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. However, such measures should not be considered as a substitute for those required by IFRS.

Specifically, 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 level of the Business Units) 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 to understand in a more complete and effective manner the operating performance of the Group (as a whole and at the level of the Business Units).
  The organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors.
  This press release provides details of the separate income statement amounts used to arrive at the organic change as well as an analysis of the major non-organic components for the first quarter 2010 and 2009.

- Net Financial Debt: Telecom Italia believes that the Net Financial Debt provides 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 attachments to this press release are 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 real dynamic 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 measurement at fair value 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 classified under 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 Separate Consolidated Income Statements, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flow as well as the Consolidated Net Financial Debt of the Telecom Italia Group, herewith presented, are the same as those included in the Quarterly Report at March 31, 2010 and are unaudited.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Quarter 2010 (a)	1st Quarter 2009 Restated (b)	Change (a - b) amount	%
Revenues	6,483	6,527	(44)	(0.7)
Other income	53	54	(1)	(1.9)
Total operating revenues and other income	6,536	6,581	(45)	(0.7)
Acquisition of goods and services	(2,498)	(2,635)	137	5.2
Employee benefits expenses	(938)	(966)	28	2.9
Other operating expenses	(335)	(348)	13	3.7
Changes in inventories	(84)	(7)	(77)	°
Internally generated assets	145	114	31	27.2
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	2,826	2,739	87	3.2
Depreciation and amortization	(1,412)	(1,387)	(25)	(1.8)
Gains (losses) on disposals of non-current assets	(1)	2	(3)	°
Impairment reversals (losses) on non-current assets	(5)	-	(5)	°
OPERATING PROFIT (EBIT)	1,408	1,354	54	4.0
Share of profits (losses) of associates and joint ventures accounted for using the equity method	25	14	11	78.6
Other income (expenses) from investments	2	6	(4)	°
Finance income	1,430	968	462	47.7
Finance expenses	(1,904)	(1,551)	(353)	(22.8)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	961	791	170	21.5
Income tax expense	(355)	(341)	(14)	(4.1)
PROFIT FROM CONTINUING OPERATIONS	606	450	156	34.7
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	(9)	9	°
PROFIT FOR THE PERIOD	606	441	165	37.4
Attributable to:				
* Owners of the Parent	601	460	141	30.7
* Non-controlling interests	5	(19)	24	°

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

According to IAS 1 (*Presentation of Financial Statements*) here below are presented the Consolidated Statements of Comprehensive Income, beginning with the Profit for the period, derived from the Separate Consolidated Income Statements, and displaying income and expenses recognized directly in equity and related to all non-owner changes.

(millions of euros)		1st Quarter 2010	1st Quarter 2009 Restated
PROFIT FOR THE PERIOD	(A)	606	441
Other components of the Statements of Comprehensive Income:			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		9	(7)
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		(2)	5
	(B)	7	(2)
Hedging instruments:			
Profit (loss) from fair value adjustments		258	(350)
Loss (profit) transferred to the Separate Consolidated Income Statement		(344)	(175)
Income tax expense		26	146
	(C)	(60)	(379)
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		202	179
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		-	-
	(D)	202	179
Share of other profits (losses) of associates and joint ventures accounted for using the equity method			
Profit (loss)		20	12
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		-	-
	(E)	20	12
Total	(F=B+C+D+E)	169	(190)
TOTAL PROFIT (LOSS) FOR THE PERIOD	(A+F)	775	251
Attributable to:			
* Owners of the Parent		720	233
* Non-controlling interests		55	18

TELECOM ITALIA GROUP – CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	3/31/2010 (a)	12/31/2009 (b)	Change (a-b)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	43,692	43,627	65
Intangible assets with a finite useful life	6,246	6,282	(36)
	49,938	49,909	29
Tangible assets			
Property, plant and equipment owned	13,474	13,606	(132)
Assets held under finance leases	1,272	1,296	(24)
	14,746	14,902	(156)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	478	435	43
Other investments	52	53	(1)
Securities, financial receivables and other non-current financial assets	1,441	1,107	334
Miscellaneous receivables and other non-current assets	999	893	106
Deferred tax assets	901	1,199	(298)
	3,871	3,687	184
TOTAL NON-CURRENT ASSETS (A)	68,555	68,498	57
CURRENT ASSETS			
Inventories	330	408	(78)
Trade and miscellaneous receivables and other current assets	8,003	7,462	541
Current income tax receivables	64	79	(15)
Investments	39	39	-
Securities other than investments	1,459	1,843	(384)
Financial receivables and other current financial assets	427	1,115	(688)
Cash and cash equivalents	4,560	5,504	(944)
Current assets sub-total	14,882	16,450	(1,568)
Discontinued operations/Non-current assets held for sale			
of a financial nature	-	81	(81)
of a non-financial nature	-	1,152	(1,152)
	-	1,233	(1,233)
TOTAL CURRENT ASSETS (B)	14,882	17,683	(2,801)
TOTAL ASSETS (A+B)	83,437	86,181	(2,744)

(millions of euros)	3/31/2010 (a)	12/31/2009 (b)	Change (a-b)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Parent	26,685	25,952	733
Non-controlling interests	1,222	1,168	54
TOTAL EQUITY (C)	27,907	27,120	787
NON-CURRENT LIABILITIES			
Non-current financial liabilities	37,196	36,752	444
Employee benefits	1,081	1,075	6
Deferred tax liabilities	179	160	19
Provisions	735	735	-
Miscellaneous payables and other non-current liabilities	1,077	1,084	(7)
TOTAL NON-CURRENT LIABILITIES (D)	40,268	39,806	462
CURRENT LIABILITIES			
Current financial liabilities	4,825	6,986	(2,161)
Trade and miscellaneous payables and other current liabilities	10,155	11,019	(864)
Current income tax payables	282	283	(1)
Current liabilities sub-total	15,262	18,288	(3,026)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	-	659	(659)
of a non-financial nature	-	308	(308)
	-	967	(967)
TOTAL CURRENT LIABILITIES (E)	15,262	19,255	(3,993)
TOTAL LIABILITIES (F=D+E)	55,530	59,061	(3,531)
TOTAL EQUITY AND LIABILITIES (C+F)	83,437	86,181	(2,744)

TELECOM ITALIA GROUP – CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)	1st Quarter 2010	1st Quarter 2009 Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit from continuing operations	606	450
Adjustments for:		
Depreciation and amortization	1,412	1,387
Impairment losses (reversals) on non-current assets (including investments)	-	21
Net change in deferred tax assets and liabilities	338	312
Losses (gains) realized on disposals of non-current assets (including investments)	-	(6)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(25)	(14)
Change in employee benefits	(2)	7
Change in inventories	78	(3)
Change in trade receivables and net amounts due from customers on construction contracts	67	352
Change in trade payables	(568)	(1,020)
Net change in current income tax receivables/payables	(6)	(178)
Net change in miscellaneous receivables/payables and other assets/liabilities	(690)	(88)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	1,210	1,220
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible assets on an accrual basis	*(482)*	*(370)*
Purchase of tangible assets on an accrual basis	*(560)*	*(584)*
Total purchase of intangible and tangible assets on an accrual basis	(1,042)	(954)
Change in amounts due to fixed asset suppliers	*(317)*	*(204)*
Total purchase of intangible and tangible assets on a cash basis	(1,359)	(1,158)
Acquisitions of other investments	-	(1)
Change in financial receivables and other financial assets	721	(328)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	151	-
Proceeds from sale/repayment of intangible, tangible and other non-current assets	7	37
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(480)	(1,450)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in current financial liabilities and other	75	(593)
Proceeds from non-current financial liabilities (including current portion)	1,256	2,112
Repayments of non-current financial liabilities (including current portion)	(3,236)	(1,829)
Proceeds from equity instruments	-	-
Consideration paid for equity instruments	-	(7)
Dividends paid	(1)	(1)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(1,906)	(318)
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	-	(39)
AGGREGATE CASH FLOWS (E=A+B+C+D)	(1,176)	(587)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (F)	5,484	5,226
Net foreign exchange differences on net cash and cash equivalents (G)	35	36
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (H=E+F+G)	4,343	4,675

ADDITIONAL CASH FLOW INFORMATION:

(millions of euros)	1st Quarter 2010	1st Quarter 2009 Restated
Income taxes (paid) received	(12)	(198)
Interest expense paid	(894)	(1,023)
Interest income received	257	234
Dividends received	-	2

ANALYSIS OF NET CASH AND CASH EQUIVALENTS:

(millions of euros)	1st Quarter 2010	1st Quarter 2009 Restated
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD:		
Cash and cash equivalents - from continuing operations	5,504	5,396
Bank overdrafts repayable on demand – from continuing operations	(101)	(190)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	81	20
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	-	-
	5,484	5,226
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD:		
Cash and cash equivalents - from continuing operations	4,560	4,878
Bank overdrafts repayable on demand – from continuing operations	(217)	(184)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	(19)
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	-	-
	4,343	4,675

TELECOM ITALIA GROUP – CONSOLIDATED NET FINANCIAL DEBT

(millions of euros)	3/31/2010 (a)	12/31/2009 (b)	Change (a-b)
Non-current financial liabilities:			
Bonds	27,316	26,369	947
Amounts due to banks, other financial payables and liabilities	8,348	8,818	(470)
Finance lease liabilities	1,532	1,565	(33)
	37,196	36,752	444
Current financial liabilities (*):			
Bonds	2,971	3,667	(696)
Amounts due to banks, other financial payables and liabilities	1,639	3,069	(1,430)
Finance lease liabilities	215	250	(35)
	4,825	6,986	(2,161)
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	-	659	(659)
GROSS FINANCIAL DEBT	42,021	44,397	(2,376)
Non-current financial assets:			
Securities other than investments	(13)	(15)	2
Financial receivables and other non-current financial assets	(1,428)	(1,092)	(336)
	(1,441)	(1,107)	(334)
Current financial assets:			
Securities other than investments	(1,459)	(1,843)	384
Financial receivables and other current financial assets	(427)	(1,115)	688
Cash and cash equivalents	(4,560)	(5,504)	944
	(6,446)	(8,462)	2,016
Financial assets relating to Discontinued operations/Non-current assets held for sale	-	(81)	81
FINANCIAL ASSETS	(7,887)	(9,650)	1,763
NET FINANCIAL DEBT CARRYING AMOUNT	34,134	34,747	(613)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(872)*	*(798)*	*(74)*
ADJUSTED NET FINANCIAL DEBT	33,262	33,949	(687)
Detailed as follows:			
ADJUSTED GROSS FINANCIAL DEBT	40,406	42,980	(2,574)
ADJUSTED FINANCIAL ASSETS	(7,144)	(9,031)	1,887
(*) of which current portion of medium/long-term debt:			
Bonds	*2,971*	*3,667*	*(696)*
Amounts due to banks, other financial payables and liabilities	*1,005*	*2,557*	*(1,552)*
Finance lease liabilities	*215*	*250*	*(35)*

TELECOM ITALIA

TELECOM ITALIA GROUP – INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	1st Quarter 2010	1st Quarter 2009	Changes		
			absolute	%	% organic
Revenues	4,974	5,357	(383)	(7.1)	(7.1)
EBITDA	2,451	2,523	(72)	(2.9)	(3.0)
EBITDA margin (%)	*49.3*	*47.1*		*2.2 pp*	*2.1 pp*
EBIT	1,366	1,392	(26)	(1.9)	(2.2)
EBIT margin (%)	*27.5*	*26.0*		*1.5 pp*	*1.4 pp*
Capital expenditures	752	833	(81)	(9.7)	
Headcount at period-end (number)	59,243	(*) 59,367	(124)	(0.2)	

(*) Headcount at December 31, 2009.

DOMESTIC – Core Domestic segment

(millions of euros)	1st Quarter 2010	1st Quarter 2009	Changes		
			absolute	%	% organic
Revenues (1)	4,714	5,078	(364)	(7.2)	(7.2)
. Consumer	2,440	2,697	(257)	(9.5)	(9.5)
. Business	890	967	(77)	(8.0)	(8.0)
. Top	829	893	(64)	(7.2)	(7.2)
. National Wholesale	507	474	33	7.0	7.0
. Other	48	47	1	n.s.	n.s.
EBITDA	2,379	2,440	(61)	(2.5)	(2.9)
EBITDA margin (%)	*50.5*	*48.1*		*2.4pp*	*2.2pp*
EBIT	1,323	1,340	(17)	(1.3)	(1.9)
EBIT margin (%)	*28.1*	*26.4*		*1.7 pp*	*1.5 pp*
Capital expenditures	742	813	(71)	(8.7)	
Headcount at period-end (number)	57,986	(*) 58,098	(112)	(0.2)	

(*) Headcount at December 31, 2009.
(1) The amounts indicated are net of infrasegment transactions.

DOMESTIC - International Wholesale segment

(millions of euros)	1st Quarter 2010	1st Quarter 2009	Changes		
			absolute	%	% organic
Revenues	398	439	(41)	(9.3)	(8.7)
. of which third parties	*285*	*311*	*(26)*	*(8.4)*	*(7.4)*
EBITDA	74	85	(11)	(12.9)	(8.3)
EBITDA margin (%)	*18.6*	*19.4*		*(0.8)pp*	*(0.0) pp*
EBIT	41	50	(9)	(18.0)	(11.0)
EBIT margin (%)	*10.3*	*11.4*		*(1.1) pp*	*(0.3) pp*
Capital expenditures	10	20	(10)	(50.0)	(47.4)
Headcount at period-end (number)	1,257	(*) 1,269	(12)	(0.9)	

(*) Headcount at December 31, 2009.

DOMESTIC – Revenues details fixed lines / mobile

(millions of euros)	1st Quarter 2010			1st Quarter 2009			Changes %		
Market segment	Total	Fixed (*)	Mobile(*)	Total	Fixed (*)	Mobile(*)	Total	Fixed (*)	Mobile(*)
Consumer	2,440	1,206	1,293	2,697	1,279	1,495	(9.5)	(5.7)	(13.5)
Business	890	588	314	967	643	340	(8.0)	(8.6)	(7.6)
Top	829	623	228	893	717	189	(7.2)	(13.1)	20.6
National Wholesale	507	719	62	474	658	29	7.0	9.3	113.8
Other (support structures)	48	44	10	47	36	6	n.s	n.s	n.s.
Total Core Domestic	**4,714**	**3,180**	**1,907**	**5,078**	**3,333**	**2,059**	**(7.2)**	**(4.6)**	**(7.4)**
International Wholesale	398	398		439	439		(9.3)	(9.3)	
Eliminations	*(138)*	*(80)*		*(160)*	*(95)*		*n.s*	*n.s*	
Total Domestic	4,974	3,498	1,907	5,357	3,677	2,059	(7.1)	(4.9)	(7.4)

(*)The breakdown by fixed and mobile technology is presented gross of intersegment eliminations.

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BRAZIL

	(millions of euros)		(millions of reais)		Changes		
	1st Quarter 2010 (a)	1st Quarter 2009 (b)	1st Quarter 2010 (c)	1st Quarter 2009 (d)	Absolute (c-d)	% (c-d)/d	% organic
Revenues	1,392	1,061	3,469	3,205	264	8.2	3.5
EBITDA	381	231	949	697	252	36.2	23.2
EBITDA margin (%)	*27.4*	*21.7*	*27.4*	*21.7*		*5.7 pp*	*4.4 pp*
EBIT	65	(5)	162	(16)	178	°	°
EBIT margin (%)	*4.7*	*(0.5)*	*4.7*	*(0.5)*		*5.2 pp*	*4.0 pp*
Capital expenditures	277	104	689	315	374	°	
Headcount at period-end (number)			9,517	(*) 9,873	(266)	(2.7)	

(*) Headcount at December 31, 2009.

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OLIVETTI

(millions of euros)	**1st Quarter 2010**	**1st Quarter 2009**	**Changes**	
			absolute	%
Revenues	73	71	2	2.8
EBITDA	(10)	(9)	(1)	(11.1)
EBITDA margin (%)	*(13.7)*	*(12.7)*		*(1.0) pp*
EBIT	(11)	(10)	(1)	(10.0)
EBIT margin (%)	*(15.1)*	*(14.1)*		*(1.0) pp*
Capital expenditures	1	1		
Headcount at period-end (number)	1,106	(*) 1,098	8	0.7

(*) Headcount at December 31, 2009.

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TELECOM ITALIA GROUP – RECONCILIATION TO COMPARABLE EBITDA AND EBIT

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)		Brazil (millions of reais)	
	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009
HISTORICAL EBITDA	2,451	2,523	2,826	2,739	949	697
Effect of change in scope of consolidation				5		9
Effect of change in exchange rates		(1)		52		
Non-organic (income) expenses	10	16	10	37		64
Disputes and settlement	*2*	*12*	*2*	*12*		
Costs for services of the Brazil Business unit, associated with the settlement of a dispute				*21*		*64*
Other expenses, net	*8*	*4*	*8*	*4*		
COMPARABLE EBITDA	2,461	2,538	2,836	2,833	949	770

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)		Brazil (millions of reais)	
	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009
HISTORICAL EBIT	1,366	1,392	1,408	1,354	162	(16)
Effect of change in scope of consolidation				(8)		(22)
Effect of change in exchange rates				2		
Non-organic (income) expenses	10	15	10	37		64
Non - organic (income) expenses already described under EBITDA	*10*	*15*	*10*	*37*		*64*
Other expenses						
COMPARABLE EBIT	1,376	1,407	1,418	1,385	162	26

TELECOM ITALIA GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Revolving Credit Facility and Term Loan

The composition and the drawdown of the syndacated *committed* credit lines available as of March 31, 2010 are represented by the *Revolving Credit Facility* for the total amount of 8 billion euros maturing on August 2014 and by the new Revolving Credit Facility for the total ammount of 1.25 billion euros signed on February 12, 2010 and maturing on February 2013. On January the syndacated credit line named Term Loan 2010 for the amount of 1.5 billion euros was regularly repaid using the available liquiidty.

	3/31/2010		12/31/2009	
(billion of euros)	Committed	Utilized	Committed	Utilized
Term Loan – due 2010	--	--	1.5	1.5
Revolving Credit Facility – due 2014	8.0	1.5	8.0	1.5
Revolving Credit Facility – due 2013	1.25	--	--	--
Totale	9.25	1.5	9.5	3.0

Bonds

With reference to the evolution of the bonds during the first quarter 2010, we point out the following events:

NEW ISSUES

(million of original currency)	currency	amount	Issue date
Telecom Italia Finance S.A. 107.7 million euros Floating Rate Notes Euribor 3M + 1.3% due March 14, 2012 (1)	Euro	107.715	3/14/2010
Telecom Italia S.p.A. 1,250 million euros 5.25% due 2/10/2022	Euro	1,250	2/10/2010

(1) That issue derives from the contractual conditions provided by the in force **bond "Telecom Italia Finance S.A. Euro 118.830.000 Guaranteed Floating Rate Extendable Notes due 2010"**, net of 20 million euros repurchased by the company in 2009. In fact, according to the Terms and Conditions, the holders of the bond for a nominal amount of 31,115,000 euro renounced the right to the possibility of extending the maturity date to 2012 and that amount will be duly repaid on June 14, 2010; while on March 14, 2010 bonds were issued for the residual amount of 107,715,000 euro and are denominated "Telecom Italia Finance S.A. Euro 107,715,000 Guaranteed Floating Rate Extendable Notes due 2012" maturing on March 14, 2012.

REPAYMENTS

(million of original currency)	currency	amount	Repayment date
Telecom Italia Capital S.A. 4%, issue guaranteed by Telecom Italia S.p.A.	USD	1,250	1/15/2010

BUYBACKS

As already occurred in 2008, in 2009 and during the first quarter 2010 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:

(million of original currency)	currency	amount	Buyback period
Telecom Italia Finance S.A. 1,909 million euros 7.50% due April 2011 (*)	Euro	88	January- March

(*) Net of 3 million euros repurchased by the company in 2009.

With reference to the **Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group,** we point out that as of March 31, 2010 amount 345 million euros (nominal value) and decreased by 3 million euros in comparison with December 31, 2009 (348 million euros).

The total repayment, net of the Group's bonds buy-back, related to the bonds expiring in the following 18 months as of March 31, 2010 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 5,577 million euros with the following detail:

- 796 million euros, due June 7, 2010;
- 119 million euros, due June 14, 2010;
- 519 million euros, due October 1st, 2010;
- 750 million euros, due January 28, 2011;
- 297 million euros, due February 1st, 2011;
- 1,909 million euros, due April 20, 2011;
- 631 million euros, due July 18, 2011;
- 556 million euros, due July 18, 2011.

Bonds issued by companies of the Group to third parties do not contain either financial covenants (e.g. ratio as Debt/EBITDA, EBITDA/Interests, etc.) or clauses which can result in the early repayment of the bonds except in the event of the insolvency of the Telecom Italia Group. Furthermore, the repayment of the bonds and the payment of interests are not covered by specific guarantees, nor there are commitments provided relative to the assumption of guarantees, except for the full and unconditional guarantees provided by Telecom Italia S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A.. None of the bonds carry any other interest rate structures or structural complexities.
Since these notes and bonds have been placed principally with institutional investors on major world capital markets (Euro market and USA), the terms which regulate the notes and bonds are in line with the market practice for similar transactions realized on the same markets; therefore, there are, for example, commitments not to bind corporate assets as guarantee of funding ("negative pledge").

With reference to the loans issued by Telecom Italia S.p.A. and directly granted by the European Investment Bank (EIB), we inform that two of them for 854 million euros (on a total amount of 2,549 million euros at March 31, 2010), are not covered by bank guarantees and there are such covenants that:

- in case the company is object of merger, division or transfer of a company branch beyond the Group, or rather alienates, sells or transfers assets or branches, the company must give immediate communication to the EIB which can require guarantees or changes in the contract of funding. With reference to the two contracts of funding signed between EIB and Telecom Italia S.p.A: on July 17, 2006 for the amount of 150,000,000.00 euro and on November 30, 2007 for the amount of 182,200,000.00 euro, EIB can rescind the contract ex art. 1456 c.c. in case Telecom Italia S.p.A. ceases to detain, directly or indirectly, more of the 50% (fifty percent) of the voting rights in the ordinary board of HanseNet Telekommunikation GmbH Germany or, however, such a number of shares to represent more of the 50% (fifty percent) of the share capital of that company; to this end, we remind that on November 5, 2009 the Group announced the sign of the agreement in principle for the sale to Telefonica S.A. of the subsidiary HanseNet, which happened on February 16, 2010. Following HanseNet's sale, the Group is carrying out the required fulfilments for the resolution of the above mentioned contracts;
- for the loan of 350 million euros of nominal amount, if the credit rating of the company underlies BBB+ for Standard & Poor's, Baa1 for Moody's and BBB+ for Fitch Ratings, and for the loans of 500 million euros of nominal amount, if the credit rating of the company underlies BBB for Standard & Poor's, Baa2 for Moody's and BBB for Fitch Ratings, the company must give immediate communication to the EIB, which can require eligible guarantees within a fixed term; beyond that term and in absence of the above mentioned guarantees provided by Telecom Italia S.p.A., the EIB can demand the immediate repayment of the issued amount;
- the company must promptly communicate to the Bank the changes related to the allocation of the corporate stock between those shareholders that can provide a change of control. The missed communication implies the resolution of the contract. Furthermore, the resolution of the contract is planned even when a shareholder, who doesn't owned at least the 2% of the capital at the sign of the contract, owns beyond the 50% of the voting rights in the ordinary meeting or a such number of shares to represent beyond the 50% of the capital if, following a reasonable judgment of the bank, that fact can cause prejudice against the bank or compromise the execution of the investment Project. The above mentioned clause is also applied to the guaranteed EIB funding of 300 million euros, issued on June 2009.

The syndicated bank credit lines of Telecom Italia S.p.A. do not contain financial covenants (e.g. ratio as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige Telecom Italia 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 compared to the Euribor of between a minimum of 0.0875% and a maximum of 0.2625% for the line expiring 2014, and between a minimum of 0.90% and a maximum of 2.50% for the line expiring 2013.
The two syndicated bank credit lines contain the usual negative pledge clauses, consisting of the commitment not to modify the business purpose or sell corporate assets unless specific conditions exist (e.g. the sale at the fair market value). Similar covenants can be found in the export credit agreements.

Telecom Italia is also party to agreements under which a change of control would cause a modification or even a dissolution of the relationship. The following agreements, all of which relate to financing relationships:

- *Multi currency revolving credit facility* (euro 8,000,000,000). This agreement was entered into between Telecom Italia and a pool of banks on August 1, 2005 and subsequently amended. In the event of a change of control, Telecom Italia must inform the agent of this within 5 business days and the agent, on behalf of the financing banks, must negotiate in good faith to determine how the relationship can continue. None of the parties will be required to continue such negotiations beyond a term of 30 days, upon the expiry of which, in the absence of any agreement, the facility shall cease to be effective and Telecom Italia shall be required to return such sums as may have been disbursed to it (presently equivalent to 1,500,000,000). Traditionally, a change of control does not arise in cases where control, within the meaning of Art. 2359 of the Italian Civil Code, is acquired (i) by shareholders who, as of the date of the signing of the agreement, directly or indirectly hold more than 13% of the voting rights in shareholders' meetings or (ii) by investors (Telefonica, Assicurazioni Generali, Sintonia, Intesa Sanpaolo and Mediobanca) that entered into a shareholder agreement on 28 April 2007 concerning the Telecom Italia shares or else (iii) by a combination of entities belonging to the two categories;
- *Revolving credit facility* (euro 1,250,000,000). This agreement was entered into by Telecom Italia and a pool of banks on 12 February 2010 and it provides for a regime similar to that contained in the facility of 1 August 2005, but updated to take into account the 28 October 2009 amendment of the shareholder agreement of 28 April 2007. No change of control therefore arises in cases where the control, within the meaning of Art. 2359 of the Italian Civil Code, is directly or indirectly acquired (through subsidiaries) 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 otherwise unchanged;
- *Bonded loans*. The rules on loans issued within the context of the Olivetti or Telecom Italia EMTN Programme, and loans denominated in US dollars typically, provide that, in the event of mergers or transfers of all or substantially all of the assets of the issuer or guarantor company, the absorbing or transferee company must assume all of the obligations of the absorbed or transferring company. A failure to fulfil the obligation, if not remedied, gives rise to an event of default;
- *Contracts with the European Investment Bank (EIB).* In the contracts entered into by Telecom Italia and the EIB, for a total maximum amount of around 2.5 billion euros, there is a duty to inform the Bank promptly of any modifications regarding the Bylaws or the distribution of the capital among the shareholders that could amount to a change of control. Any failure to provide this information leads to termination of the contract, which also occurs when a shareholder who does not hold at least 2% of the share capital as of the date of signing the contract comes to hold more than 50% of the rights to vote in ordinary shareholders' meetings or, in any event, of the share capital, in the event that, according to the reasonable judgment of the Bank, this could cause harm to the Bank or compromise the performance of the financing project.

The syndicated bank lines (as well as a contract of export credit agreement for the nominal outstanding amount of 88 million euros at March 31, 2010) consider the case where a party, other than the current relative majority shareholder or permitted acquiring shareholders (including Telco shareholders), acquires the control of Telecom Italia, individually or jointly; in that case, a 30-day period is established during which the parties shall negotiate the terms with which to continue the relationship.

In the documentation of loans granted to certain companies of Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt, profitability and debt ratios), as well as the usual non financial covenants, worth the request for the repayment in advance of the loan.

Finally, we point out that on March 31, 2010 none of the covenants, negative pledge clauses or other clauses regarding the above described debt positions have been 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 euro)	1st Quarter 2010	1st Quarter 2009
Acquisition of goods and services / Other operating expenses:		
Other sundry expenses	(8)	(4)
IMPACT ON OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	(8)	(4)
IMPACT ON OPERATING PROFIT (EBIT)	(8)	(4)
Financial income (expenses) and Other income (expenses) from investments:		
Gains on disposals of Other investments	1	4
Other finance expenses	-	(3)
IMPACT ON PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(7)	(3)
Effect of income taxes on non-recurring items	1	-
IMPACT ON PROFIT FOR THE PERIOD	(6)	(3)

TELECOM ITALIA GROUP - EFFECTS ON THE CONSOLIDATED FINANCIAL STATEMENTS ARISING FROM THE RESTATEMENT DUE TO ERRORS

The data for the first quarter 2009 have been restated in order to reflect the effects of the corrections of prior years' errors – as defined under IAS 8 – which arose following the "Telecom Italia Sparkle case" and described in detail in the Telecom Italia Group's Consolidated Financial Statement as at December 31, 2009.

The adjustments and provisions made are summarized as follow:

(millions of euros)	1st Quarter 2009
Impact on EBITDA and EBIT	-
Finance expenses (provision charges for interest on VAT)	(3)
Impact on Profit for the period attributable to Owners of the Parent	(3)

(millions of euros)	As at 1./1/2009	As at 3/31/2009
Impact on Equity attributable to Owners of the Parent	(497)	(500)
Trade and miscellaneous payables and other current liabilities (Provisions for risk and charges)(1)	497	500
Impact on Total Current Liabilities	497	500

(1) The adjustments made do not impact the other statement of financial position line items and the Net financial position.

The following tables reflect the impacts on the first quarter 2009's financial statement line items of the accounting adjustments for prior years' errors – as defined under IAS 8 – in connection with the "Telecom Italia Sparkle case".

(millions of euros)	1st Quarter 2009 Historical	Errors	Restated
OPERATING PROFIT (EBIT)	1,354	-	1,354
Share of profits (losses) of associates and joint ventures accounted for using the equity method	14	-	14
Other income (expenses) from investments	6	-	6
Finance income	968	-	968
Finance expenses	(1,548)	(3)	(1,551)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS	794	(3)	791
Income tax expense	(341)	-	(341)
PROFIT FROM CONTINUING OPERATIONS	453	(3)	450
Profit (loss) from Discontinued operations/Non-current assets held for sale	(9)	-	(9)
PROFIT FOR THE PERIOD	444	(3)	441
Attributable to:			
* Owners of the Parent	463	(3)	460
* Non-controlling interest	(19)	-	(19)

(millions of euros)	3/31/2009 Historical	Errors	Restated
EQUITY			
Other reserves and retained earnings (accumulated losses), including profit for the period	14,177	(500)	13,677
Equity attributable to Owners of the Parent	26,304	(500)	25,804
Non-controlling interest	745	-	745
TOTAL EQUITY	27,049	(500)	26,549
Trade and miscellaneous payables and other current liabilities	9,740	500	10,240
TOTAL CURRENT LIABILITIES	17,960	500	18,460
TOTAL LIABILITIES	57,522	500	58,022
TOTAL EQIUITY AND LIABILITIES	84,571	-	84,571