

**TELECOM GROUP - CONSOLIDATED STATEMENT OF INCOME**

(millions of euro)	1° Quarter	1° Quarter	Change	
	2006	2005	(a-b)	%
	(a)	(b)		
Revenue	7.482	7.023	459	6,5
Other income	111	77	34	44,2
<b>Total operating revenue and other income</b>	<b>7.593</b>	<b>7.100</b>	<b>493</b>	<b>6,9</b>
Purchases of materials and external services	(3.090)	(2.719)	(371)	13,6
Personnel costs	(1.018)	(957)	(61)	6,4
Other operating expense	(314)	(249)	(65)	26,1
Changes in inventories	12	16	(4)	(25,0)
Capitalized internal constructions costs	112	93	19	20,4
<b>OPERATING RESULT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS/LOSSES REALIZED AND IMPAIRMENT REVERSALS/LOSSES OF NON-CURRENT ASSETS (EBITDA)</b>	<b>3.295</b>	<b>3.284</b>	<b>11</b>	<b>0,3</b>
Depreciation and amortization	(1.428)	(1.242)	(186)	15,0
Capital gains/losses realized on non-current assets (1)	118	-	118	-
Impairment reversals/losses of non-current assets	(1)	(10)	9	(90,0)
<b>OPERATING RESULT (EBIT)</b>	<b>1.984</b>	<b>2.032</b>	<b>(48)</b>	<b>(2,4)</b>
Share of earnings of equity investments in associates accounted for using the equity method	12	12	-	-
Financial income	789	659	130	19,7
Financial expense	(1.368)	(1.219)	(149)	12,2
<b>INCOME FROM CONTINUING OPERATIONS BEFORE TAX</b>	<b>1.417</b>	<b>1.484</b>	<b>(67)</b>	<b>(4,5)</b>
Income taxes for the period	(656)	(664)	8	(1,2)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>761</b>	<b>820</b>	<b>(59)</b>	<b>(7,2)</b>
Net income from discontinued operations/assets held for sale	11	7	4	57,1
<b>NET INCOME FOR THE PERIOD</b>	<b>772</b>	<b>827</b>	<b>(55)</b>	<b>(6,7)</b>
Net income attributable to:				
* Parent	744	656	88	13,4
* minority interests	28	171	(143)	(83,6)

(1) Excludes capital gains/losses realized on the sale of equity investments classified as discontinued operations and equity investments other than in subsidiaries.

**Earnings per share:**

(euro)		
Earnings per share (basic=diluted)		
• ordinary shares	0,04	0,04
• savings shares	0,05	0,05
• from continuing operations		
• ordinary shares	0,04	0,04
• savings shares	0,05	0,05
• from discontinued operations		
• ordinary shares	-	-
• savings shares	-	-

**TELECOM GROUP - CONSOLIDATED BALANCE SHEETS**

(millions of euro)	3.31.2006	12.31.2005	Change
	(a)	(b)	(a-b)
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
- Goodwill and other intangible assets with an indefinite life	44.037	43.980	57
- Intangible assets with a finite life	6.787	6.810	(23)
	50.824	50.790	34
<b>Tangible assets</b>			
- Property, plant and equipment owned	16.101	16.443	(342)
- Assets held under finance leases	1.564	1.598	(34)
	17.665	18.041	(376)
<b>Other non-current assets</b>			
- Equity investments	1.385	1.342	43
- Securities and financial receivables	868	996	(128)
- Miscellaneous receivables and other non-current assets	853	825	28
	3.106	3.163	(57)
Deferred tax assets	2.397	2.793	(396)
<b>TOTAL NON-CURRENT ASSETS (A)</b>	<b>73.992</b>	<b>74.787</b>	<b>(795)</b>
<b>CURRENT ASSETS</b>			
Inventories	310	294	16
Trade receivables, miscellaneous receivables and other current assets	9.107	9.191	(84)
Securities other than equity investments	343	378	(35)
Financial receivables and other current financial asset	467	509	(42)
Cash and cash equivalents	6.734	10.323	(3.589)
<b>Current assets subtotal</b>	<b>16.961</b>	<b>20.695</b>	<b>(3.734)</b>
<b>Discontinued operations/assets held for sale</b>			
of a financial nature	43	37	6
of a non-financial nature	389	491	(102)
	432	528	(96)
<b>TOTAL CURRENT ASSETS (B)</b>	<b>17.393</b>	<b>21.223</b>	<b>(3.830)</b>
<b>TOTAL ASSETS (A+B)</b>	<b>91.385</b>	<b>96.010</b>	<b>(4.625)</b>
<b>SHAREHOLDERS' EQUITY</b>			
Shareholders' equity attributable to the Parent	26.716	25.662	1.054
Shareholders' equity attributable to the minority interests	1.362	1.323	39
<b>TOTAL SHAREHOLDERS' EQUITY (C)</b>	<b>28.078</b>	<b>26.985</b>	<b>1.093</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial liabilities	40.646	42.146	(1.500)
Employee severance indemnities and other employee-related reserves	1.345	1.351	(6)
Reserve for deferred taxes	57	137	(80)
Reserves for future risks and charges	807	797	10
Miscellaneous payables and other non-current liabilities	2.093	2.113	(20)
<b>TOTAL NON-CURRENT LIABILITIES (D)</b>	<b>44.948</b>	<b>46.544</b>	<b>(1.596)</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	6.734	9.812	(3.078)
Trade payables, current tax payables, miscellaneous payables and other current liabilities	11.390	12.384	(994)
<b>Current liabilities subtotal</b>	<b>18.124</b>	<b>22.196</b>	<b>(4.072)</b>
<b>Liabilities relating to discontinued operations/assets held for sale</b>			
of a financial nature	118	143	(25)
of a non-financial nature	117	142	(25)
	235	285	(50)
<b>TOTAL CURRENT LIABILITIES (E)</b>	<b>18.359</b>	<b>22.481</b>	<b>(4.122)</b>
<b>TOTAL LIABILITIES (F=D+E)</b>	<b>63.307</b>	<b>69.025</b>	<b>(5.718)</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES (C+F)</b>	<b>91.385</b>	<b>96.010</b>	<b>(4.625)</b>

**TELECOM GROUP - CONSOLIDATED CASH FLOW STATEMENTS**

(millions of euro)	1° Quarter 2006	1° Quarter 2005
<b>CASH FLOW ATTRIBUTABLE TO OPERATING ACTIVITIES</b>		
Net income from continuing operations	761	820
<i>Adjustments to reconcile net income from continuing operations with cash flows generated (used) by operating activities:</i>		
Depreciation and amortization	1.428	1.242
Impairment reversals/losses of non-current assets (including equity investments)	4	(29)
Net change in deferred tax assets and liabilities	238	(53)
Capital gains/losses realized on disposal of non-current assets (including equity investments)	(118)	(65)
Share of earnings of equity investments in associates accounted for using the equity method	(12)	(12)
Change in employee severance indemnities and other employee-related reserves	(16)	38
Change in other operating assets and liabilities:		
Change in inventories	(16)	(32)
Change in trade receivables	(35)	(149)
Change in trade payables	(624)	(584)
Net change in miscellaneous receivables/payables and other assets/liabilities	187	772
<b>CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)</b>	<b>1.797</b>	<b>1.948</b>
<b>CASH FLOW ATTRIBUTABLE TO INVESTING ACTIVITIES</b>		
<i>Acquisition of intangible assets on accrual basis</i>	<i>(411)</i>	<i>(232)</i>
<i>Acquisition of tangible assets on accrual basis</i>	<i>(614)</i>	<i>(680)</i>
<i>Total acquisition of intangible and tangible assets on accrual basis</i>	<i>(1.025)</i>	<i>(912)</i>
<i>Change in trade payables for investing activities</i>	<i>(370)</i>	<i>(378)</i>
Total acquisition of intangible and tangible assets on a cash basis	(1.395)	(1.290)
Acquisition of equity investments in subsidiaries and businesses, net of cash acquired (I)	-	(13.868)
Acquisition of other equity investments	-	(2)
Change in financial receivables and other financial assets	215	(363)
Consideration received on the sale of equity investments in subsidiaries, net of cash sold (II)	111	490
Consideration received on the sale of tangible, intangible and other non-current assets and capital reimbursements	256	90
<b>CASH FLOW USED BY INVESTING ACTIVITIES (B)</b>	<b>(813)</b>	<b>(14.943)</b>
<b>CASH FLOW ATTRIBUTABLE TO FINANCING ACTIVITIES</b>		
Net change in current financial liabilities	(343)	(403)
New non-current financial liabilities (including current portion)	89	10.189
Repayment of non-current financial liabilities (including current portion)	(4.218)	(631)
Consideration received for equity instruments	2	91
Share capital increases/repurchases, net of related costs	-	-
Dividends paid to minority shareholders (distribution of reserves included)	(37)	(15)
<b>CASH FLOW GENERATED (USED) BY FINANCING ACTIVITIES (C)</b>	<b>(4.507)</b>	<b>9.231</b>
Cash flows generated (used) by discontinued operations/assets held for sale (D)	9	(21)
<b>AGGREGATE CASH FLOW (E=A+B+C+D)</b>	<b>(3.514)</b>	<b>(3.785)</b>
<b>NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD (F)</b>	<b>9.958</b>	<b>8.667</b>
Net effect of foreign currency translation on cash and cash equivalents (G)	29	27
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (H=E+F+G)</b>	<b>6.473</b>	<b>4.909</b>
<b>OTHER INFORMATION</b>		
Income tax paid	5	29
Interest expense paid	1.006	876
Interest income received	167	149
Dividends received	12	12

(I) Net of the change in payables as a result of the relative acquisitions.

(II) Net of the change in receivables as a result of the relative sales.

**RECONCILIATION OF TOTAL NET CASH AND CASH EQUIVALENTS**

(millions of euro)	1° Quarter 2006	1° Quarter 2005
<b>NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
Cash and cash equivalents – from continuing operations	10.323	8.746
Bank borrowings repayable on demand – from continuing operations	(383)	(248)
Cash and cash equivalents – included in discontinued operations/assets held for sale	37	210
Bank borrowings repayable on demand – included in discontinued operations/assets held for sale	(19)	(41)
	<b>9.958</b>	<b>8.667</b>
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
Cash and cash equivalents – from continuing operations	6.734	5.301
Bank borrowings repayable on demand – from continuing operations	(304)	(354)
Cash and cash equivalents – included in discontinued operations/assets held for sale	43	4
Bank borrowings repayable on demand – included in discontinued operations/assets held for sale	-	(42)
	<b>6.473</b>	<b>4.909</b>

**TELECOM GROUP - CONSOLIDATED NET FINANCIAL INDEBTEDNESS**

(millions of euro)	3.31.2006	12.31.2005	Change
	(a)	(b)	(a-b)
<b>GROSS FINANCIAL DEBT</b>			
<b>Non-current financial liabilities</b>			
- Financial payables	38.747	40.252	(1.505)
- Finance lease liabilities	1.899	1.894	5
<b>Current financial liabilities</b>			
- Financial payables	6.484	9.572	(3.088)
- Finance lease liabilities	243	234	9
- Other financial liabilities	7	6	1
<b>Financial liabilities relating to discontinued operations/assets held for sale</b>	118	143	(25)
<b>TOTAL GROSS FINANCIAL DEBT (A)</b>	<b>47.498</b>	<b>52.101</b>	<b>(4.603)</b>
<b>FINANCIAL ASSETS</b>			
<b>Non-current financial assets</b>			
- Securities other than equity investments	9	8	1
- Financial receivables and other non-current financial assets	859	988	(129)
<b>Current financial assets</b>			
- Securities other than equity investments	343	378	(35)
<b>Financial receivables and other current financial assets</b>	467	509	(42)
<b>Cash and cash equivalents</b>	6.734	10.323	(3.589)
<b>Financial assets relating to discontinued operations/assets held for sale</b>	43	37	6
<b>TOTAL FINANCIAL ASSETS (B)</b>	<b>8.455</b>	<b>12.243</b>	<b>(3.788)</b>
<b>NET FINANCIAL POSITION (A-B)</b>	<b>39.043</b>	<b>39.858</b>	<b>(815)</b>