3.7)pp*	*(3.6)pp*
Headcount at period-end (number)	1,008	(*)1,009	(1)	(0.1)	

(*) Headcount at December 31, 2011

TELECOM ITALIA

BRAZIL

	(million of euros)		(million of reais)		Change	
	1st Quarter 2012 (a)	1st Quarter 2011 (b)	1st Quarter 2012 (c)	1st Quarter 2011 (d)	amount (c-d)	% (c-d)/d
Revenues	1,928	1,646	4,468	3,752	716	19.1
EBITDA	505	452	1,170	1,031	139	13.5
EBITDA margin	*26.2*	*27.5*	*26.2*	*27.5*		*(1.3)pp*
EBIT	236	184	546	418	128	30.6
EBIT margin	*12.2*	*11.1*	*12.2*	*11.1*		*1.1pp*
Headcount at period-end (number)			10,737	(*)10,539	198	1.9

(*)Headcount at December 31, 2011.

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ARGENTINA

	(million of euros)		(million of pesos)		Change	
	1st Quarter 2012 (a)	1st Quarter 2011 (b)	1st Quarter 2012 (c)	1st Quarter 2011 (d)	amount (c-d)	% (c-d)/d
Revenues	901	753	5,126	4,134	992	24.0
EBITDA	289	257	1,644	1,410	234	16.6
EBITDA margin	*32.1*	*34.1*	*32.1*	*34.1*		*(2.0)pp*
EBIT	143	130	816	715	101	14.1
EBIT margin	*15.9*	*17.3*	*15.9*	*17.3*		*(1.4)pp*
Headcount at period-end (number) (*)			16,591	(**)16,350	241	1.5

(*) Includes employees with temp work contracts: 1 at March 31, 2012 and at December 31, 2011.
(**) Headcount at December 31, 2011.

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OLIVETTI

(millions of euros)	1st Quarter 2012	1st Quarter 2011	Change amount	%	% organic
Revenues	59	78	(19)	(24.4)	(18.1)
EBITDA	(14)	(14)	-	-	-
EBITDA margin	*n.s.*	*n.s.*			
EBIT	(15)	(15)	-	-	-
EBIT margin	*n.s.*	*n.s.*			
Headcount at period-end (number)	811	(*) 1,075	(264)	(24.6)	

(*)Headcount at December 31, 2011.

TELECOM ITALIA GROUP – RECONCILIATION TO COMPARABLE EBITDA AND EBIT

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)	
	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011
HISTORICAL EBITDA	**2,193**	**2,236**	**2,963**	**2,929**
Effect of change in scope of consolidation		-		-
Effect of change in exchange rates		1		(15)
Non-organic costs and expenses (revenues and income)	3	37	3	37
Disputes and settlement	*1*	*6*	*1*	*6*
Other expenses (income), net	*2*	*31*	*2*	*31*
COMPARABLE EBITDA	**2,196**	**2,274**	**2,966**	**2,951**

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)	
	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011
HISTORICAL EBIT	**1,278**	**1,222**	**1,619**	**1,505**
Effect of change in scope of consolidation		-		-
Effect of change in exchange rates		-		(8)
Non - organic costs and expenses (revenues and income) already described under EBITDA	*3*	*37*	*3*	*37*
COMPARABLE EBIT	**1,281**	**1,259**	**1,622**	**1,534**

TELECOM ITALIA GROUP – CHANGE IN ADJUSTED NET FINANCIAL DEBT, DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Change in adjusted net financial debt

(millions of euros)	1st Quarter 2012	1st Quarter 2011	Change
EBITDA	2,963	2,929	34
Capital expenditures on an accrual basis	(954)	(901)	(53)
Change in net operating working capital:	(1,387)	(952)	(435)
Change in inventories	(48)	(39)	(9)
Change in trade receivables and net amounts due on construction contracts	118	161	(43)
Change in trade payables (*)	(1,014)	(816)	(198)
Other changes in operating receivables/payables	(443)	(258)	(185)
Change in provisions for employees benefits	2	1	1
Change in operating provisions and Other changes	2	(1)	3
Net operating free cash flow	**626**	**1,076**	**(450)**
% of Revenue	*8.5*	*15.2*	*(6.7)pp*
Sale of investments and other disposals	10	377	(367)
Financial investments	(7)	(156)	149
Finance expenses, income taxes and Other net non-operating requirements	(527)	(451)	(76)
Decrease/(Increase) in adjusted net financial debt	**102**	**846**	**(744)**

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

Revolving Credit Facility and term loan

In the table below are shown the composition and the drawdown of the committed credit lines available as of March 31, 2012 represented by the Revolving Credit Facility for the total amount of 8 billion euros maturing on August 2014, by the syndacated Revolving Credit Facility for the total amount of 1.25 billion euros maturing on February 2013 and by the Revolving Credit Facility for the total amount of 200 million euros signed on December 20, 2010 and maturing on June 19, 2012 (extendable, at Telecom Italia's discretion, until December 18, 2013):

(billions of euros)	03/31/2012		12/31/2011	
	Committed	Utilized	Committed	Utilized
Revolving Credit Facility – due February 2013	1.25	0.25	1.25	0.25
Revolving Credit Facility – due August 2014	8.0	2.0	8.0	2.0
Revolving Credit Facility - due June 2012 (extendable until December 2013)	0.2	0.2	0.2	0.2
Total	9.45	2.45	9.45	2.45

Furthermore, Telecom Italia has a bilateral standby credit facility expiring August 3, 2016 for the amount of 100 million euros with Banca Regionale Europea, totally utilized.

Bonds

With reference to the evolution of the bonds during the first quarter 2012, no new bond has been issued, while we point out the following repayments:

REPAYMENTS

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 1,222.5 million euros 6.25% (1)	Euro	1,222.5	2/1/2012
Telecom Italia Finance S.A. 107.7 million euros Euribor 3M+1.30%	Euro	107.7	3/14/2012

(1) Net of 27.5 million euros repurchased from the company during the year 2011.

BUYBACKS

As already occurred in the last years, during the first quarter 2012 the Telecom Italia Group repurchased bonds in order to:

- give investors a further possibility of monetizing their position;
- partially anticipate the repayment of some debt maturities thus increasing the overall return of the Group's liquidity, without taking any additional risk.

In particular we point out the following buybacks:

(millions of original currency)	Currency	Amount	Buyback period
Buybacks			
Telecom Italia Finance S.A. 790 million euros 7.250% due April 2012 (*)	Euro	12	January 2012
Telecom Italia Finance S.A. 693 million euros 6.875% due January 2013 (*)	Euro	66	January-March 2012

(1) During the year 2011 the company repurchased the above mentioned bonds for the total amount of 290 million euros (199 million euros bond expiring April 2012 and 91 million euros bond expiring January 2013). Therefore, the total amount of the buy-back is equal to 368 million euros.

The **Telecom Italia S.p.A. 2002-2022 bonds,** reserved for subscription by employees of the Group, amounted 249 million euros (nominal value) as of March 31, 2012 and decreased by 17 million euros in comparison with December 31, 2011 (266 million euros).

The nominal amount of repayment, net of the Group's bonds buy-back, related to the bonds expiring in the following 18 months as of March 31, 2012 issued by Telecom Italia S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by Telecom Italia S.p.A.) totals 3,628 million euros with the following detail:

- 790 million euros, due April 24, 2012;
- 1,000 million euros, due December 6, 2012;
- 693 million euros, due January 24, 2013;
- 645 million euros, due March 21, 2013;
- 500 million euros, due July 19, 2013.

With reference to the loans received by Telecom Italia S.p.A. from the European Investment Bank (EIB), an amount of 1,056 million euros (out of a total of 2,971 million euros at March 31, 2012) is not secured by bank guarantees and there are covenants which cover the following:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract;
- "Clause for inclusion" contemplated in the loan contracted on August 5, 2011 for the amount of 100 million euros: against more restrictive clauses (i.e. cross default clauses, financial covenants, commitments restricting the sale of goods) granted by the company in new loan contracts, the EIB will have the right to demand the constitution of guarantees or the amendment of the loan contract in order to have an equivalent regulation in favour of the EIB. That expectation is not applied to the subsidized loans until the total amount of the outstanding capital financed does not exceed the amount of 500 million euros;

- for all loans not secured by collateral, if the Company's credit rating of unsubordinated and unsecured medium-long term debt is lower than BBB for Standard & Poor's, Baa2 for Moody's and BBB for Fitch Ratings, the company shall immediately inform the EIB, which shall have the right to ask for suitable guarantees to be provided, indicating a date for setting up these guarantees; after that date and if Telecom Italia S.p.A. fails to provide the guarantees, the EIB shall have the right to demand the immediate repayment of the disbursed amount. The current ratings (BBB and Baa2) didn't require new guarantees or repayment of loans.

The syndicated bank credit lines of Telecom Italia S.p.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed. Mechanisms are provided for adjusting the cost of funding in relation to Telecom Italia's credit rating, with a spread added to Euribor of between a minimum of 0.0875% and a maximum of 0.2625% for the line expiring in 2014, and between a minimum of 0.90% and a maximum of 2.50% for the line expiring in 2013.
The two syndicated bank credit lines contain the usual other types of covenants, including the commitment not to use the company's assets as collateral for loans (negative pledges), the commitment not to change the business purpose or sell assets of the company unless specific conditions exist (e.g. the sale at the fair market value). Covenants with basically the same content can be found in the export credit loan agreement.

In a series of agreements in which Telecom Italia is a party, communication must be provided in case of a change in control:

- *Multi currency revolving credit facility (8,000,000,000 euros).* The agreement was signed between Telecom Italia and a syndicate of banks on August 1 st, 2005 and subsequently modified. In the event of a change in control, Telecom Italia shall inform the agent within 5 business days and the agent, on behalf of the lending banks, shall negotiate in good faith how to continue the relationship. None of the parties shall be obliged to continue such negotiations beyond the term of 30 days, at the end of which, in the absence of an agreement, the credit facility shall cease to be effective and Telecom Italia shall be held to repay any sum eventually disbursed (currently equal to 2,000,000,000 euros) to the same. Conventionally, no change in control is held to exist in the event control, pursuant to art. 2359 of the Italian Civil Code, is acquired (i) by shareholders who, at the date of signing the agreement held, directly or indirectly, more than 13% of the voting rights in shareholders' meetings or (ii) by the investors (Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A. and Mediobanca S.p.A.) which had signed a shareholder's agreement on April 28, 2007 regarding the Telecom Italia shares, or (iii) by a combination of parties belonging to the above two categories;
- *Revolving credit facility (1,250,000,000 euros).* This agreement was signed between Telecom Italia and a syndicate of banks on February 12, 2010 and envisages a structure similar to that contained in the August 1, 2005 credit facility agreement, even though it was updated to take into account of the October 28, 2009 amendment to the April 28, 2007 shareholder's agreement. Therefore, no change in control is held to exist in the event control, pursuant to art. 2359 of the Italian Civil Code, is directly or indirectly (through subsidiaries) acquired by the investors Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A. and Mediobanca S.p.A., with the provisions described above remaining unchanged. The disbursed amount is currently equal to 250,000,000 euros;
- *Revolving credit facility (200,000,000 euros).* This agreement was entered into by Telecom Italia and Unicredit S.p.A. on December 20, 2010 and envisages a discipline basically similar to that of the February 12, 2010 credit facility agreement. The disbursed amount is currently equal to 200,000,000 euros;
- *Bonds.* The regulations covering the bonds issued under the EMTN Programmes, by both Olivetti and Telecom Italia, and the loans denominated in US dollars, typically provide that, in the event of mergers or transfer of all or substantially all of the assets of the issuing company or the guarantor, the incorporating or transferee company shall assume all of the obligations of the merged or transferor company. Non-fulfillment of the obligation, for which a solution is not found, is an event of default;
- *Contracts with the European Investment Bank (EIB.)* The total nominal amount is 2.95 billion euros. The contracts signed by Telecom Italia with the EIB, for the amount of 2.65 billion euros, carry the obligation of promptly informing the Bank about changes regarding the Bylaws or the allocation of capital among the shareholders which can bring about a change in control. Failure to communicate this information to the bank shall result in the termination of the contract. Furthermore, when a shareholder, who at the date of signing the contract does not hold at least 2% of the share capital, comes to hold more than 50% of the voting rights in ordinary shareholders' meetings or, in any case, a number of shares such that it represents more than 50% of the share capital and, in the bank's reasonable opinion, this fact could cause a detriment to the Bank or could compromise the execution of the loan project, the Bank has the right to ask Telecom

Italia to provide guarantees or modify the contract or find an alternative solution. Should Telecom Italia not comply with the requests of EIB, the bank has the right to terminate the contract. Specifically:

- in the loan signed by Telecom Italia with the EIB on August 5, 2011 and in the three contracts – assisted, respectively, by bank guarantee and by a guarantee issued by Sace S.p.A. – signed on September 26, 2011, for a total amount of 200 million euros, there is change in control if a subject or a group of subjects acquire the control of Telecom Italia, or of the entity controlling it directly or indirectly. There isn't change in control in case the control is acquired directly or indirectly by (i) any shareholder of Telecom Italia that at the date of the contract holds directly or indirectly at least 13% of the voting rights in the ordinary board or (ii) by the investors Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A. and Mediobanca S.p.A. or by their subsidiaries;
- furthermore, the three contracts guaranteed and dated September 26, 2011 provide the "clause for inclusion" according to which in case Telecom Italia commits herself to maintain in other loans financial covenants not present or more restrictive than those granted to the EIB, the bank will have the right to demand the constitution of guarantees or the amendment of the loan contract in order to have an equivalent clause in favour of the EIB. That expectation is not applied to the subsidized loans until the total amount of the outstanding capital financed does not exceed the amount of 500 million euros;

- *Export Credit Agreement (nominal outstanding amount 37,573,952 euros).* The contract was signed in 2004 by Telecom Italia and Société Générale and provides the repayment of the loan in 2013. It is established that, in the event of a change in control and subsequent failure to reach an agreement with the lender bank, Telecom Italia shall repay the outstanding loan at the first date in which the interest payment shall be due;
- *Senior Secured Syndicated Facility (nominal outstanding amount 312,464,000 Argentinean pesos, equal to approximately 53 million euros)***.** The contract was signed in October 2011 between BBVA Banco Francés and Tierra Argentea S.A. (company fully-controlled by the Telecom Italia Group) and provides the repayment of the loan in 2016. The loan is granted by two pledges set up on (i) 15,374,858 Telecom Argentina's shares and (ii) 2,351,752 American depositary Shares (ADS) representing of 117,588 preferred B shares of Nortel Inversora S.A.. The covenants contractually provided, as negative covenants or financial covenants, are coherent with those of the syndicated credit facilities and with the local market practice; furthermore, there is a clause of change in control that comply the total repayment in advance of the loan in case the Telecom Group holds less then the 100% of Tierra Argentea S.A. or loses the control of the other Argentinean subsidiaries.

Finally, in the documentation of the loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt and debt ratios), as well as customary negative pledges clauses, worth the request for the repayment in advance of the loan.
Finally, as of March 31, 2012, no covenants, negative pledge clauses or other clauses regarding the above described debt position have been breached or violated in any way.

TELECOM ITALIA GROUP–EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS

The effect of non-recurring events and transactions on the separate consolidated income statements is set out below in accordance with Consob communication DME/RM/9081707 dated September 16, 2009:

(millions of euros)	1st Quarter 2012	1st Quarter 2011
Impact on EBITDA - Operating profit before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets	-	-
Impact on EBIT - Operating profit	-	-
Share of profits (losses) of associetes and joint ventures accounted for using the equity method – Other income (expenses) from investments		
Net gain on disposal of EtecSa (Cuba)	-	17
Impact on profit (loss) before tax from continuing operations	-	17
Effects of income taxes	-	-
Impact on profit (loss) for the period	-	17