

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 and the Parent company Telecom Italia S.p.A.. 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) and the Parent 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 (1)
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method (2)
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	

(1) "Expenses (income) from investments" for Telecom Italia S.p.A.

(2) Caption in Group consolidated financial statements only.

- **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) and the Parent.

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 years 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 this press release are included two tables showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group and the Parent, respectively. 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 and the Parent, herewith presented, are the same as those included in the Report on Operations of the 2010 Telecom Italia Annual Financial Report and have not yet been verified by our independent auditors. Such statements as well as the Net Financial Debt are however consistent with those included in the Telecom Italia Consolidated and Separate Financial Statements for the year ended December 31, 2010.

To such extent, please note that the audit work by our independent auditors on the Telecom Italia Consolidated and Separate Financial Statements for the year ended December 31, 2010 as well as the check of consistency of the 2010 Report on Operations with the related Telecom Italia Consolidated and Separate Financial Statements have not yet been completed.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	Year 2010 (a)	Year 2009 (b)	Change (a - b) amount	%
Revenues	27,571	26,894	677	2.5
Other income	255	280	(25)	(8.9)
Total operating revenues and other income	27,826	27,174	652	2.4
Acquisition of goods and services	(11,383)	(11,480)	97	0.8
Employee benefits expenses	(4,021)	(3,734)	(287)	(7.7)
Other operating expenses	(1,422)	(1,345)	(77)	(5.7)
Changes in inventories	(135)	(15)	(120)	°
Internally generated assets	547	515	32	6.2
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	11,412	11,115	297	2.7
Depreciation and amortization	(5,547)	(5,551)	4	0.1
Gains (losses) on disposals of non-current assets	11	(59)	70	°
Impairment reversals (losses) on non-current assets	(63)	(12)	(51)	°
OPERATING PROFIT (EBIT)	5,813	5,493	320	5.8
Share of profits (losses) of associates and joint ventures accounted for using the equity method	99	67	32	47.8
Other income (expenses) from investments	289	(51)	340	°
Finance income	3,081	2,561	520	20.3
Finance expenses	(5,155)	(4,731)	(424)	(9.0)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	4,127	3,339	788	23.6
Income tax expense	(548)	(1,121)	573	51.1
PROFIT FROM CONTINUING OPERATIONS	3,579	2,218	1,361	61.4
Profit (loss) from Discontinued operations/Non-current assets held for sale	(7)	(622)	615	98.9
PROFIT FOR THE YEAR	3,572	1,596	1,976	123.8
Attributable to:				
* Owners of the Parent	3,121	1,581	1,540	97.4
* Non-controlling interests	451	15	436	°

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 year, 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)		Year 2010	Year 2009
PROFIT FOR THE YEAR	(A)	3,572	1,596
Other components of the Statements of Comprehensive Income:			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		(7)	14
Loss (profit) transferred to the Separate Consolidated Income Statement		5	-
Income tax expense		(1)	4
	(B)	(3)	18
Hedging instruments:			
Profit (loss) from fair value adjustments		767	(1,504)
Loss (profit) transferred to the Separate Consolidated Income Statement		(480)	206
Income tax expense		(77)	363
	(C)	210	(935)
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		640	964
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		18	-
Income tax expense		-	-
	(D)	658	964
Share of other profits (losses) of associates and joint ventures accounted for using the equity method			
Profit (loss)		109	(71)
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		-	-
	(E)	109	(71)
Total	(F=B+C+D+E)	974	(24)
TOTAL PROFIT (LOSS) FOR THE YEAR	(A+F)	4,546	1,572
Attributable to:			
* Owners of the Parent		3,833	1,321
* Non-controlling interests		713	251

TELECOM ITALIA GROUP – CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	12/31/2010	12/31/2009	Change
	(a)	(b)	(a-b)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	43,912	43,615	297
Other intangible assets	7,903	6,284	1,619
	51,815	49,899	1,916
Tangible assets			
Property, plant and equipment owned	15,373	13,717	1,656
Assets held under finance leases	1,177	1,296	(119)
	16,550	15,013	1,537
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	85	435	(350)
Other investments	43	53	(10)
Securities, financial receivables and other non-current financial assets	1,863	1,119	744
Miscellaneous receivables and other non-current assets	934	893	41
Deferred tax assets	1,863	1,199	664
	4,788	3,699	1,089
TOTAL NON-CURRENT ASSETS (A)	73,153	68,611	4,542
CURRENT ASSETS			
Inventories	387	408	(21)
Trade and miscellaneous receivables and other current assets	7,790	7,447	343
Current income tax receivables	132	79	53
Investments	-	39	(39)
Securities other than investments	1,316	1,843	(527)
Financial receivables and other current financial assets	438	1,103	(665)
Cash and cash equivalents	5,526	5,504	22
Current assets sub-total	15,589	16,423	(834)
Discontinued operations/Non-current assets held for sale			
of a financial nature	-	81	(81)
of a non-financial nature	389	1,152	(763)
	389	1,233	(844)
TOTAL CURRENT ASSETS (B)	15,978	17,656	(1,678)
TOTAL ASSETS (A+B)	89,131	86,267	2,864

(millions of euros)

	12/31/2010	12/31/2009	Change
	(a)	(b)	(a-b)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Parent	28,819	25,952	2,867
Non-controlling interests	3,791	1,168	2,623
TOTAL EQUITY (C)	32,610	27,120	5,490
NON-CURRENT LIABILITIES			
Non-current financial liabilities	34,348	36,797	(2,449)
Employee benefits	1,129	1,075	54
Deferred tax liabilities	1,027	198	829
Provisions	860	782	78
Miscellaneous payables and other non-current liabilities	1,086	1,084	2
TOTAL NON-CURRENT LIABILITIES (D)	38,450	39,936	(1,486)
CURRENT LIABILITIES			
Current financial liabilities	6,882	6,941	(59)
Trade and miscellaneous payables and other current liabilities	10,954	11,020	(66)
Current income tax payables	235	283	(48)
Current liabilities sub-total	18,071	18,244	(173)
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)	18,071	19,211	(1,140)
TOTAL LIABILITIES (F=D+E)	56,521	59,147	(2,626)
TOTAL EQUITY AND LIABILITIES (C+F)	89,131	86,267	2,864

TELECOM ITALIA GROUP – CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)	Year 2010	Year 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit from continuing operations	3,579	2,218
<i>Adjustments for:</i>		
Depreciation and amortization	5,547	5,551
Impairment losses (reversals) on non-current assets (including investments)	(116)	27
Net change in deferred tax assets and liabilities	(750)	(48)
Losses (gains) realized on disposals of non-current assets (including investments)	(41)	55
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(99)	(67)
Change in employee benefits	73	(173)
Change in inventories	96	(30)
Change in trade receivables and net amounts due from customers on construction contracts	13	336
Change in trade payables	(278)	(995)
Net change in current income tax receivables/payables	(170)	(1,170)
Net change in miscellaneous receivables/payables and other assets/liabilities	(981)	(229)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	6,873	5,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
<i>Purchase of intangible assets on an accrual basis</i>	<i>(1,781)</i>	<i>(2,017)</i>
<i>Purchase of tangible assets on an accrual basis</i>	<i>(2,802)</i>	<i>(2,526)</i>
Total purchase of intangible and tangible assets on an accrual basis	(4,583)	(4,543)
<i>Change in amounts due to fixed asset suppliers</i>	<i>103</i>	<i>619</i>
Total purchase of intangible and tangible assets on a cash basis	(4,480)	(3,924)
Acquisition of control of subsidiaries or other businesses	(4)	-
Net cash and cash equivalents arising from the acquisition of the control of the Sofora group - Argentina	392	-
Acquisitions/disposals of other investments	35	(6)
Change in financial receivables and other financial assets	502	(692)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	180	(13)
Proceeds from sale/repayment of intangible, tangible and other non-current assets	56	66
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(3,319)	(4,569)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in current financial liabilities and other	957	(1,123)
Proceeds from non-current financial liabilities (including current portion)	2,007	5,563
Repayments of non-current financial liabilities (including current portion)	(5,842)	(4,260)
Consideration paid for equity instruments	-	(11)
Share capital proceeds/reimbursements (including subsidiaries)	67	-
Dividends paid	(1,093)	(1,050)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(3,904)	(881)
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	-	61
AGGREGATE CASH FLOWS (E=A+B+C+D)	(350)	86
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)	5,484	5,226
Net foreign exchange differences on net cash and cash equivalents (G)	148	172
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR (H=E+F+G)	5,282	5,484

ADDITIONAL CASH FLOW INFORMATION:

(millions of euros)	Year 2010	Year 2009
Income taxes (paid) received	(1,392)	(2,301)
Interest expense paid	(3,079)	(3,250)
Interest income received	1,176	1,025
Dividends received	3	4

ANALYSIS OF NET CASH AND CASH EQUIVALENTS:

(millions of euros)	Year 2010	Year 2009
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR:		
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 YEAR:		
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

TELECOM ITALIA GROUP – CONSOLIDATED NET FINANCIAL DEBT

(millions of euros)	12/31/2010	12/31/2009	Change
	(a)	(b)	(a-b)
Non-current financial liabilities:			
Bonds	24,589	26,369	(1,780)
Amounts due to banks, other financial payables and liabilities	8,317	8,863	(546)
Finance lease liabilities	1,442	1,565	(123)
	34,348	36,797	(2,449)
Current financial liabilities (*):			
Bonds	4,989	3,667	1,322
Amounts due to banks, other financial payables and liabilities	1,661	3,024	(1,363)
Finance lease liabilities	232	250	(18)
	6,882	6,941	(59)
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	-	659	(659)
GROSS FINANCIAL DEBT	41,230	44,397	(3,167)
Non-current financial assets:			
Securities other than investments	(13)	(15)	2
Financial receivables and other non-current financial assets	(1,850)	(1,104)	(746)
	(1,863)	(1,119)	(744)
Current financial assets:			
Securities other than investments	(1,316)	(1,843)	527
Financial receivables and other current financial assets	(438)	(1,103)	665
Cash and cash equivalents	(5,526)	(5,504)	(22)
	(7,280)	(8,450)	1,170
Financial assets relating to Discontinued operations/Non-current assets held for sale	-	(81)	81
FINANCIAL ASSETS	(9,143)	(9,650)	507
NET FINANCIAL DEBT CARRYING AMOUNT	32,087	34,747	(2,660)
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	(619)	(798)	179
ADJUSTED NET FINANCIAL DEBT	31,468	33,949	(2,481)
<i>Detailed as follows:</i>			
ADJUSTED GROSS FINANCIAL DEBT	39,383	42,980	(3,597)
ADJUSTED FINANCIAL ASSETS	(7,915)	(9,031)	1,116
<i>(*) of which current portion of medium/long-term debt:</i>			
<i>Bonds</i>	4,989	3,667	1,322
<i>Amounts due to banks, other financial payables and liabilities</i>	919	2,576	(1,657)
<i>Finance lease liabilities</i>	232	250	(18)

TELECOM ITALIA GROUP – INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	2010	2009	Changes		
			absolute	%	% organic
Revenues	20,068	21,663	(1,595)	(7.4)	(7.4)
EBITDA	9,393	9,883	(490)	(5.0)	(2.9)
EBITDA margin (%)	46.8	45.6		1.2pp	2.3pp
EBIT	5,162	5,393	(231)	(4.3)	(1.6)
EBIT margin (%)	25.7	24.9		0.8pp	1.6pp
Capital expenditures	3,106	3,515	(409)	(11.6)	
Headcount at year-end (number)	56,530	59,367	(2,837)	(4.8)	

DOMESTIC – Core Domestic segment

(millions of euros)	2010	2009	Changes		
			absolute	%	% organic
Revenues ⁽¹⁾	19,065	20,580	(1,515)	(7.4)	(7.4)
. Consumer	9,739	10,999	(1,260)	(11.5)	(11.5)
. Business	3,509	3,730	(221)	(5.9)	(6.0)
. Top	3,511	3,688	(177)	(4.8)	(4.8)
. National Wholesale	2,076	1,996	80	4.0	3.7
. Other	230	167	63	n.s.	n.s.
EBITDA	9,104	9,549	(445)	(4.7)	(2.6)
EBITDA margin (%)	47.8	46.4		1.4pp	2.5pp
EBIT	4,967	5,189	(222)	(4.3)	(1.2)
EBIT margin (%)	26.1	25.2		0.9pp	1.8pp
Capital expenditures	3,027	3,427	(400)	(11.7)	
Headcount at year-end (number)	55,475	58,098	(2,623)	(4.5)	

(1) The amounts indicated are net of infrasegment transactions.

DOMESTIC - International Wholesale segment

(millions of euros)	2010	2009	Changes		
			absolute	%	% organic
Revenues	1,569	1,710	(141)	(8.2)	(8.4)
. of which third parties	1,099	1,208	(109)	(9.0)	(9.2)
EBITDA	300	350	(50)	(14.3)	(12.2)
EBITDA margin (%)	19.1	20.5		(1.4pp)	(0.9pp)
EBIT	194	209	(15)	(7.2)	(12.3)
EBIT margin (%)	12.4	12.2		0.2pp	(0.5pp)
Capital expenditures	82	122	(40)	(32.8)	(33.9)
Headcount at year-end (number)	1,055	1,269	(214)	(16.9)	

DOMESTIC – Revenues details fixed lines / mobile

(millions of euros)	2010			2009			Changes %		
	Total	Fixed (*)	Mobile(*)	Total	Fixed (*)	Mobile(*)	Total	Fixed (*)	Mobile(*)
Market segment									
Consumer	9,739	4,674	5,275	10,999	5,037	6,251	(11.5)	(7.2)	(15.6)
Business	3,509	2,336	1,220	3,730	2,472	1,315	(5.9)	(5.5)	(7.2)
Top	3,511	2,724	887	3,688	2,956	823	(4.8)	(7.8)	7.8
National Wholesale	2,076	2,934	234	1,996	2,758	194	4.0	6.4	20.6
Other (support structures)	230	201	76	167	174	14	n.s.	n.s.	n.s.
Total Core Domestic	19,065	12,869	7,692	20,580	13,397	8,597	(7.4)	(3.9)	(10.5)
International Wholesale	1,569	1,569		1,710	1,710		(8.2)	(8.2)	
Eliminations	(566)	(322)		(627)	(368)		n.s.	n.s.	
Total Domestic	20,068	14,116	7,692	21,663	14,739	8,597	(7.4)	(4.2)	(10.5)

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

BRAZIL

	(millions of euros)		(millions of reais)		absolute (c-d)	Changes	
	2010 (a)	2009 (b)	2010 (c)	2009 (d)		% (c-d)/d	% organic
Revenues	6,199	4,753	14,457	13,161	1,296	9.8	5.1
EBITDA	1,801	1,255	4,201	3,476	725	20.9	16.6
EBITDA margin (%)	29.1	26.4	29.1	26.4		2.7pp	2.9pp
EBIT	685	209	1,597	580	1,017	°	°
EBIT margin (%)	11.0	4.4	11.0	4.4		6.6pp	6.5pp
Capital expenditures	1,216	964	2,836	2,671	165	°	
Headcount at year-end (number)	10,114	9,783	10,114	9,783	331	3.4	

ARGENTINA

The following chart reports the main results achieved by the Business Unit Argentina in 2010 since Telecom Italia Group acquired control of the company (October 13, 2010).

Period from October 13, 2010 to December 31, 2010

	(millions of euros)	(millions of pesos)
Revenues	798	4,142
EBITDA	245	1,269
EBITDA margin (%)	30.6	30.6
EBIT	105	542
EBIT margin (%)	13.1	13.1
Capital expenditures	188	975
Headcount at year-end (number) (*)		15,650

(*) includes temporary employees: 18 headcount as per December 31, 2010

For a better understanding of the Business Unit Argentina data, the following chart reports the main results achieved in the whole fiscal year 2010, compared with those of the fiscal year 2009. The figures are unaudited, as these are provided for informational purposes only (illustrative and comparative) and therefore are not included in those of the Telecom Italia Group.

	(millions of euros)		(millions of pesos)		absolute (c-d)	Changes	
	2010 (a)	2009 (b)	2010 (c)	2009 (d)		% (c-d)/d	% organic
Revenues	2,820	2,337	14,627	12,170	2,457	20.2	20.2
EBITDA	924	799	4,793	4,162	631	15.2	15.2
EBITDA margin (%)	32.8	34.2	32.8	34.2		(1.4pp)	
Capital expenditures	493	428	2,558	2,231	327	14.7	14.7
Headcount at year-end (number) (*)			15,650	15,333	317	2.1	2.1

(*) includes temporary employees: 18 headcount as per December 31, 2010; 30 headcount as per December 31, 2009

OLIVETTI

(millions of euros)	2010	2009	Changes	
			absolute	%
Revenues	391	350	41	11.7
EBITDA	(19)	(14)	(5)	(35.7)
EBITDA margin (%)	(4.9)	(4.0)		
EBIT	(24)	(19)	(5)	(26.3)
EBIT margin (%)	(6.1)	(5.4)		
Capital expenditures	5	4	1	25.0
Headcount at year-end (number)	1,090	1,098	(8)	(0.7)

TELECOM ITALIA GROUP – RECONCILIATION TO COMPARABLE EBITDA AND EBIT

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)		Brazil (millions of reais)		Telecom Italia S.p.A. (millions of euros)	
	2010	2009	2010	2009	2010	2009	2010	2009
HISTORICAL EBITDA	9,393	9,883	11,412	11,115	4,201	3,476	9,089	9,508
Effect of change in scope of consolidation		(2)		217		31		
Effect of change in exchange rates		4		247				
Non-organic (income) expenses	381	179	389	212		95	366	179
Expenses for mobility under Law 223/91	254		258				245	
Disputes and settlement	91	154	91	154			91	154
Costs for services of the Brazil Business Unit, associated with the settlement of a dispute				22		64		
Other expenses, net	36	25	40	36		31	30	25
COMPARABLE EBITDA	9,774	10,064	11,801	11,791	4,201	3,602	9,455	9,687

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)		Brazil (millions of reais)		Telecom Italia S.p.A. (millions of euros)	
	2010	2009	2010	2009	2010	2009	2010	2009
HISTORICAL EBIT	5,162	5,393	5,813	5,493	1,597	580	4,969	5,161
Effect of change in scope of consolidation				105		(63)		
Effect of change in exchange rates		2		49				
Non-organic (income) expenses	363	217	418	268		95	366	218
Non - organic (income) expenses already described under EBITDA	381	179	389	212		95	366	179
Losses on sale of buildings, investments and other non-current assets and net writedowns of non-current assets	(19)	38	(17)	50				39
Impairment loss on Media Business Unit's goodwill			46					
Other expenses	1			6				
COMPARABLE EBIT	5,525	5,612	6,231	5,915	1,597	612	5,335	5,379

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

Net operating free cash flow

(millions of euros)	2010	2009	Change
EBITDA	11,412	11,115	297
Capital expenditures on an accrual basis	(4,583)	(4,543)	(40)
Change in net operating working capital:	(223)	(185)	(38)
<i>Change in inventories</i>	96	(30)	126
<i>Change in trade receivables and net amounts due on construction contracts</i>	13	336	(323)
<i>Change in trade payables (*)</i>	(175)	(376)	201
<i>Other changes in operating receivables/payables</i>	(157)	(115)	(42)
Change in provisions for employees benefits	73	(173)	246
Change in operating provisions and Other changes	(466)	84	(550)
Net operating free cash flow	6,213	6,298	(85)
<i>% of Revenues</i>	22.5	23.4	(0.9) pp

(*) 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 syndacated committed credit lines available as of December 31, 2010 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 amount of 1.25 billion euros signed on February 12, 2010 and maturing on February 2013. In January 2010 the syndacated credit line named *Term Loan 2010* for the amount of 1.5 billion euros was regularly repaid using the available liquidity:

(billions of euros)	12/31/2010		12/31/2009	
	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	--	--	--
Total	9.25	1.5	9.5	3.0

On July 14, 2010 a 18-months bilateral standby-by line of credit was issued (due January 13, 2012) for the amount of 120 million of euro with Banca regionale Europea, totally utilized.

On December 20, 2010 a 18-months revolving credit facility was issued (due June 19, 2012) for the amount of 200 million of euro with Unicredit S.p.A., utilized for the amount of 120 million of euro.

Bonds

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

NEW ISSUES

(millions 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	3/12/2010
Telecom Italia S.p.A. 1,250 million euros 5.25% due February 10, 2022	Euro	1,250	2/10/2010

⁽¹⁾ That issue derives from the contractual conditions provided by the previously in force bond "Telecom Italia Finance S.A. Euro 118,830,000 Guaranteed Floating Rate Extendable Notes due 2010", net of 20 million euros already 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 was duly repaid on June 14, 2010; while on March 12, 2010 bonds were issued for the residual amount of 107,715,000 euros 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

(millions of original currency)	currency	amount	Repayment date
Telecom Italia Capital S.A. 4.875% 700 millions of dollars, issue guaranteed by Telecom Italia S.p.A.	USD	700	10/1/2010
Telecom Italia Finance Floating Rate Notes 138.83 million of euro Euribor 3M+ 1.30% ⁽²⁾	Euro	138.83	6/14/2010
Telecom Italia S.p.A. Floating Rate Notes 796 million of euro Euribor 3M+ 0.20% ⁽³⁾	Euro	796	6/7/2010
Telecom Italia Capital S.A. 4% 1,250 millions of dollars, issue guaranteed by Telecom Italia S.p.A.	USD	1,250	1/15/2010

Telecom Italia S.p.A. 1.5% 2001-2010 exchangeable with redemption premium	Euro	574	1/1/2010
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⁽²⁾ That repayment derives from the contractual conditions provided by the previously in force bond "Telecom Italia Finance S.A. Euro 118,830,000 Guaranteed Floating Rate Extendable Notes due 2010", net of 20 million euros already 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 euros renounced the right to the possibility of extending the maturity date to 2012 and that amount was duly repaid on June 14, 2010; while on March 12, 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.

⁽³⁾ Net of 54 million euros repurchased by the company in 2009.

BUYBACKS

As already occurred in 2008 and in 2009, during the year 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:

(millions of original currency)	currency	amount	Buyback period
Telecom Italia Finance S.A. 1,884 million of euro 7.50% due April 2011 ⁽⁴⁾	Euro	113.432	January- May 2010

⁽⁴⁾ In October 2009 the company has already repurchased 2.683 million euros, so that the total amount of the buy-back in 2009 and 2010 is equal to 116.115 million euros.

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 September 30, 2010 amount 305 million euros (nominal value) and decreased by 43 million euros in comparison with December 31, 2009 (348 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 December 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 6,489 million euros with the following detail:

- 750 million euros, due January 28, 2011;
- 299 million euros, due February 1st, 2011;
- 1,884 million euros, due April 20, 2011;
- 636 million euros, due July 18, 2011;
- 562 million euros, due July 18, 2011;
- 1,250 million euros, due February 1st, 2012;
- 108 million euros, due March 14, 2012;
- 1,000 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 1.052 million euros (on a total amount of 2,658 million euros at December 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 (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 November 5, 2009 the Group announced the sign of the agreement in principle for the disposal of the subsidiary Hansenet to the Telefonica Group, that disposal occurred on February 16, 2010. 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 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 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, Assicurazioni Generali, Sintonia, Intesa Sanpaolo and Mediobanca) 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 provides 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 2.65 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 December 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 euros)	2010	2009
Other income:		
Other	2	-
Acquisition of goods and services / Other operating expenses:		
Professional services for corporate-related transactions	-	(4)
Other sundry expenses	(15)	(8)
Employee benefits expenses:		
Expenses for mobility under Law 223/91	(258)	-
IMPACT ON OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	(271)	(12)
Gains (losses) on disposals of non-current assets:		
Gains on disposal of Elettra	19	-
Gain on disposal of BBNed	1	-
Loss on disposal of Telecom Media News	-	(11)
Losses on intangible assets	-	(39)
Impairment reversals (losses) on non current assets:		
Impairment loss on goodwill	(46)	(6)
Provision to reserve for risks and charges on investments	(4)	-
IMPACT ON OPERATING PROFIT (EBIT)	(301)	(68)
Share of profits (losses) of associates and joint ventures accounted for using the equity method /Other income (expenses) from investments:		
Impairment reversals EtecSA (Cuba)	30	-
Net fair value evaluation of Sofora's investment	266	-
Gains on disposals of Other investments	1	4
Other income from investments - Entel (Bolivia)	29	-
Finance income (expenses):		
Other finance expenses	1	(10)
IMPACT ON PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	26	(74)
Effect of income taxes on non-recurring items	72	14
Discontinued operations	(7)	(599)
IMPACT ON PROFIT FOR THE YEAR	91	(659)

TELECOM ITALIA S.p.A. - SEPARATE INCOME STATEMENTS

(millions of euros)	Year	Year	Change	
	2010	2009	amount	%
Revenues	18,985	20,474	(1,489)	(7.3)
Other income	210	240	(30)	(12.5)
Total operating revenues and other income	19,195	20,714	(1,519)	(7.3)
Acquisition of goods and services	(6,651)	(7,746)	1,095	(14.1)
Employee benefits expenses	(3,121)	(3,120)	(1)	0.0
Other operating expenses	(666)	(807)	141	(17.5)
Changes in inventories	(56)	52	(108)	°
Internally generated assets	388	415	(27)	(6.5)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	9,089	9,508	(419)	(4.4)
Depreciation and amortization	(4,107)	(4,303)	196	(4.6)
Gains (losses) on disposals of non-current assets	(4)	(39)	35	°
Impairment reversals (losses) on non-current assets	(9)	(5)	(4)	°
OPERATING PROFIT (EBIT)	4,969	5,161	(192)	(3.7)
Income (expenses) from investments	1,796	(367)	2,163	°
Finance income	2,819	2,683	136	°
Finance expenses	(4,974)	(5,021)	47	(0.9)
PROFIT BEFORE TAX	4,610	2,456	2,154	°
Income tax expense	(1,097)	(1,057)	(40)	3.8
PROFIT FOR THE YEAR	3,513	1,399	2,114	°

TELECOM ITALIA S.p.A. - STATEMENTS OF COMPREHENSIVE INCOME

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

(millions of euros)		Year 2010	Year 2009
PROFIT FOR THE YEAR	(A)	3,513	1,399
Other components of the Statements of Comprehensive Income:			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		(1)	(11)
Income tax expense		(1)	4
	(B)	(2)	(7)
Hedging instruments:			
Profit (loss) from fair value adjustments		(1)	(406)
Loss (profit) transferred to the Separated Income Statement		(29)	199
Income tax expense		8	57
	(C)	(22)	(150)
Total	(D=B+C)	(24)	(157)
TOTAL PROFIT FOR THE YEAR	(A+D)	3,489	1,242

TELECOM ITALIA S.p.A. – STATEMENTS OF FINANCIAL POSITION

	12/31/2010	12/31/2009	Change
	(a)	Restated (*) (b)	(a-b)
(millions of euros)			
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	40,013	40,013	-
Intangible assets with a finite useful life	3,970	4,350	(380)
	43,983	44,363	(380)
Tangible assets			
Property, plant and equipment owned	10,224	10,884	(660)
Assets held under finance leases	1,177	1,295	(118)
	11,401	12,179	(778)
Other non-current assets			
Investments	9,803	10,165	(362)
Securities, financial receivables and other non-current financial	2,099	2,060	39
Miscellaneous receivables and other non-current assets	513	525	(12)
Deferred tax assets	918	951	(33)
	13,333	13,701	(368)
TOTAL NON-CURRENT ASSETS (A)	68,717	70,243	(1,526)
CURRENT ASSETS			
Inventories	112	167	(55)
Trade and miscellaneous receivables and other current assets	5,273	5,931	(658)
Current income tax receivables	-	-	-
Securities other than investments	1,159	1,321	(162)
Financial receivables and other current financial assets	602	733	(131)
Cash and cash equivalents	2,763	4,237	(1,474)
Current assets sub-total	9,909	12,389	(2,480)
Discontinued operations/Non-current assets held for sale			
of a financial nature	-	-	-
of a non-financial nature	-	-	-
	-	-	-
TOTAL CURRENT ASSETS (B)	9,909	12,389	(2,480)
TOTAL ASSETS (A+B)	78,626	82,632	(4,006)

(*) Restated following the reclassification among the non current assets/liabilities of a part, originally classified among the current assets/liabilities, of the non hedging derivatives.

	12/31/2009	12/31/2008 Restated (*)	Change
	(a)	(b)	(a-b)
(millions of euros)			
EQUITY AND LIABILITIES			
EQUITY			
Share capital issued	10,689	10,674	15
. less: treasury shares	(21)	(21)	-
Share capital	10,668	10,653	15
Reserves	1,697	1,689	8
Other reserves and retained earnings, including profit for the year	13,199	10,726	2,473
TOTAL EQUITY (C)	25,564	23,068	2,496
NON-CURRENT LIABILITIES			
Non-current financial liabilities	37,154	40,232	(3,078)
Employee benefits	968	975	(7)
Deferred tax liabilities	1	43	(42)
Provisions	485	512	(27)
Miscellaneous payables and other non-current liabilities	675	817	(142)
TOTAL NON-CURRENT LIABILITIES (D)	39,283	42,579	(3,296)
CURRENT LIABILITIES			
Current financial liabilities	6,056	7,813	(1,757)
Trade and miscellaneous payables and other current liabilities	7,689	8,937	(1,248)
Current income tax payables	34	235	(201)
TOTAL CURRENT LIABILITIES (E)	13,779	16,985	(3,206)
TOTAL LIABILITIES (F=D+E)	53,062	59,564	(6,502)
TOTAL EQUITY AND LIABILITIES (C+F)	78,626	82,632	(4,006)

(*) Restated following the reclassification among the non current assets/liabilities of a part, originally classified among the current assets/liabilities, of the non hedging derivatives.

TELECOM ITALIA S.p.A. – STATEMENTS OF CASH FLOWS

(millions of euros)	Year 2010	Year 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit	3,513	1,399
<i>Adjustments for:</i>		
Depreciation and amortization	4,107	4,303
Impairment losses (reversals) on non-current assets (including investments)	648	571
Net change in deferred tax assets and liabilities	11	(25)
Losses (gains) realized on disposals of non-current assets (including investments)	4	35
Change in employee benefits	57	(161)
Change in inventories	55	(52)
Change in trade receivables and net amount due from customers on construction contracts	292	402
Change in trade payables	(474)	(1,020)
Net change in income tax receivables/payables	(231)	1,139
Net change in miscellaneous receivables/payables and other assets/liabilities	(409)	149
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	7,573	4,462
CASH FLOWS FROM INVESTING ACTIVITIES:		
<i>Purchase of intangible assets on an accrual basis</i>	(1,230)	(1,881)
<i>Purchase of tangible assets on an accrual basis</i>	(1,788)	(1,525)
Total purchase of intangible and tangible assets on an accrual basis	(3,018)	(3,406)
<i>Change in amounts due to fixed asset suppliers</i>	(113)	456
Total purchase of intangible and tangible assets on a cash basis	(3,131)	(2,950)
Acquisitions of subsidiaries and businesses, net of cash acquired	-	(50)
Acquisitions of other investments	(200)	(6)
Change in financial receivables and other financial assets	184	(3,287)
Proceeds from sale/repayment of intangible, tangible and other non-current assets	(29)	51
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(3,176)	(6,242)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in current financial liabilities and other	260	2,585
Proceeds from non-current financial liabilities (including current portion)	1,879	4,857
Repayments of non-current financial liabilities (including current portion)	(6,859)	(4,352)
Consideration paid for equity instruments	-	(11)
Share capital proceeds/reimbursements (including subsidiaries)	23	
Dividends paid	(1,034)	(1,034)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(5,731)	2,045
AGGREGATE CASH FLOWS (D=A+B+C)	(1,334)	265
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (E)	3,469	3,204
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F=D+E)	2,135	3,469

ADDITIONAL CASH FLOW INFORMATION:

(millions of euros)	Year 2010	Year 2009
Income taxes (paid)/received	(1,322)	(2,272)
Interest expense paid	(3,438)	(3,256)
Interest income received	1,462	999
Dividends received	2,357	166

ANALYSIS OF NET CASH AND CASH EQUIVALENTS:

(millions of euros)	Year 2010	Year 2009
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR:		
Cash and cash equivalents	4,236	3,563
Bank overdrafts repayable on demand	(767)	(359)
	3,469	3,204
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR:		
Cash and cash equivalents	2,762	4,236
Bank overdrafts repayable on demand	(627)	(767)
	2,135	3,469

TELECOM ITALIA S.p.A. – NET FINANCIAL DEBT

(millions of euros)	12/31/2010	12/31/2009 Restated (*)	Change
	(a)	(b)	(a-b)
NON-CURRENT FINANCIAL LIABILITIES			
Bonds	16,406	17,286	(880)
Amounts due to banks, other financial payables and liabilities	19,312	21,401	(2,089)
Finance lease liabilities	1,436	1,545	(109)
	37,154	40,232	(3,078)
CURRENT FINANCIAL LIABILITIES			
Bonds	3,067	1,985	1,082
Amounts due to banks, other financial payables and liabilities	2,777	5,592	(2,815)
Finance lease liabilities	212	236	(24)
	6,056	7,813	(1,757)
GROSS FINANCIAL DEBT	43,210	48,045	(4,835)
NON-CURRENT FINANCIAL ASSETS			
Financial receivables and other non-current financial assets	2,099	2,060	39
	2,099	2,060	39
CURRENT FINANCIAL ASSETS			
Securities other than investments	1,159	1,321	(162)
Financial receivables and other current financial assets	603	733	(130)
Cash and cash equivalents	2,763	4,236	(1,473)
	4,525	6,290	(1,765)
FINANCIAL ASSETS	6,624	8,350	(1,726)
NET FINANCIAL DEBT CARRYING AMOUNT	36,586	39,695	(3,109)
<i>Reversal of fair value measurement of derivatives and related financial assets/liabilities</i>	(1,046)	(910)	(136)
ADJUSTED NET FINANCIAL DEBT	35,540	38,785	(3,245)
<i>Detailed as follows:</i>			
TOTAL ADJUSTED GROSS FINANCIAL DEBT	40,915	46,287	(5,372)
TOTAL ADJUSTED FINANCIAL ASSETS	(5,375)	(7,502)	2,127
⁽¹⁾ of which current portion of medium/long-term debt:			
Bonds	3,067	1,985	1,082
Amounts due to banks, other financial payables and liabilities	1,459	2,947	(1,894)
Finance lease liabilities	212	236	(24)

(*) Restated following the reclassification among the non current assets/liabilities of a part, originally classified among the current assets/liabilities, of the non hedging derivatives.

TELECOM ITALIA S.p.A. – EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE INCOME STATEMENTS

The effect of **non-recurring events and transactions** on equity, profit, net financial debt and cash flows of Telecom Italia is set out below in accordance with Consob communication DME/RM/9081707 dated September 16, 2009:

(millions of euro)	2010	2009
Acquisition of goods and services:		
Costs of services for Telecom Italia Sparkle	(2)	-
Other operating expenses:		
Penalties and fines	(3)	(8)
Other sundry expenses	(2)	-
Employee benefits expenses:		
Expenses for mobility under Law 223/91	(245)	-
IMPACT ON OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	(252)	(8)
Gains (losses) on disposal of non-current assets:		
Losses on intangible assets	-	(39)
IMPACT ON OPERATING PROFIT (EBIT)	(252)	(47)
Other income (expenses) from investments:		
Gain on disposal of Luna Rossa Challenge 2007	-	4
Impairment on investment in Telecom Italia Deutschland Holding	-	(497)
IMPACT ON PROFIT BEFORE TAX	(252)	(540)
Effect of income taxes on non-recurring items	68	12
IMPACT ON PROFIT FOR THE YEAR	(184)	(528)