PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

Item 3. KEY INFORMATION

3.1 RISK FACTORS

In addition to the other information contained in this Annual Report, investors should carefully consider the risks described below and in particular the risk factor relating to the investigation of Telecom Italia Sparkle before making any investment decision. The risks described below are not the only ones we face. Additional risks not known to us or that we currently deem immaterial may also impair our business and results of operations. Our business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks, and investors could lose all or part of their investment.

RISKS RELATED TO THE TELECOM ITALIA GROUP

Our business will be adversely affected if we are unable to successfully implement our strategic objectives. Factors beyond our control may prevent us from successfully implementing our strategy.

On April 13, 2010, we set out our strategic priorities for the 2010-2012 period. Our strategy confirms the strategic priorities that the Telecom Italia Group set in December 2008 and in particular:

- a focus on the strategic Italian and Brazilian markets, with the target of a rapid return to growth in domestic turnover and an acceleration of revenue growth on the Brazilian market;
- boost cash flow generation by focusing on high profit margin revenues, operating efficiency gains, and selective investment;
- an ongoing reduction in Group debt.

Our ability to implement and achieve these strategic objectives may be influenced by certain factors, including factors outside of our control, such as:

- regulatory decisions and change in the regulatory environment in Italy and other countries in which we operate;
- increasing numbers of new competitors in the Italian telecommunications market which could cause us to lose further market share;
- increasing and stronger market competition in our principal markets with a consequent decline in the prices of services;
- our ability to strengthen our competitive position in Italy through our focus on related markets and in international markets, particularly in Brazil for mobile telecommunications;
- our ability to develop and introduce new technologies which are attractive to the market, to manage innovation, to supply value added services and to increase the use of our fixed and mobile networks;
- the success of “disruptive” new technologies which could cause significant reductions in revenues from fixed and mobile telephony;
- our ability to manage costs;
- the effect of the global credit crisis and recessionary conditions in the major markets in which we operate;
- our ability to refinance existing indebtedness when due in the capital and bank markets;
- our ability to attract and retain highly qualified employees; and
- the effect of exchange rate fluctuations on our operating revenues, margins and financial management.

As a result of these uncertainties there can be no assurance that the objectives identified by management can effectively be attained in the manner and within the time-frames described. Furthermore, if we are unable to attain our strategic priorities, our goodwill may be materially impaired.

The global economic crisis adversely affected our business in 2009 and continuing global economic weakness could further adversely affect our businesses and therefore have a negative impact on our operating results and financial condition.

The global economic crisis during 2009 included a general contraction in consumer spending, with the impact on consumer spending varying between geographical areas and different markets. Economic weakness, particularly in our domestic market, is expected to continue for at least the whole of 2010.

In Italy, the recession has had the greatest impact on the demand for investments and on the purchase of consumer durable goods and items of mass-consumption, with Gross Domestic Product (“**GDP**”) declining in 2009. In 2010, GDP is expected to remain stable.

Telecommunications has proven to be one of the industrial segments least affected by pro-cyclical trends since our society has an increasing need to communicate. However, recessionary conditions have weighed, and may continue to weigh, heavily on the development prospects of our domestic market, particularly with regard to the penetration of the next phase of value-added services and the volume of business, key elements of the Group’s strategic plan. This applies particularly to the business clientele segment (professionals and small and medium-size businesses), where it is more likely that recessionary conditions could have a negative effect on revenues.

With respect to the South American market, and especially Brazil, throughout 2009 and at least through the date hereof, the volatility that has been typical of emerging market economies during international economic crises is much less pronounced than in the past. In this context, the outlook for 2010 is for modest economic growth compared with the rapid growth of the past several years.

The continuing weakness in the global economy, and in particular the expected slow growth in GDP in our domestic market, creates significant uncertainty and will adversely impact consumer spending, including on telecommunication services. If we fail to successfully implement our plans to improve efficiency and optimize expenditures, our results of operations and financial condition could be adversely affected.

Our leverage is such that deterioration in cash flow generation can change the expectations on the Group’s ability to repay its debt and the inability to reduce our debt could have a material adverse effect on our business. Existing and worsening conditions in the international credit markets may limit our ability to refinance our financial debt.

Our gross financial debt was 44,397 million euros at December 31, 2009 compared with 42,794 million euros at December 31, 2008 (restated) and our net financial debt was 34,747 million euros at December 31, 2009 compared with 34,039 million euros as of December 31, 2008 (restated).

Due to the competitive environment and the economic conditions in which we operate, there could be deterioration in the separate income statement and statement of financial position measures used by investors and rating agencies. Ratios derived from these same separate income statement and statement of financial position measures are used by the rating agencies, such as Moody’s and Standard & Poor’s, which base their ratings on our ability to repay our debt.

Although ratings downgrades do not have an immediate impact on outstanding debt, except for outstanding debt instruments that specifically contemplate ratings in order to determine interest expenses, or on its relative cost to us, downgrades could lead to a greater risk with respect to refinancing existing debt or higher refinancing costs.

Factors which are beyond our control such as deterioration in the performance by the telecommunications sector, unfavorable fluctuations in interest rates and/or exchange rates, continuing disruptions in the capital markets, particularly debt capital markets, and, in a broader sense, deterioration in general economic conditions also as a result of the continuing financial crisis, could have a significant effect on our ability to reduce our debt, or the ability of the Telecom Italia Group to refinance existing debt through further access to the financial markets.

The management and further development of our business will require us to make further investments. We may therefore incur additional debt in order to finance such investment. Our future results of operations may be influenced by our ability to enter into such transactions, which in turn will be determined by market conditions and factors that are outside our control. In addition, if such transactions increase our leverage it could adversely affect our credit ratings.

System failures could result in reduced user traffic and reduced revenue and could harm our reputation.

Our technical infrastructure (including our network infrastructure for fixed-line and mobile telecommunications services) is vulnerable to damage or interruption from information and telecommunication technology failures, power loss, floods, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could harm our reputation.

Our business depends on the upgrading of our existing networks.

We must continue to upgrade our existing networks in a timely and satisfactory manner in order to retain and expand our customer base in each of our markets, to enhance our financial performance and to satisfy regulatory requirements. Among other things, we could be required to:

- upgrade the functionality of our networks to permit increased customization of services;
- increase coverage in some of our markets;
- expand and maintain customer service, network management and administrative systems; and
- upgrade older systems and networks to adapt them to new technologies.

Many of these tasks are not entirely under our control and may be affected by applicable regulation. If we fail to execute them successfully, our services and products may be less attractive to new customers and we may lose existing customers to our competitors, which would adversely affect our business, financial condition and results of operations.

We are continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties and are the subject of a number of investigations by judicial authorities. The ultimate outcome of such proceedings is generally uncertain. When finally concluded, they may have a material adverse effect on our results of operations and financial condition.

We are subject to numerous risks relating to legal, competition and regulatory proceedings in which we are currently a party or which could develop in the future. We are also the subject of a number of investigations by judicial authorities. Legal, competition and regulatory proceedings and investigations are inherently unpredictable. Legal, competition and regulatory proceedings and investigations in which we are, or may become, involved (or settlements thereof) may have a material adverse effect on our results of operations and/or financial condition. Furthermore, our involvement in legal, competition and regulatory proceedings and investigations may adversely affect our reputation.

The Italian Collective Action for Damages for the Protection of Consumers was passed in December 2007 and, after undergoing substantial modifications by the Italian Parliament, entered into force on January 1, 2010. The law allows collective action lawsuits and is similar in many respects to common law class actions. Contracts between public utilities and consumers and the business practices of companies that provide public services (such as Telecom Italia) are covered by the Collective Action law. Therefore there is a risk of claims against Telecom Italia by consumers' associations on behalf of broad classes of consumers.

Due to developments in the Telecom Italia Sparkle case the Company restated prior year financial statements for 2008, 2007, 2006 and 2005.

For information concerning the most important legal, competition and regulatory proceedings and investigations in which we are involved, see "Note —Contingent liabilities, other information, commitments and guarantees" of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

Risks associated with Telecom Italia’s ownership chain.

Telco S.p.A. (“**Telco**”)—a company in which interests are held by Generali group (30.58%), Intesa Sanpaolo S.p.A. (11.62%), Mediobanca S.p.A. (11.62%), and Telefónica S.A. (Telefónica) (46.18%)—is Telecom Italia’s largest shareholder, holding an interest of approximately 22.45% of the voting rights.

On October 28, 2009, the shareholders of Telco informed us that Sintonia S.A. (“**Sintonia**”) had exercised its right to apply for the demerger provided for in the April 28, 2007 Shareholders Agreement (“**Shareholders Agreement**”) and exit Telco.

On that same date, the parties to the Shareholders Agreement, other than Sintonia, entered into an amending agreement by which they agreed to renew the Shareholders Agreement for a further three year period, and thus effective from April 28, 2010 up to April 27, 2013. It was also agreed that procedures be evaluated with Sintonia to enable it to withdraw from the capital of Telco as an alternative to the demerger.

On December 22, 2009, Telco and Sintonia completed (i) the acquisition for cash by Sintonia of the Telecom Italia shares held by Telco attributable to it pro-rata (approximately equal to 2.06% of the ordinary share capital) and (ii) the acquisition by Telco of Sintonia’s entire shareholding in the share capital of Telco (equal to 8.39% of the share capital) which shareholding has now been cancelled.

Although Telco does not own a controlling interest in Telecom Italia’s voting shares, Telco may exert a significant influence on all matters to be decided by a vote of shareholders, including appointment of directors (in the Shareholders’ Meeting on April 14, 2008 12 out of 15 Board members were elected, as a result of Telco’s proposal). In principle, the interests of Telco in deciding shareholder matters could be different from the interests of Telecom Italia’s other Ordinary Shareholders, and it is possible that certain decisions could be taken that may be influenced by the needs of Telco. In addition, Telefónica is the largest shareholder of Telco. Presently Telefónica and Telecom Italia are direct competitors in certain countries outside of their respective domestic markets; nevertheless, the agreement among the above mentioned parties provides that the Telecom Italia and Telefónica groups will be managed autonomously and independently. Such agreements provide that the directors designated by Telefónica in Telco and Telecom Italia shall be directed by Telefónica to neither participate nor vote at board of directors meetings which discuss matters relating to members of the Group in countries where Telefónica and Telecom Italia compete. Specific additional matters have been agreed with respect to Telecom Italia’s operations in Brazil. The presence of Telefónica in Telco has, however, resulted in legal and regulatory proceedings in Argentina, which are still pending. For further information, please see “Item 7 Major Shareholders and Related-Party Transactions—7.1 Major Shareholders—7.1.1 The Shareholders’ Agreements” and “Item 10. Additional Information—10.1 Corporate Governance”. See also “Note—Contingent liabilities, other information, commitments and guarantees” of the Notes to the Consolidated Financial Statements included elsewhere herein.

Telco is a holding company and the sole operating company in which it has an interest is Telecom Italia. Therefore, should Telco be unable to obtain funding from its shareholders, present or future, or from other sources, its cash flows would be entirely dependent upon the dividends paid on the Telecom Italia shares for its funding needs.

The Italian State, through the Treasury, is in a position to exert certain powers with respect to Telecom Italia.

Although no shareholder is in a position to prevent a takeover of Telecom Italia, the Italian State, through the Treasury, is in a position to exert certain powers with respect to Telecom Italia through the exercise of the special powers included in Telecom Italia’s Bylaws pursuant to compulsory legal provisions. The exercise of such powers could make a merger with or takeover of Telecom Italia more difficult or discourage certain bidders from making an offer.

On March 26, 2009, the European Court of Justice declared that Italy, through the special powers, failed to comply with its obligations under the EC Treaty. According to the Court’s ruling, the alleged infringement of the EC Treaty arises due to the applicable Italian legal provisions not making sufficiently clear the conditions for the exercise of the Treasury’s special powers, so that investors are not in a position to know in what situations the powers will be used. Although such ruling may be relevant and binding for the Italian Government, the ruling does not have any immediate, direct impact on the aforementioned provisions and Telecom Italia’s bylaws.

For further information, please see “Item 7 Major Shareholders and Related-Party Transactions—7.1 Major Shareholders—7.1.3 Continuing Relationship with the Italian Treasury”.

RISKS RELATED TO THE TELECOMMUNICATIONS INDUSTRY AND FINANCIAL MARKETS

The value of our operations and investments may be adversely affected by political and economic developments in Italy or other countries. Continuing global economic weakness could reduce purchases of our products and services and adversely affect our results of operations, cash flows and financial condition.

Our business is dependent to a large degree on general economic conditions in Italy and our other principal market, Brazil, including levels of interest rates, inflation, taxes and general business condition. A significant deterioration in economic conditions could adversely affect our business and results of operations. The weak economic conditions of 2009 had an adverse impact on our business, particularly in Italy. We may also be adversely affected by political developments in other countries where we have made significant investments. Certain of these countries have political and legal systems that are unpredictable. Political or economic upheaval or changes in laws or their application in these countries may harm the operations of the companies in which we have invested and impair the value of these investments.

Uncertainty about current global economic conditions poses a significant risk as consumers and businesses may postpone spending in response to tighter credit, negative financial news (including high levels of unemployment) or declines in income or asset values, which could have a material negative effect on the demand for our products and services. Economic difficulties in the credit markets and other economic conditions, such as a recession currently being experienced or the risk of a potential recession, may reduce the demand for or the timing of purchases of our products and services. A loss of customers or a reduction in purchases by our current customers could have a material adverse effect on our financial condition, results of operations and cash flow and may negatively affect our ability to meet our growth targets. Other factors that could influence customer demand include access to credit, consumer confidence and other macroeconomic factors.

Because we operate in heavily regulated business environments, regulatory decisions and changes in the regulatory environment could materially adversely affect our business.

Telecom Italia’s fixed and mobile telecommunications operations, as well as its BroadBand services and television broadcasting businesses, are subject to extensive regulatory requirements in Italy and its international operations and investments are subject to regulation in their host countries.

As a member of the European Union (the “**EU**”), Italy has adapted its telecommunications regulatory framework to the legislative and regulatory framework established by the EU for the regulation of the European telecommunications market. The review of the EU common regulatory framework was approved at the end of 2009 and is expected to be implemented in Italy by May 25, 2011.

Included within the regulatory framework is the obligation on the part of the Italian regulator responsible for the regulation of the telecommunications, radio and television broadcasting sector (the “**Italian Communications Authority**” or “**AGCom**”) to identify operators with “significant market power” (“**SMP**”) based on a market analyses in relevant separate retail and wholesale markets, identified in an EC Recommendation, in which it is considered necessary to intervene to protect free competition. The framework established criteria and procedures for identifying remedies applicable to operators with “significant market power”.

During 2006 and 2007, AGCom concluded the first round of the market analyses, identified Telecom Italia as having SMP in the mobile termination market and in all the relevant fixed line markets and, as a result, imposed a number of regulatory constraints, including: a requirement to conduct business in a transparent and non-discriminatory way, a price control mechanism (Price Cap) placing certain limits on the ability to change prices for certain services and a requirement to provide interconnection services, leased lines and unbundled access to the local loop to other operators at cost-orientated prices, subject to specific network caps.

These constraints have had an adverse impact on our fixed line network pricing and service offerings and future regulatory decisions may continue to have an adverse impact on our market shares and margins.

In Italy, Telecom Italia is also subject to universal service obligations, which require it to provide fixed-line public voice telecommunications services in non-profitable areas. Telecom Italia is, to date, the only operator in Italy which has this obligation.

In December 2008, AGCom approved Telecom Italia's voluntary undertakings (the "**Undertakings**") to improve the equality of treatment in the provision of access services to other operators to Telecom Italia's network, where Telecom Italia has SMP. The formal implementation of the Undertakings was to be in place by March 31, 2010 and implementation appears to be on track. The closing of a number of regulatory proceedings against Telecom Italia will depend on the assessment by AGCom of the actual fulfillment of the Undertakings.

Since the end of 2007 AGCom conducted various proceedings to carry out a second round of market analyses to determine whether to maintain, amend or withdraw the obligations in force.

During 2008 AGCom concluded the second round of analyses of the mobile markets. In particular, as to the mobile call termination market, AGCom required a gradual reduction of the termination rates over a four year period (2009-2012) and provided the introduction of a new cost model which could lead, probably in the coming years, to further reductions of the termination rates, under EU pressure. International roaming is regulated at EU level by a specific regulation recently extended to SMS and data. The EU Regulation could exert regulatory pressure on SMS and data (as to prices and transparency measures) also at national level. The EU Commission will have to review the Regulation and to assess whether further proposals are necessary.

The second round market analyses proceedings with respect to the fixed line markets—suspended until AGCom approved the Telecom Italia Undertakings established in December 2008—is almost concluded. To date, AGCom has reviewed the regulations focusing on wholesale obligations while relaxing retail regulations.

The regulatory approach to Next Generation Access has not been completely defined with respect to the implementation conditions for fiber access services. As Next Generation Access will require significant investments, the regulatory uncertainty regarding the obligations which could be imposed on Telecom Italia could have an adverse effect on the Group's cash flows and financial condition.

In general, we are unable to predict the impact of any proposed or potential changes in the regulatory environment in which we operate both in Italy and internationally. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technologies. Changes in laws, regulation or government policy could adversely affect our business and competitiveness. In particular, our ability to compete effectively in our existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which we are subject or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment or renewal of authorizations, to Telecom Italia or to third parties, could adversely affect our future operations in Italy and in other countries where we operate.

There is also a general risk related to the possible imposition of fines by the competent authorities for violations of regulations to which we are subject.

For further information regarding the matters discussed above and other aspects of the regulatory environments in which our businesses operate, see "Item 4. Information on the Telecom Italia Group—4.3. The Regulatory framework" section.

We operate under licenses, authorizations and concessions granted by government authorities.

Many of our activities require licenses, authorizations or concessions from governmental authorities. These licenses, authorizations and concessions specify the types of services permitted to be offered by the operating company holding such license, authorization or concession. The continued existence and terms of our licenses, authorizations and concessions are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. Although license, authorization and concession renewal is not usually guaranteed, most licenses, authorizations and concessions do address the renewal process and terms. Moreover, licenses, authorizations and concessions as well as their renewal terms and conditions may be affected by political and regulatory factors. As licenses, authorizations and concessions approach the end of their terms, we intend to pursue their renewal to the extent provided by the relevant licenses, authorizations or concessions, although we cannot guarantee that we will always complete this process successfully.

Many of these licenses, authorizations and concessions are revocable for public interest reasons. The rules of some of the regulatory authorities with jurisdiction over our operating companies require us to meet specified network build-out requirements and schedules. In particular, our existing licenses, authorizations and concessions typically require us to satisfy certain obligations, including minimum specified quality, service and coverage conditions and capital investment. Failure to comply with these obligations could result in the imposition of fines or revocation or forfeiture of the license, authorization or concession for the relevant area. In addition, the need to meet scheduled deadlines may require us to expend more resources than otherwise budgeted for a particular network build-out.

Strong competition in Italy may further reduce Telecom Italia's core market share for telecommunication services and may cause further reductions in prices and margins thereby having an adverse effect on its results of operations.

Strong competition exists in all of the principal telecommunications business areas in Italy in which Telecom Italia operates, including, most significantly, the fixed-line and mobile voice telecommunications and BroadBand businesses. The use of the single European currency and the liberalization of the Italian telecommunication market (since January 1998) have intensified competition by facilitating international operators' entry into the Italian market and direct competition with Telecom Italia's fixed-line and mobile telephony businesses, particularly in the local and long-distance markets, and BroadBand.

Competition has continued to intensify. As of the date of this Annual Report, there are a number of significant competitors offering fixed-line and BroadBand services and three other operators (in addition to Telecom Italia) offering mobile services in the Italian domestic market. Some virtual mobile operators have been operating in the Italian mobile market since 2007 as a result of commercial agreements reached with operators of mobile networks, some of which "originated" from fixed line operators.

Moreover convergence creates economic links among the Telecommunications ("**TLC**"), Information Technology ("**IT**"), Media and Devices/Consumer Electronic ("**Devices/CE**") markets, enabling lateral competition for different participants in these markets (from competition within the same technology to competition on the whole value chain). The ability to compete will determine value transfer among markets.

This competition may further increase due to the consolidation and globalization of the telecommunications industry in Europe, including Italy, and elsewhere. We face competition from international competitors who have entered local markets to compete with existing operators as well as new local operators, each of which has increased the direct competition we face in our Italian domestic fixed-line and mobile telephony businesses, in the local and long-distance markets, and BroadBand.

Competition in Telecom Italia's principal lines of business could lead to:

- further price and margin erosion for its products and services;
- a loss of market share in core markets;
- loss of existing or prospective customers and greater difficulty in retaining existing customers;
- obsolescence of existing technologies and more rapid deployment of new technologies;
- an increase in costs related to investments in new technologies that are necessary to retain customers and market share; and
- difficulties in reducing debt and funding strategic and technological investments if it cannot generate sufficient profits and cash flow.

Although we have taken a number of steps to realize additional efficiencies and to rebalance revenue mix through the continuing introduction of innovative and value added services to enhance domestic growth, and although our plans take into account that we face significant competition from a number of operators in all the markets in which we operate, if any or all of the events described in the preceding paragraph should occur, the impact of such factors could materially adversely affect our results of operations and financial condition.

Our business may be adversely affected and we may be unable to increase our revenues if we are unable to continue the introduction of new services to stimulate increased usage of our fixed and wireless networks.

In order to sustain growth in revenues despite increased competition and lower prices, particularly in our core Italian domestic market, our strategy has been to introduce new services in our fixed-line, wireless and BroadBand business and in new addressable closely related markets (IPTV, ICT, Online advertising, Digital Home and Service Exposure). In recent years our strategy to increase revenues has been to focus on increasing the loyalty of our customer base, increasing penetration of the BroadBand retail market and IPTV and fostering the growth of mobile interactive services. These markets have been growing in recent years in line with increased use of the Internet and the enhanced services offered by mobile operators. However, if these markets do not continue to expand, our revenues may not grow, or may even decrease, as revenues from other parts of our business, particularly our traditional fixed-line business, may decline due to competition or other price pressures.

In addition, these strategic initiatives have required, and will continue to require, substantial expenditure. Although these initiatives are core to our strategy, we may be unable to introduce commercially these new products and services and, even if we introduce them, there can be no assurance they will be successful.

Continuing rapid changes in technologies could increase competition, reduce usage of traditional services or require us to make substantial additional investments.

Many of the services we offer are technology-intensive and the development or acceptance of new technologies may render such services non-competitive, replace such services or reduce prices for such services. In addition, as the convergence of services accelerates, we make and will have to make substantial additional investments in new technologies to remain competitive. The new technologies we choose may not prove to be commercially successful. In addition, Telecom Italia may not receive the necessary licenses to provide services based on new technologies in Italy or abroad, or may be negatively impacted by unfavorable regulation regarding the usage of these technologies (for example, uncertainty on Next Generation Access Networks regulatory requirements). Furthermore, our most significant competitors in the future may be new entrants to our markets who do not have to maintain an installed base of older equipment.

As a result, we could lose customers, fail to attract new customers or incur substantial costs in order to maintain our customer base or to maintain revenues from such customer base.

The mobile communications markets have matured in recent years and competition has increased.

In recent years, mobile communications markets have been approaching maturity levels in our domestic market in the voice services segment although the data and value-added services segments continue to grow.

Further growth in the mobile telecommunications markets in which we operate will depend on a number of factors, many of which are outside our control. These factors include:

- the activities of our competitors;
- competitive pressures and regulations applicable to retail and wholesale prices;
- the development and introduction of new and alternative technologies for mobile telecommunications products and services and their attractiveness to our customers;
- the success of new disruptive or substitute technologies; and
- the development of the mobile communications markets.

In addition, as our core domestic Italian market has become increasingly saturated, the focus of competition has shifted to customer retention from customer acquisition, and increasing the value of existing customers. Such focus could result in increased expenses to retain customer loyalty or if we are unable to satisfactorily offer better value to our customers our market share and revenues could decline.

If the mobile telecommunications markets in which we operate do not continue to expand, or we are unable to retain our existing customers or stimulate increases in customer usage, our financial condition and results of operations may be harmed.

We may be adversely affected if we fail to successfully implement our Internet and BroadBand strategy.

The continuing development of Internet and BroadBand services is an important element of our growth strategy and means to increase the use of our networks in Italy and abroad. Our strategy is to replace the mature, traditional voice services with value added content and services to consumers and small and medium-sized companies. Our ability to successfully implement this strategy may be affected if:

· Internet usage in Italy grows more slowly than anticipated, for reasons such as changes in Internet users’ preferences or lower than expected PC penetration rate growth;

· BroadBand penetration does not grow as we expect;

· competition increases, for reasons such as the entry of new competitors, consolidation in the industry or technological developments introducing new platforms for Internet access and/or Internet distribution or other operators can provide BroadBand connections superior to those that we can offer; and

· we experience any network interruptions or related problems with network infrastructure.

Any of the above factors may adversely affect the successful implementation of our strategy, our business and results of operations.

We may be adversely affected if we fail to successfully implement our Information and Communications Technology (ICT) strategy.

We intend to focus on IT-TLC convergence by addressing the ICT market, in particular offering network and infrastructure management, as well as application management and professional services. We expect to experience increasing competition in this market as additional competitors (mainly Telco operators through acquisition and partnership with IT operators) also enter this market.

We will need to make additional investments in this market as Italy has significantly lower IT investment over GDP compared with the U.S. and other European countries.

There is no assurance that the services offered will be successful; as a result we could fail to attract sufficient customers which would allow this market to become profitable.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but until now there is no scientific evidence of harmful effects on health. We cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

Our mobile communications business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability. In addition, although Italian law already imposes strict limits in relation to transmission equipment, these concerns may cause regulators to impose greater restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

Fluctuations in currency exchange and interest rates may adversely affect Telecom Italia’s results.

In the past, we have made substantial international investments, primarily in U.S. dollars, and have significantly expanded our operations outside of the Euro zone, particularly in Latin America.

We generally hedge our foreign exchange exposure, but do not cover translation risk relating to our foreign subsidiaries. Movements in exchange rates of the Euro relative to other currencies (in particular Brazilian Real) may adversely affect our consolidated results. A rise in the value of the Euro relative to other currencies in certain countries in which we operate or have made investments will reduce the relative value of the revenues or assets of our operations in those countries and, therefore, may adversely affect our operating results or financial position.

In addition, we have raised, and may raise in an increasing proportion in the future, financing in currencies other than the Euro, principally the U.S. dollar and British pound. We systematically hedge the foreign currency risk exposure related to non-Euro denominated liabilities, through cross-currency and interest rate swaps.

Furthermore, we enter into derivative transactions hedging our interest rate exposure and diversifying debt parameters in order to reach lower cost of debt and manage the volatility of our separate income statement, while remaining within predefined target levels. However, no assurance can be given that fluctuations in interest rates will not adversely affect our results of operations or cash flows.

Telecom Italia might be adversely affected if the allegations into the investigation of Telecom Italia Sparkle are found to have merit.

On February 23, 2010, the Italian Finance Police, at the request of the Prosecutor’s Office of Rome (the “**Prosecutor**”), served our subsidiary Telecom Italia Sparkle with a court order (the “**Order**”) in connection with an ongoing investigation regarding Telecom Italia Sparkle and several individuals, including certain employees, former employees and former directors of Telecom Italia Sparkle, regarding, inter alia, alleged cross border criminal conspiracy, tax evasion, international money laundering, reinvestment of profits from criminal activities, and registering assets under a false name. The Order:

a) set a fast track hearing procedure concerning the *“request to apply the measure to prohibit Telecom Italia Sparkle from performing activities and to be replaced with a judicial arbitrator”* pursuant to Legislative Decree No.231/2001 (“**Law 231**”); and

b) also provided for the seizure of approximately 298 million euros as an interim measure, corresponding to the alleged unlawful deduction of VAT related to the transactions under investigation.

The charges of cross border criminal conspiracy, international money laundering and reinvestment of profits from criminal activities are possible offenses that may entail administrative liability for a corporation in accordance with Law 231.

The investigation refers to certain sales transactions—effected in the financial years 2005, 2006 and 2007—related to “Premium” telecommunications services carried over the Telecom Italia Sparkle network and conducted with a number of small telecommunications carriers resident in the European Union (EU).

In anticipation of the Preliminary Investigating Magistrate’s decision, the Board of Directors of Telecom Italia Sparkle appointed an independent party to carry out an analysis of the internal control system and of the Organisational Model 231. In accordance with Law 231, the employees involved in the investigation have either been suspended or, for those imprisoned, their employment was terminated.

In addition to the amounts seized, Telecom Italia Sparkle provided guarantees for 195 million euros, of which 72 million euros corresponds to the potential seizure of profits generated by the sales transactions noted above, and 123 million euros corresponds to the difference between the amount already seized and corresponding to the VAT deducted during tax years 2005, 2006 and 2007 (298 million euros), and the highest amount the company could potentially owe in settlement of its tax position regarding the use of VAT credits on the basis of one of the possible settlement procedures with the Italian Tax Authorities.

Drawing upon information available under the Order and following an independent documentary investigation by legal and accounting advisors for Telecom Italia Sparkle, we concluded that in accordance with IAS 8 we would restate prior year financial statements for 2005, 2006, 2007 and 2008. In connection with our 2009 financial statements, we have established an accrual of 507 million euros relating to certain VAT claims made mainly in connection with the sales transactions in 2005, 2006 and 2007.

For further details regarding the restatement, please see “Item 5 *Operating and Financial Review and Prospects— 5.1 Restatement due to errors*” and Notes *“Restatement as a result of errors and changes in accounting policies*” and “*Contingent liabilities, other information, commitments and guarantees”* of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

Telecom Italia may be further adversely affected if the allegations into the investigation of Telecom Italia Sparkle are found to have merit.

3.2 EXCHANGE RATES

We publish our consolidated financial statements in euros. References to “€”, “euro” and “Euro” are to the euro, the single unified currency that was introduced in Italy and 10 other member states of the EU on January 1, 1999. References to “U.S. dollars”, “dollars”, “U.S.$” or “$” are to U.S. dollars, the currency of the United States of America.

For convenience only (except where noted otherwise), certain euro figures have been translated into dollars at the rate (the “Euro/Dollar Exchange Rate”) of €1.00= U.S.$ 1.4332, using the noon buying rate in The City of New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the “**Noon Buying Rate**”) on December 31, 2009.

These translations should not be construed as a representation that the euro amounts actually represent such dollar amounts or have been or could be converted into dollars at the rate indicated.

For the purpose of this Annual Report, “billion” means a thousand million.

The following table sets forth for the years 2005 to 2009 and for the beginning of 2010 certain information regarding the Noon Buying Rate for Dollars expressed in U.S.$ per €1.00.

Calendar Period	High	Low	Average(1)	At Period end
2005	1.3476	1.1667	1.2448	1.1842
2006	1.3327	1.1860	1.2563	1.3197
2007	1.4862	1.2904	1.3705	1.4603
2008	1.6010	1.2446	1.4725	1.3919
2009	1.5100	1.2547	1.3936	1.4332
2010 (through May 6, 2010)	1.4536	1.2689	1.3679	1.2689

Monthly Rates	High	Low	Average(1)	At Period end
October 2009	1.5029	1.4532	1.4821	1.4755
November 2009	1.5085	1.4658	1.4908	1.4994
December 2009	1.5100	1.4243	1.4579	1.4332
January 2010	1.4536	1.3870	1.4266	1.3870
February 2010	1.3955	1.3476	1.3680	1.3660
March 2010	1.3758	1.3344	1.3570	1.3526
April 2010	1.3666	1.3130	1.3417	1.3302
May 2010 (through May 6, 2010)	1.3183	1.2689	1.2950	1.2689

(1) Average of the rates for each month in the relevant period.

The Ordinary Shares, par value 0.55 euros (the “**Ordinary Shares**”) and Savings Shares, par value 0.55 euros (the “**Savings Shares**”) of Telecom Italia trade on *Mercato Telematico Azionario* (“**Telematico**”), managed by Borsa Italiana S.p.A. (“**Borsa Italiana**”) in euro. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar equivalent of the euro price of the Ordinary Shares and the Savings Shares and the price of the Ordinary Share American Depositary Shares (“**Ordinary Share ADSs**”) and the Savings Share American Depositary Shares (“**Savings Share ADSs**”), on the New York Stock Exchange (“**NYSE**”). Cash dividends are paid in euro. Exchange rate fluctuations will affect the U.S. dollar amounts received by owners of Ordinary Share ADSs and Savings Share ADSs upon conversion by the Depositary of cash dividends paid in euro on the underlying Ordinary Shares and Savings Shares. See “Item 10. Additional Information—10.5 Description of American Depositary Receipts”.

On completion of the Merger, Telecom Italia (formerly Olivetti) became a successor registrant to Old Telecom Italia under the Securities Exchange Act of 1934, as amended (the “**1934 Act**”) and, therefore, became subject to and continues to file periodic reports under the 1934 Act required for a foreign private issuer. Telecom Italia (formerly Olivetti) obtained a listing of the Ordinary Shares and Savings Shares issued at completion of the Merger, on the NYSE where such Ordinary Shares and Savings Shares trade in the form of ADSs.

3.3 SELECTED FINANCIAL AND STATISTICAL INFORMATION

The summary selected financial data set forth below are consolidated financial data of the Telecom Italia Group as of and for each of the years ended December 31, 2009, 2008, 2007, 2006 and 2005, which have been extracted or derived from the Consolidated Financial Statements of the Telecom Italia Group prepared in accordance with IFRS as issued by IASB.

As discussed in the Note "*Restatement as a result of errors and changes in accounting policies*" of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report", following certain adjustments and corrections for errors—as defined by IAS 8—made in connection with the "Telecom Italia Sparkle case" and due to the retrospective application, starting from January 1, 2009, of IFRIC 13 (*Customer Loyalty Programmes*) the comparative data of the corresponding periods of the years 2008, 2007, 2006 and 2005 have been appropriately adjusted and referred to as "restated".

As a result of the restatement of the financial statements relating to the financial years 2005, 2006, 2007 and 2008 Reconta Ernst & Young S.p.A. withdrew, in accordance with audit principles as applicable in the United States (PCAOB rules), their audit opinions for the corresponding years on Form 20-F. Reconta Ernst & Young S.p.A. have issued an unqualified audit report on the Telecom Italia consolidated financial statements for the three years ended December 31, 2009 included in this Annual Report.

Until December 31, 2004, Telecom Italia prepared its consolidated financial statements and other interim financial information in accordance with Italian GAAP.

Furthermore, pursuant to SEC Release No. 33-8879, *"Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP",* Telecom Italia includes Selected Financial Data prepared in compliance with IFRS, without reconciliation to U.S. GAAP.

In 2009, the Group applied the accounting policies on a basis consistent with previous years and did not elect the early adoption of any IFRS, except for IFRS 3R (*Business Combinations*) and IAS 27R (*Consolidated and Separate Financial Statements*). The effects of the early adoption of IFRS 3R and IAS 27R are described in the "Note—Accounting Policies" of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

In addition, certain non-GAAP financial measures are presented.

The selected financial data below should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this Annual Report.

	Year ended December 31,					
	2009(1)	2009(1)	2008(1) (Restated)	2007(1) (Restated)	2006(1) (Restated) (Unaudited)	2005(1) (Restated) (Unaudited)
	(millions of U.S. dollars, except percentages, ratios, employees and per share amounts)(2)	(millions of euros, except percentages, ratios, employees and per share amounts)				
Separate Consolidated Income Statement Data:						
Revenues	**33,655**	**27,163**	**29,000**	**29,802**	**29,785**	**29,193**
Operating profit	**6,806**	**5,493**	**5,437**	**5,738**	**7,269**	**7,548**
Profit before tax from continuing operations	**4,137**	**3,339**	**2,894**	**4,120**	**5,366**	**5,596**
Profit from continuing operations	**2,748**	**2,218**	**2,217**	**2,459**	**2,855**	**3,200**
Profit (loss) from Discontinued operations/Non-current assets held for sale	(771)	(622)	(39)	(99)	(159)	401
Profit for the year	**1,977**	**1,596**	**2,178**	**2,360**	**2,696**	**3,601**
· *Profit attributable to owners of the Parent(3)*	*1,959*	*1,581*	*2,177*	*2,353*	*2,707*	*3,127*
Investments:						
· Capital expenditures	5,629	4,543	5,040	5,031	4,698	4,916
· Financial	7	6	6	637	206	14,934
Financial Ratios:						
· Operating profit/Revenues (ROS)(%)	20.2%	20.2%	18.7%	19.3%	24.4%	25.9%
· Ratio of earnings to fixed charges(4)	2.51	2.51	2.21	2.67	3.13	3.17
Employees, average number in the Group, including personnel with temporary work contracts:						
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (average number)	69,964	69,964	73,508	75,735	77,374	78,258
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)	2,168	2,168	3,277	3,893	2,898	6,089
Basic and Diluted earnings per Share (EPS)(5):						
· **Ordinary Share**	**0.10**	**0.08**	**0.11**	**0.12**	**0.14**	**0.17**
· **Savings Share**	**0.11**	**0.09**	**0.12**	**0.13**	**0.15**	**0.18**
Of which:						
— *From continuing operations:*						
· *Ordinary Share*	*0.14*	*0.11*	*0.11*	*0.12*	*0.15*	*0.15*
· *Savings Share*	*0.15*	*0.12*	*0.12*	*0.13*	*0.16*	*0.16*
— *From Discontinued operations/Non-current assets held for sale:*						
· *Ordinary Share*	*(0.04)*	*(0.03)*	*—*	*—*	*(0.01)*	*0.02*
· *Savings Share*	*(0.04)*	*(0.03)*	*—*	*—*	*(0.01)*	*0.02*
Dividends:						
· per Ordinary Share	0.0620	0.0500(6)	0.0500	0.0800	0.1400	0.1400
· per Savings Share	0.0756	0.0610(6)	0.0610	0.0910	0.1510	0.1510

	As of December 31,					
	2009(1)	2009(1)	2008 (Restated)	2007 (Restated)	2006 (Restated) (Unaudited)	2005 (Restated) (Unaudited)
	(millions of U.S. dollars, except employees)(2)	(millions of euros, except employees)				
Consolidated Statement of Financial Position Data:						
Total Assets	**106,778**	**86,181**	**85,650**	**87,428**	**89,457**	**96,010**
Equity:						
· Equity attributable to owners of the Parent	32,154	25,952	25,598	25,431	25,622	25,573
· Non-controlling interests	1,447	1,168	730	1,063	1,080	1,323
Total Equity	**33,601**	**27,120**	**26,328**	**26,494**	**26,702**	**26,896**
Total liabilities	**73,177**	**59,061**	**59,322**	**60,934**	**62,755**	**69,114**
Total equity and liabilities	**106,778**	**86,181**	**85,650**	**87,428**	**89,457**	**96,010**
Share capital(7)	**13,115**	**10,585**	**10,591**	**10,605**	**10,605**	**10,599**
Net Financial Debt(8)	**43,052**	**34,747**	**34,039**	**35,701**	**37,301**	**39,858**
Employees, number in the Group at year-end, including personnel with temporary work contracts:						
· Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at year-end)	71,384	71,384	75,320	79,238	80,373	83,187
· Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (number at year-end)	2,205	2,205	2,505	4,191	2,836	3,344

	As of December 31,				
	2009(1)	2008(1)	2007(1)	2006(1)	2005(1)
Statistical Data:					
Fixed-line network connections in Italy at year-end (thousands)	18,525	20,031	22,124	23,698	25,049
Physical accesses (Consumer and Business) at year-end (thousands)	16,097	17,352	19,221	20,540	21,725
BroadBand accesses in Italy at year-end (thousands)	8,741	8,134	7,590	6,770	5,707
Of which retail (thousands)	*7,000*	*6,754*	*6,427*	*5,600*	*3,920*
Total numbers of lines at year-end (thousands)	71,958	71,199	67,585	57,860	48,747
Of which numbers of lines at year-end in Italy (thousands)	*30,856*	*34,797*	*36,331*	*32,450*	*28,576*
Of which numbers of lines at year-end in Brazil (thousands)	*41,102*	*36,402*	*31,254*	*25,410*	*20,171*

(1) For purposes of comparison, the data of the periods under comparison have been appropriately restated because starting from 2009 HanseNet Telekommunikation GmbH has been treated as a Discontinued operations/Non-current asset held for sale.

(2) For the convenience of the reader, Euro amounts for 2009 have been converted into U.S. dollars using the Euro/Dollar Exchange Rate in effect on May 14, 2010, of €1.00 = U.S.$ 1.2390

(3) For the purposes of IFRS, “Parent”, as used in this Annual Report, means Telecom Italia S.p.A.

(4) For purposes of calculating the ratio of “earnings to fixed charges”:

- “Earnings” is calculated by adding:
  - profit before tax from continuing operations;

  - "fixed charges" (as defined below);
  - amortization of capitalized interest and issue debt discounts or premiums;
  - dividends from associates and joint ventures accounted for using the equity method; and
  - share of losses of associates and joint ventures accounted for using the equity method and then subtracting:
  - capitalized interest for the applicable period; and
  - share of earnings of associates and joint ventures accounted for using the equity method.
- "Fixed charges" is calculated by adding:
  - interest expenses (both expensed and capitalized);
  - issue costs and any original issue debt discounts or premiums; and
  - an estimate of the interest within rental expense for operating leases.

(5) In accordance with IAS 33 (*Earnings per share*), basic earnings per Ordinary Share is calculated by dividing the Group's profit available to shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares. Since Telecom Italia has both Ordinary and Savings Shares outstanding, the calculations also take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2% of the par value of shares above dividends paid on the Ordinary Shares.

For the purpose of these calculations, the weighted average number of:

- Ordinary Shares was 13,220,792,908 for the year ended December 31, 2009, 13,246,643,947 for the year ended December 31, 2008, 13,254,934,303 for the year ended December 31, 2007, 13,254,860,233 for the year ended December 31, 2006, and 12,283,195,845 for the year ended December 31, 2005;
- Savings Shares was 6,026,120,661 for the years ended December 31, 2009, 2008, 2007 and 2006, 5,930,204,164 for the year ended December 31, 2005.

For diluted earnings per share the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Potential shares are those securities that, if converted into shares, would increase the total number of shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. The Group's profit is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.

(6) Telecom Italia's dividend coupons for the year ended December 31, 2009, will be clipped on May 24, 2010, and will be payable from May 27, 2010.

(7) Share capital represents share capital issued net of the par value of treasury shares.

(8) Net Financial Debt is a "Non-GAAP Financial Measure" as defined in Item 10 of Regulation S-K under the 1934 Act. For further details please see "Item 5. Operating and Financial Review and Prospects—5.3 Results of Operations for the Three Years Ended December 31, 2009—5.3.3 Non-GAAP Financial Measures".

3.4 DIVIDENDS

The determination of our future dividend policy, and the amounts thereof, will depend upon a number of factors, including but not limited to our earnings, financial condition and cash requirements, prospects and such other factors as may be deemed relevant at the time.

The following table sets forth the dividends per Ordinary Share and per Savings Share declared by Telecom Italia with respect to each of the last five fiscal years and the aggregate dividends paid in such years. Actual dividends paid are rounded to the nearest whole cent.

	Dividends on Ordinary Shares			Dividends on Savings Shares		
Year ended December 31,	Euros per Share	U.S. dollars per Share(1)	(millions of euros)	Euros per Share	U.S. dollars per Share(1)	(millions of euros)
2005	0.1400	0.1753	1,873.12	0.1510	0.1891	909.94
2006	0.1400	0.1903	1,873.13	0.1510	0.2052	909.94
2007	0.0800	0.1253	1,070.36	0.0910	0.1426	548.38
2008	0.0500	0.066115	667.16	0.0610	0.08066	367.59
2009(2)	0.0500	0.063445	667.16	0.0610	0.077403	367.59

(1) Euro amounts have been translated into U.S. dollars using the Noon Buying Rate in effect on the respective payment dates. As far as year ended December 31, 2009 is concerned, Euro amounts have been translated into U.S. dollars using the Noon Buying Rate in effect on May 6, 2010.

(2) Approved at the Annual Shareholders’ Meeting held on April 29, 2010. Pursuant to Italian Stock Exchange rules, dividends on the Ordinary Shares and the Savings Shares are payable from the fourth trading day after the third Friday of each month, and in any case, at least four business days after the Shareholders’ Annual Meeting approving the dividends. Telecom Italia’s dividend coupons for the year ended December 31, 2009 will be clipped on May 24, 2010, and will be payable from May 27, 2010.

Payment of annual dividends is subject to approval by the holders of Ordinary Shares at the annual general shareholders’ meeting, which must be held within 120 days after the end of the financial year to which it relates. In addition, Article 21 of the Company’s Bylaws gives the Board of Directors the power to approve the distribution of “interim dividends”. Pursuant to Italian law, the distribution may be approved after the final approval of the preceding year’s financial statements, and the interim dividends may not exceed the lower of (i) the difference between profits from the preceding fiscal year and amounts required to be attributed to legal and statutory reserves and (ii) available reserves. Once paid in compliance with applicable laws, shareholders cannot be required to repay interim dividends to the Company if the shareholders collected such dividends in good faith. Dividends not collected within five years from the date they become payable will be forfeited in favor of the Company. If profits are not fully distributed, additional reserves are created.

According to the Italian Civil Code, before dividends may be paid with respect to any year, an amount equal to 5% of the profit of the Company for such year must be set aside to the legal reserve until the legal reserve, including amounts set aside during prior years, is at least equal to one-fifth of the par value of the Company’s issued share capital. This legal reserve is not available for payment of dividends. Such restriction on the payment of dividends applies, on a non-consolidated basis, to each Italian subsidiary of the Telecom Italia Group. The Company may also pay dividends out of available retained earnings from prior years or other reserves.

Dividends in respect of Ordinary Shares and Savings Shares held with Monte Titoli S.p.A. (“**Monte Titoli**”) are automatically credited to the accounts of the beneficial owners with the relevant participant of Monte Titoli, without the need for presentation by such beneficial owners of any documentation. See “Item 10. Additional Information—10.4 Description of Capital Stock”.

Arrangements between Euroclear or Clearstream and Monte Titoli permit the shareholders to collect the dividends through Euroclear or Clearstream. Holders of American Depositary Receipts (“**ADRs**”) are entitled to receive payments in respect of dividends on the underlying Ordinary Shares and Savings Shares, as the case may be, in accordance with the relevant Deposit Agreement.

Dividends payable on the Company’s Ordinary Shares and Savings Shares may be subject to deduction of Italian withholding tax. See “Item 10. Additional Information—10.6 Taxation”. Italian regulations do not contain any specific restrictions on the payment of dividends to non-residents of Italy. See “Item 10. Additional Information—10.2 Exchange Controls and Other Limitations Affecting Security Holders”.

Pursuant to Italian law, in connection with the payment of dividends, participants of Monte Titoli are required to supply to the Italian tax authorities certain information concerning the identity of non-resident shareholders holding Ordinary Shares or Savings Shares. Shareholders are required to provide their Italian tax identification number, if any, or alternatively, in the case of legal entities, their name, country of establishment and address, or in the case of individuals, their name, address and place and date of birth, or in the case of partnerships, the information required for legal entities and the information required for individuals with respect to one of their representatives. In the case of Ordinary Share ADSs and Savings Share ADSs owned by non-residents of Italy, Telecom Italia understands that the provision of information concerning the Depositary, in its capacity as holder of record of the Ordinary Shares and Savings Shares, as the case may be, will satisfy these requirements.

The Depositary, in accordance with Telecom Italia, will provide information to beneficial owners of Ordinary Share ADSs and Savings Share ADSs, that are considered U.S. residents for purposes of applicable law. To the extent such owners wish to benefit from reduced withholding tax rates on dividends under an income tax convention, claims for such benefits must be accompanied by the required information. See “Item 10. Additional Information—10.6 Taxation”.