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. However, such measures , which are also presented in other periodical financial reports (annual report and interim reports), 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 2011 and 2010.

- 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 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 Non-current assets held for sale
A)	**Gross Financial Debt**
+	Non-current financial assets
+	Current financial assets
+	Financial assets classified under 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 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, 2011 and are unaudited .

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Quarter 2011 (a)	1st Quarter 2010 (b)	Change (a - b) amount	%
Revenues	7,073	6,413	660	10.3
Other income	48	53	(5)	(9.4)
Total operating revenues and other income	7,121	6,466	655	10.1
Acquisition of goods and services	(2,995)	(2,498)	(497)	(19.9)
Employee benefits expenses	(990)	(938)	(52)	(5.5)
Other operating expenses	(398)	(265)	(133)	(50.2)
Changes in inventories	49	(84)	133	°
Internally generated assets	142	145	(3)	(2.1)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	2,929	2,826	103	3.6
Depreciation and amortization	(1,431)	(1,412)	(19)	(1.3)
Gains (losses) on disposals of non-current assets	-	(1)	1	°
Impairment reversals (losses) on non-current assets	1	(5)	6	°
Operating profit (EBIT)	1,499	1,408	91	6.5
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(4)	25	(29)	°
Other income (expenses) from investments	17	2	15	°
Finance income	952	1,430	(478)	(33.4)
Finance expenses	(1,422)	(1,904)	482	25.3
Profit before tax from continuing operations	1,042	961	81	8.4
Income tax expense	(394)	(355)	(39)	(11.0)
Profit from continuing operations	648	606	42	6.9
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	-	-	-
Profit for the period	648	606	42	6.9
Attributable to:				
* Owners of the Parent	549	601	(52)	(8.7)
* Non-controlling interests	99	5	94	°

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 2011	1st Quarter 2010
Profit for the period	(a)	648	606
Other components of the Statements of Comprehensive Income:			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		5	9
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		(1)	(2)
	(b)	4	7
Hedging instruments:			
Profit (loss) from fair value adjustments		(20)	258
Loss (profit) transferred to the Separate Consolidated Income Statement		321	(344)
Income tax expense		(84)	26
	(c)	217	(60)
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(354)	202
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		-	-
	(d)	(354)	202
Share of other profits (losses) of associates and joint ventures accounted for using the equity method			
Profit (loss)		1	20
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		-	-
	(e)	1	20
Total	(f=b+c+d+e)	(132)	169
Total profit (loss) for the period	(a+f)	516	775
Attributable to:			
* Owners of the Parent		628	720
* Non-controlling interests		(112)	55

TELECOM ITALIA GROUP – CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)		3/31/2011 (a)	12/31/2010 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		43,838	43,912	(74)
Other intangible assets		7,545	7,903	(358)
		51,383	51,815	(432)
Tangible assets				
Property, plant and equipment owned		14,769	15,373	(604)
Assets held under finance leases		1,151	1,177	(26)
		15,920	16,550	(630)
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		81	85	(4)
Other investments		45	43	2
Securities, financial receivables and other non-current financial assets		1,433	1,863	(430)
Miscellaneous receivables and other non-current assets		1,078	934	144
Deferred tax assets		1,416	1,863	(447)
		4,053	4,788	(735)
Total non-current assets	(a)	71,356	73,153	(1,797)
Current assets				
Inventories		425	387	38
Trade and miscellaneous receivables and other current assets		7,937	7,790	147
Current income tax receivables		66	132	(66)
Securities other than investments		1,310	1,316	(6)
Financial receivables and other current financial assets		386	438	(52)
Cash and cash equivalents		5,487	5,526	(39)
Current assets sub-total		15,611	15,589	22
Discontinued operations/Non-current assets held for sale				
of a financial nature		-	-	-
of a non-financial nature		-	389	(389)
		-	389	(389)
Total current assets	(b)	15,611	15,978	(367)
Total assets	(a+b)	86,967	89,131	(2,164)

(millions of euros)		3/31/2011 (a)	12/31/2010 (b)	Change (a-b)
Equity and liabilities				
Equity				
Equity attributable to owners of the Parent		29,413	28,819	594
Non-controlling interests		3,562	3,791	(229)
Total equity	(c)	32,975	32,610	365
Non-current liabilities				
Non-current financial liabilities		32,948	34,348	(1,400)
Employee benefits		1,132	1,129	3
Deferred tax liabilities		920	1,027	(107)
Provisions		850	860	(10)
Miscellaneous payables and other non-current liabilities		1,080	1,086	(6)
Total non-current liabilities	(d)	36,930	38,450	(1,520)
Current liabilities				
Current financial liabilities		6,640	6,882	(242)
Trade and miscellaneous payables and other current liabilities		10,220	10,954	(734)
Current income tax payables		202	235	(33)
Current liabilities sub-total		17,062	18,071	(1,009)
Liabilities directly associated with discontinued operations/non-current assets held for sale				
Of a financial nature		-	-	-
Of a non-financial nature		-	-	-
		-	-	-
Current liabilities sub-total	(e)	17,062	18,071	(1,009)
Total liabilities	(f=d+e)	53,992	56,521	(2,529)
Total equity and liabilities	(c+f)	86,967	89,131	(2,164)

TELECOM ITALIA GROUP – CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)		1st Quarter 2011	1st Quarter 2010
Cash flows from operating activities:			
Profit from continuing operations		648	606
Adjustments for:			
Depreciation and amortization		1,431	1,412
Impairment losses (reversals) on non-current assets (including investments)		2	-
Net change in deferred tax assets and liabilities		255	338
Losses (gains) realized on disposals of non-current assets (including investments)		(17)	-
Share of losses (profits) of associates and joint ventures accounted for using the equity method		4	(25)
Change in employee benefits		1	(2)
Change in inventories		(39)	78
Change in trade receivables and net amounts due from customers on construction contracts		161	67
Change in trade payables		(270)	(568)
Net change in current income tax receivables/payables		30	(6)
Net change in miscellaneous receivables/payables and other assets/liabilities		(95)	(690)
Cash flows from (used in) operating activities	(a)	2,111	1,210
Cash flows from investing activities:			
Purchase of intangible assets on an accrual basis		*(404)*	*(482)*
Purchase of tangible assets on an accrual basis		*(497)*	*(560)*
Total purchase of intangible and tangible assets on an accrual basis		(901)	(1,042)
Change in amounts due to fixed asset suppliers		*(546)*	*(317)*
Total purchase of intangible and tangible assets on a cash basis		(1,447)	(1,359)
Acquisitions/disposals of other investments		(1)	-
Change in financial receivables and other financial assets		546	721
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		(1)	151
Proceeds from sale/repayment of intangible, tangible and other non-current assets		378	7
Cash flows from (used in) investing activities	(b)	(525)	(480)
Cash flows from financing activities:			
Change in current financial liabilities and other		(838)	75
Proceeds from non-current financial liabilities (including current portion)		1,130	1,256
Repayments of non-current financial liabilities (including current portion)		(1,470)	(3,236)
Consideration paid for equity instruments		-	-
Dividends paid		-	(1)
Changes in ownership interests in consolidated subsidiaries		(155)	-
Cash flows from (used in) financing activities	(c)	(1,333)	(1,906)
Cash flows from (used in) discontinued operations/non-current assets held for sale	(d)	-	-
Aggregate cash flows	(e=a+b+c+d)	253	(1,176)
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)	(65)	35
Net cash and cash equivalents at end of the period	(h=e+f+g)	5,470	4,343

Additional cash flow information:

(millions of euros)	1st Quarter 2011	1st Quarter 2010
Income taxes (paid) received	(57)	(12)
Interest expense paid	(947)	(880)
Interest income received	314	257
Dividends received	-	-

Analysis of net cash and cash equivalents:

(millions of euros)	1st Quarter 2011	1st Quarter 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	5,487	4,560
Bank overdrafts repayable on demand – from continuing operations	(17)	(217)
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	-	-
	5,470	4,343

TELECOM ITALIA GROUP – CONSOLIDATED NET FINANCIAL DEBT

(millions of euros)	3/31/2011 (a)	12/31/2010 (b)	Change (a-b)
Non-current financial liabilities:			
Bonds	23,331	24,589	(1,258)
Amounts due to banks, other financial payables and liabilities	8,210	8,317	(107)
Finance lease liabilities	1,407	1,442	(35)
	32,948	34,348	(1,400)
Current financial liabilities (*):			
Bonds	4,817	4,989	(172)
Amounts due to banks, other financial payables and liabilities	1,592	1,661	(69)
Finance lease liabilities	231	232	(1)
	6,640	6,882	(242)
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	-	-	-
Gross financial debt	39,588	41,230	(1,642)
Non-current financial assets:			
Securities other than investments	(13)	(13)	-
Financial receivables and other non-current financial assets	(1,420)	(1,850)	430
	(1,433)	(1,863)	430
Current financial assets:			
Securities other than investments	(1,310)	(1,316)	6
Financial receivables and other current financial assets	(386)	(438)	52
Cash and cash equivalents	(5,487)	(5,526)	39
	(7,183)	(7,280)	97
Financial assets relating to Discontinued operations/Non-current assets held for sale	-	-	-
Financial assets	(8,616)	(9,143)	527
Net financial debt carrying amount	30,972	32,087	(1,115)
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(350)*	*(619)*	269
Adjusted net financial debt	30,622	31,468	(846)
Detailed as follows:			
Total adjusted gross financial debt	38,285	39,383	(1,098)
Total adjusted financial assets	(7,663)	(7,915)	252
(*) of which current portion of medium/long-term debt:			
Bonds	*4,817*	*4,989*	*(172)*
Amounts due to banks, other financial payables and liabilities	*1,142*	*919*	*223*
Finance lease liabilities	*231*	*232*	*(1)*

TELECOM ITALIA

TELECOM ITALIA GROUP – INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	1st Quarter 2011	1st Quarter 2010	Changes		
			(absolute)	%	% organic
Revenues	4,596	4,974	(378)	(7.6)	(7.4)
EBITDA	2,236	2,451	(215)	(8.8)	(7.6)
EBITDA margin (%)	*48.7*	*49.3*		*(0.6)pp*	*0.0pp*
EBIT	1,222	1,366	(144)	(10.5)	(8.5)
EBIT margin (%)	*26.6*	*27.5*		*(0.9)pp*	*(0.3)pp*
Capital expenditures	663	752	(89)	(11.8)	
Headcount at period-end (number)	56,469	(*)56,530	(61)	(0.1)	

(*) Headcount at December 31, 2010.

DOMESTIC – Core Domestic segment

(millions of euros)	1st Quarter 2011	1st Quarter 2010	Changes		
			(absolute)	%	% organic
Revenues [1]	4,396	4,714	(318)	(6.7)	(6.7)
. Consumer	2,216	2,440	(224)	(9.2)	(9.2)
. Business	825	890	(65)	(7.3)	(7.3)
. Top	781	829	(48)	(5.8)	(5.8)
. National Wholesale	525	507	18	3.6	3.6
. Other	49	48	1	n.s.	
EBITDA	2,177	2,379	(202)	(8.5)	(7.2)
EBITDA margin (%)	*49.5*	*50.5*		*(1.0)pp*	*(0.2)pp*
EBIT	1,190	1,323	(133)	(10.1)	(7.7)
EBIT margin (%)	*27.1*	*28.1*		*(1.0) pp*	*(0.3) pp*
Capital expenditures	658	742	(84)	(11.3)	
Headcount at period-end (number)	55,420	(*) 55,475	(55)	(0.1)	

(*) Headcount at December 31, 2010.

[1] The amounts indicated are net of infrasegment transactions.

DOMESTIC - International Wholesale segment

(millions of euros)	1st Quarter 2011	1st Quarter 2010	Changes		
			(absolute)	%	% organic
Revenues	317	398	(81)	(20.4)	(8.7)
. of which third parties	*211*	*285*	*(74)*	*(26.0)*	*(7.4)*
EBITDA	61	74	(13)	(17.6)	(8.3)
EBITDA margin (%)	*19.2*	*18.6*		*0.6pp*	*(0.0) pp*
EBIT	31	41	(10)	(24.4)	(11.0)
EBIT margin (%)	*9.8*	*10.3*		*(0.5) pp*	*(0.3) pp*
Capital expenditures	5	10	(5)	(50.0)	(47.4)
Headcount at period-end (number)	1,049	(*) 1,055	(6)	(0.6)	

(*) Headcount at December 31, 2010.

DOMESTIC – Revenues details fixed lines / mobile

(millions of euros)	1st Quarter 2011			1st Quarter 2010			Changes %		
Market segment	**Total**	Fixed (*)	Mobile(*)	**Total**	Fixed (*)	Mobile(*)	**Total**	Fixed (*)	Mobile(*)
Consumer	2,216	1,102	1,157	2,440	1,206	1,293	(9.2)	(8.6)	(10.5)
Business	825	558	277	890	588	314	(7.3)	(5.1)	(11.8)
Top	781	608	196	829	623	228	(5.8)	(2.4)	(14.0)
NationalWholesale	525	760	40	507	719	62	3.6	5.7	(35.5)
Other (support structures)	49	53	9	48	44	10	n.s.	n.s.	n.s.
Total Core Domestic	**4,396**	**3,081**	**1,679**	**4,714**	**3,180**	**1,907**	**(6.7)**	**(3.1)**	**(12.0)**
International Wholesale	317	317		398	398		(20.4)	(20.4)	
Eliminations	(117)	(67)		*(138)*	*(80)*		*n.s.*	*n.s.*	
Total Domestic	**4,596**	**3,331**	**1,679**	**4,974**	**3,498**	**1,907**	**(7.6)**	**(4.8)**	**(12.0)**

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

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BRAZIL

	(millions of euros)		(millions of reais)			
	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	Changes	
					Absolute	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
Revenues	1,646	1,323	3,752	3,296	456	13.8
EBITDA	452	381	1,031	949	82	8.6
EBITDA margin (%)	*27.5*	*28.8*	*27.5*	*28.8*		*(1.3)pp*
EBIT	184	65	418	162	256	°
EBIT margin (%)	*11.1*	*4.9*	*11.1*	*4.9*		*6.2pp*
Capital expenditures	130	277	297	689	(392)	(56.9)
Headcount at period-end(number)			9,991	(*)10,114	(123)	(1.2)

(*)Headcount at December 31, 2010.

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ARGENTINA

	(millions of euros)		(millions of pesos)			
	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	Changes	
					Absolute	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
Revenues	753	612	4,134	3,251	883	27.2
EBITDA	257	217	1,410	1,150	260	22.6
EBITDA margin (%)	*34.1*	*35.4*	*34.1*	*35.4*		*(1.3)pp*
EBIT	125	142	684	756	(72)	(9.5)
EBIT margin (%)	*16.5*	*23.2*	*16.5*	*23.2*		*(6.7)pp*
Capital expenditures	91	96	502	509	(7)	(1.4)
Headcount at period-end(number) (*)			15,738	15,650(**)	88	0.6

(*) Headcount at December 31, 2010.
(**) Includes employees with temp work contracts: 12 at March 31, 2011; 18 at December 31, 2010.

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OLIVETTI

(millions of euros)	1st Quarter 2011	1st Quarter 2010	Changes	
			(absolute)	%
Revenues	78	73	5	6.8
EBITDA	(14)	(10)	(4)	(40.0)
EBITDA margin (%)	(17.9)	(13.7)		
EBIT	(15)	(11)	(4)	(36.4)
EBIT margin (%)	(19.2)	(15.1)		
Capital expenditures	2	1	1	n.s.
Headcount at period-end (number)	1,087	(*)1,090	(3)	(0.3)

(*)Headcount at December 31, 2010.

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TELECOM ITALIA GROUP–RECONCILIATION TO COMPARABLE EBITDA AND EBIT

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)	
	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010
HISTORICAL EBITDA	2,236	2,451	2,929	2,826
Effect of change in scope of consolidation		(1)		206
Effect of change in exchange rates				35
Non-organic (income) expenses	37	10	37	10
Disputes and settlement	*6*	*2*	*6*	*2*
Other expenses, net	*31*	*8*	*31*	*8*
COMPARABLE EBITDA	2,273	2,460	2,966	3,077

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)	
	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010
HISTORICAL EBIT	1,222	1,366	1,499	1,408
Effect of change in scope of consolidation				94
Effect of change in exchange rates				6
Non-organic (income) expenses	37	10	37	10
Non - organic (income) expenses already described under EBITDA	*37*	*10*	*37*	*10*
COMPARABLE EBIT	1,259	1,376	1,536	1,518

TELECOM ITALIA GROUP – NET OPERATING FREE CASH FLOW, DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

Net operating free cash flow

(millions of euros)	1st Quarter 2011	1st Quarter 2010	Changes
EBITDA	2,929	2,826	103
Capital expenditures on an accrual basis	(901)	(1,042)	141
Change in net operating working capital:	(952)	(988)	36
Change in inventories	*(39)*	*78*	*(117)*
Change in trade receivables and net amounts due on construction contracts	*161*	*67*	*94*
Change in trade payables (*)	*(816)*	*(885)*	*69*
Other changes in operating receivables/payables	*(258)*	*(248)*	*(10)*
Change in provisions for employees benefits	1	(2)	3
Change in operating provisions and Other changes	(1)	(40)	39
Net operating free cash flow	**1,076**	**754**	**322**

(*) 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, 2011 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 millions of euro maturing on June 19, 2012 (extendable, at Telecom Italia's discretion, until December 18, 2013):

(billions of euros)	3/31/2011		3/31/2010	
	Committed	Utilized	Committed	Utilized
Revolving Credit Facility – due 2013	1.25	--	1.25	--
Revolving Credit Facility – due 2014	8.0	1.5	8.0	1.5
Revolving Credit Facility due June 2012 (extendable until December 2013)	0.2	0.12	0.2	0.12
Total	9.45	1.62	9.45	1.62

Bonds

With reference to the evolution of the bonds during the first quarter 2011, we point out the following events:

NEW ISSUES

(millions of original currency)	Currency	Amount	Issue date
Telecom Italia S.p.A. 1,000 millions of euro 5,125% due 01/25/2016	Euro	1,000	1/25/2011

REPAYMENTS

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia Capital S.A. Floating Rate Notes 400 millions of USD, 3M USD LIBOR +0,48 guaranteed by Telecom Italia S.p.A.	USD	400	2/1/2011
Telecom Italia S.p.A. 4.5% 750 millions of euro	Euro	750	1/28/2011

BUYBACKS

As already occurred in the last years, during the first quarter of 2011 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. 1,791 millions of euro 7.50% due April 2011 (1)	Euro	92.923	January- March 2011
Telecom Italia Finance S.A. 813 millions of euro 7.25% due April 2012	Euro	187.455	January- March 2011

(1) During the years 2009 and 2010 the company has already repurchased 116.115 millions of euro, so that the total amount of the buy-back is equal to 209.038 millions of euro.

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, 2011 amount 297 million euros (nominal value) and decreased by 8 million euros in comparison with December 31, 2010 (305 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, 2011 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 5,088 million euros with the following detail:

- 1,791 million euros, due April 20, 2011;
- 598 million euros, due July 18, 2011;
- 528 million euros, due July 18, 2011;
- 1,250 million euros, due February 1, 2012;
- 108 million euros, due March 14, 2012;
- 813 million euros, due April 24, 2012.

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 1.056 million euros (on a total amount of 2,668 million euros at March 31, 2011), 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 (except for some records of measures clearly required), the company must give immediate communication to the EIB which can require guarantees or changes in the contract of funding. The same clause is referred to two contracts of funding, with bank guarantee, signed between EIB and Telecom Italia S.p.A. respectively on July 17, 2006 and on November 30, 2007 for a total capital amount of 332,200,000.00 euros, in which EIB can also rescind the contract ex art. 1456 Italian Civil Code (demanding the repayment of the loan and the payment of a indemnity) 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 February 16, 2010 the Group disposed of the subsidiary Hansenet to the Telefónica Group. Following HanseNet's sale, the Group decided to voluntarily repay the loan for the amount of 182,200,000.00 euros entered in November 30, 2007 of which 40,000,000.00 euros repaid on June 18, 2010 and 142,200,000.00 euros on September 30, 2010; the loan for the amount of 150,000,000.00 euros will be kept until its contractual due date fixed in July 2014;
- for all the loans without bank guarantee, if the credit rating of the medium-long term debt not subordinated and not guaranteed 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 existing rating levels don't entail the constitution of new guarantees nor the repayment of the loans.

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 involved in some agreements which obliged the communication of the change of control:
• *Multi currency revolving credit facility* (8,000,000,000 euros). This agreement was entered into by Telecom Italia and a pool of banks on August 1st, 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 will cease to be effective and Telecom Italia will be required to return the sums eventually disbursed to it (presently equivalent to 1,500,000,000 euros). 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 (Telefónica S.A., Assicurazioni Generali S.p.A.,, Intesa Sanpaolo S.p,A. and Mediobanca S.p.A.) that entered into a shareholder agreement on April 28, 2007 concerning the Telecom Italia shares or else (iii) by a combination of entities belonging to the two categories;

- *Revolving credit facility* (1,250,000,000 euros). This agreement was entered into by Telecom Italia and a pool of banks on February 12, 2010 and it provides for a regime similar to that contained in the facility of August 1, 2005, but updated to take into account the October 28, 2009 amendment of the shareholder agreement of April 28, 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;
- *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 it provodes for a regime substantially similar to that contained in the facility of February 12, 2010. The disbursed amount is actually equal to 120,000,000 euros;
- Bonded loans. The rules on loans issued within the context of the EMTN Programmes, both Olivetti and Telecom Italia and the 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. The non-fulfilment of the obligation, if not remedied, sets up 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 2.7 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 entail 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, however, a number of shares representing more than 50% of the share capital, in case that, according to the reasonable judgment of the Bank, this could cause prejudice to the Bank or compromise the performance of the financing project;
- *Export Credit Agreement* (nominal outstanding amount of 63 million euros). The contract was signed in 2004 by Telecom Italia with Société Générale and the repayment of the loan is due in 2013. It established that, in case of change of control and following failed agreement with the lender bank, Telecom Italia must repay the outstanding loan at the first date in which the interest payment occurred.

Furthermore, 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, 2011 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 euros)	1st quarter 2011	1st quarter 2010
Acquisition of goods and services / Other operating expenses:		
Other sundry expenses	-	(8)
Impact on Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	-	**(8)**
Impact on Operating profit (EBIT)	-	**(8)**
Financial income (expenses) and Other income (expenses) from investments:		
Net gains on disposals of Other investments	17	1
Impact on Profit before tax from continuing operations	**17**	**(7)**
Effect of income taxes on non-recurring items	-	1
Impact on Profit for the period	**17**	**(6)**