EMTN PROGRAMME PROSPECTUS

This document constitutes two base prospectuses: (i) the base prospectus of Telecom Italia S.p.A. and (ii) the base prospectus of Telecom Italia Finance S.A. (together, the “EMTN Programme Prospectus”).

TELECOM ITALIA S.p.A.
(incorporated with limited liability under the laws of the Republic of Italy)

TELECOM ITALIA FINANCE S.A.
(incorporated with limited liability under the laws of the Grand-Duchy of Luxembourg)

€20,000,000,000

Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed in respect of Notes issued by
Telecom Italia Finance S.A. by
TELECOM ITALIA S.p.A.
(incorporated with limited liability under the laws of the Republic of Italy)

Under this €20,000,000,000 Euro Medium Term Note Programme (the “Programme”), Telecom Italia S.p.A. (Telecom Italia) and Telecom Italia Finance S.A. (TI Finance and, together, the Issuers) may from time to time issue notes (the “Notes”) denominated in any currency agreed with the relevant Dealer (as defined below). Payment of all amounts owing in respect of the Notes issued by TI Finance will be unconditionally and irrevocably guaranteed by Telecom Italia (in such capacity, the Guarantor).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €20,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement), subject to increase as described herein.

In addition, the minimum denomination for any Notes issued under the Programme shall be €1,000, or a denomination in another currency provided that the value of such denomination when converted into euro amounts to at least €1,000.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “Summary of the Programme” and any additional Dealer appointed under the Programme from time to time by the Issuers (each a Dealer and, together, the Dealers), which appointment may be for a specific issue or on an ongoing basis. References in this EMTN Programme Prospectus to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to the Lead Manager(s) acting on behalf of all Dealers agreeing to subscribe such Notes.

Application has been made to the Commission de Surveillance du Secteur Financier (the CSSF) in its capacity as competent authority under the Luxembourg Act dated 10 July, 2005 on prospectuses for securities to approve this document as two base prospectuses, the base prospectus of Telecom Italia and the base prospectus of TI Finance. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a Final Terms document (the Final Terms) which, with respect to Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange, will be filed with the CSSF.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance) and the relevant Dealer. The Issuers may also issue unlisted Notes.

Subject to and as set out in “Terms and Conditions of the Notes — Taxation”, Telecom Italia shall not be liable to pay any additional amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of 1 April, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a Noteholder resident for tax purposes in a country which does not allow for a satisfactory exchange of information with Italy and otherwise in the circumstances described in “Terms and Conditions of the Notes — Taxation”.

Telecom Italia Finance has a right of substitution as set out in “Terms and Conditions of the Notes — Meeting of Noteholders, Modification, Waiver, Authorisation, Determination and Substitution”. The Trustee may at any time agree, without the consent of the Noteholders, Receiptholders or Couponholders (all as defined in “Terms and Conditions of the Notes”), to the substitution, in place of TI Finance, of Telecom Italia or any Subsidiary (as defined in “Terms and Conditions of the Notes”) of Telecom Italia as principal debtor under the Notes, the Receipts and the Coupons (all as defined in “Terms and Conditions of the Notes”). Telecom Italia shall indemnify each Noteholder, Receiptholder and Couponholder against (A) any tax, assessment or governmental charge which is imposed on such Noteholder, Receiptholder or Couponholder by (or by any authority in or of) the Republic of Italy (Italy) with respect to any Note, Receipt or Coupon and which would not have been so imposed had the substitution not been made and (B) any tax, assessment or governmental charge, and any cost or expense relating to the substitution, except that Telecom Italia shall not be liable under such indemnity to pay any additional amounts either on account of “imposta sostitutiva” or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy. As long as the Notes are admitted to trading on the Luxembourg Stock Exchange’s regulated market and/or listed on the official list of the Luxembourg Stock Exchange, in the case of such substitution, Telecom Italia will advise the Luxembourg Stock Exchange, a supplement to this EMTN Programme Prospectus will be prepared and the Noteholders will be notified in accordance with the provisions of “Terms and Conditions of the Notes - Notices”.

Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies (the CRA Regulation) will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this EMTN Programme Prospectus and in particular, the risk factor relating to the investigation of Telecom Italia Sparkle.
The date of this EMTN Programme Prospectus is 22 July, 2011.
This EMTN Programme Prospectus comprises two base prospectuses for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive) as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area): (i) the base prospectus of Telecom Italia; and (ii) the base prospectus of TI Finance.

The Issuers and the Guarantor (the Responsible Persons) accept responsibility for the information contained in this EMTN Programme Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this EMTN Programme Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this EMTN Programme Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers and the persons named in or identifiable following the applicable Final Terms, as the case may be.

Copies of the Final Terms and the EMTN Programme Prospectus will be available free of charge from the registered office of the Issuers and the specified office set out below of each of the Paying Agents (as defined below), and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This EMTN Programme Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below). This EMTN Programme Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this EMTN Programme Prospectus.

Save for the Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this EMTN Programme Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this EMTN Programme Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme.

No person is or has been authorised by any of the Issuers, the Guarantor or the Trustee to give any information or to make any representation not contained in or consistent with this EMTN Programme Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuers, the Guarantor, any of the Dealers or the Trustee.

Neither this EMTN Programme Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuers, the Guarantor, any of the Dealers or the Trustee that any recipient of this EMTN Programme Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and/or the Guarantor (if applicable). Neither this EMTN Programme Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of any of the Issuers, the Guarantor, any of the Dealers or the Trustee to any person to subscribe or purchase any Notes.
Neither the delivery of this EMTN Programme Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning any of the Issuers and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of any of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this EMTN Programme Prospectus when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “Subscription and Sale”).

This EMTN Programme Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this EMTN Programme Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuers, the Guarantor, the Dealers and the Trustee represent that this EMTN Programme Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuers, the Guarantor, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this EMTN Programme Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this EMTN Programme Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this EMTN Programme Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this EMTN Programme Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this EMTN Programme Prospectus and the offer or sale of Notes in the United States, the United Kingdom, Italy, The Netherlands, Japan and the European Economic Area. See “Subscription and Sale”.

This EMTN Programme Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a *Relevant Member State*) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this EMTN Programme Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-
paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

All references in this EMTN Programme Prospectus document to euro and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, and all references to U.S. dollars, U.S.$ and $ refer to United States dollars.

References to “Old Telecom Italia” and “Old Telecom Italia Group” and “New Telecom Italia” and “New Telecom Italia Group” refer to Telecom Italia and its consolidated subsidiaries as they existed immediately prior to, and immediately after, respectively, the effective date of the merger between Olivetti S.p.A. (Olivetti) and Old Telecom Italia described herein. References to the “Telecom Italia Group” refer to Telecom Italia and its consolidated subsidiaries as they exist at the date of this EMTN Programme Prospectus.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.
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GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuers may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the terms and conditions of the Notes (the Conditions) endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” below.

This EMTN Programme Prospectus and any supplement to this EMTN Programme Prospectus will only be valid for admission of the Notes to trading on the regulated market of the Luxembourg Stock Exchange and listing of the Notes on the official list of the Luxembourg Stock Exchange during the period of 12 months from the date of this EMTN Programme Prospectus in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed €20,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate principal amount of Notes issued under the Programme from time to time:

(a) the euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under “Form of the Notes”) shall be determined, at the discretion of the relevant Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the euro equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms in relation to the relevant Notes, described under “Form of the Notes”) shall be calculated in the manner specified above by reference to the original principal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the euro equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, described under “Form of the Notes”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.
SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this EMTN Programme Prospectus and any decision to invest in any Notes should be based on a consideration of this EMTN Programme Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (an EEA State), no civil liability will attach to the Responsible Persons in any such EEA State in respect of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this EMTN Programme Prospectus. Where a claim relating to information contained in this EMTN Programme Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the EMTN Programme Prospectus before the legal proceedings are initiated.

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this EMTN Programme Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this overview.

Issuers: Telecom Italia S.p.A.

Telecom Italia was incorporated as a joint stock company under the laws of Italy on 20 October, 1908, and its duration is until 31 December, 2100. Telecom Italia’s registered office and principal executive offices are at Piazza degli Affari 2, 20123 Milan, Italy.

Telecom Italia Finance S.A.

TI Finance was incorporated on 2 June, 2000 for an unlimited duration in the Grand-Duchy of Luxembourg as a société anonyme. TI Finance’s registered office and postal address is 12 rue Eugène Ruppert, L-2453 Luxembourg.

Guarantor: Telecom Italia S.p.A. (in respect of Notes issued by TI Finance)

Risk Factors: There are certain risk factors that may affect the Issuer’s and/or the Guarantor’s ability to fulfil its obligations under Notes issued under the Programme and/or the Guarantee.

These include:

Risks related to Telecom Italia Group

- Telecom Italia’s business will be adversely affected if it is unable to successfully implement its strategic objectives. Factors beyond its control may prevent it from successfully implementing its strategy.

- Telecom Italia’s leverage is such that deterioration in cash flow generation can change the expectations on the Group’s ability to repay its debt.
• Telecom Italia may be adversely affected if the allegations into the investigation of Telecom Italia Sparkle are found to have merit.

Risks related to the telecommunications industry and financial markets

• Because Telecom Italia operates in heavily regulated business environments, regulatory decisions and changes in the regulatory environment could materially adversely affect its business.

• 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.

In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme (see “Risk Factors”) and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular issue of Notes and certain market risks.

Description:
Euro Medium Term Note Programme

Arranger:
J.P. Morgan Securities Ltd.

Dealers:
Banca IMI S.p.A.
Barclays Bank PLC
BNP PARIBAS
Citigroup Global Markets Limited
Crédit Agricole Corporate & Investment Bank
Deutsche Bank AG, London Branch
J.P. Morgan Securities Ltd.
Mediobanca – Banca di Credito Finanziario S.p.A.
Société Générale
UniCredit Bank AG
and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions:
Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”) including the following restrictions applicable at the date of this EMTN Programme Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the
proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the **FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See “**Subscription and Sale**”.

**Issuing and Principal Paying Agent:** Deutsche Bank AG, London Branch

**Trustee:** Deutsche Trustee Company Limited

**Programme Size:** Up to €20,000,000,000 (or its equivalent in other currencies) calculated as described in the Programme Agreement outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

**Distribution:** Notes may be distributed on a syndicated or non-syndicated basis.

**Currencies:** Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.

**Redenomination:** The applicable Final Terms may provide that certain Notes may be redenominated in euro.

**Maturities:** Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.

**Issue Price:** Notes may be issued as specified in the relevant Final Terms on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

**Form of Notes:** The Notes will be issued in bearer form as described in “**Form of the Notes**”.

**Fixed Rate Notes:** Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

**Floating Rate Notes:** Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.,
and as amended and updated as at the Issue Date of the
first Tranche of the Notes of the relevant Series); or

(b) on the basis of a reference rate appearing on the agreed
screen page of a commercial quotation service; or

(c) on such other basis as may be agreed between the
relevant Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed
between the relevant Issuer and the relevant Dealer for each
Series of Floating Rate Notes.

**Index Linked Notes:**

Payments of principal in respect of Index Linked Redemption
Notes or of interest in respect of Index Linked Interest Notes
will be calculated by reference to such index and/or formula or
to changes in the prices of securities or commodities or to such
other factors as the relevant Issuer and the relevant Dealer may
agree.

**Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:**

Floating Rate Notes and Index Linked Interest Notes may also
have a Maximum Rate of Interest, a Minimum Rate of Interest
or both.

Interest on Floating Rate Notes and Index Linked Interest Notes
in respect of each Interest Period, as agreed prior to issue by the
relevant Issuer and the relevant Dealer, will be payable on such
Interest Payment Dates, and will be calculated on the basis of
such Day Count Fraction, as may be agreed between the
relevant Issuer and the relevant Dealer.

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and
whether at maturity or otherwise) in respect of Dual Currency
Notes will be made in such currencies, and based on such rates
of exchange, as the relevant Issuer and the relevant Dealer may
agree.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to
their nominal amount and will not bear interest.

**Redemption:**

The applicable Final Terms will indicate either that the relevant
Notes cannot be redeemed prior to their stated maturity (other
than in specified instalments, if applicable, or for taxation
reasons or following an Event of Default) or that such Notes
will be redeemable at the option of the relevant Issuer and/or
the Noteholders upon giving notice to the Noteholders or the
relevant Issuer, as the case may be, on a date or dates specified
prior to such stated maturity and at a price or prices and on such
other terms as may be agreed between the relevant Issuer and
the relevant Dealer.

The applicable Final Terms may provide that Notes may be
redeemable in two or more instalments of such amounts and on
such dates as are indicated in the applicable Final Terms.
Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution. See “Certain Restrictions — Notes having a maturity of less than one year” above.

Denomination of Notes:

The minimum denomination for any Notes issued under the Programme shall be €1,000 or a denomination in another currency provided that the value of such denomination when converted into euro amounts to at least €1,000.

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). See “Certain Restrictions — Notes having a maturity of less than one year” above.

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction, subject as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Restrictions on Security Interests:

The terms of the Notes will contain a provision restricting the ability of the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor to create security interests in respect of certain of their capital markets indebtedness, as further described in Condition 3.

Cross Default:

The terms of the Notes will contain a cross default provision as further described in Condition 10.

Status of the Notes:

The Notes will constitute unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and will rank pari passu among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

Guarantee:

Notes issued by TI Finance will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee will be unconditional, unsubordinated and (subject to the provisions of Condition 3)
unsecured obligations of the Guarantor and will rank *pari passu* and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

**Listing, admission to trading and approval:** Application has been made to the CSSF to approve this document as two base prospectuses, the base prospectus of Telecom Italia and the base prospectus of TI Finance. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange.

Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s).

**Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law. The provisions of Articles 86 to 94-8 of the Luxembourg law on commercial companies of 10 August, 1915, as amended, are excluded.

**Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Italy, The Netherlands and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “Subscription and Sale”.
RISK FACTORS

Each of the Issuers and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or, in respect of the Notes issued by TI Finance, the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this EMTN Programme Prospectus (including any documents incorporating reference herein) and reach their own views prior to making any investment decision.

Factors that may affect the Issuers’ ability to fulfil their obligations under Notes issued under the Programme — Factors that may affect the Guarantor’s ability to fulfil its obligations under the Guarantee (for the purposes of these risk factors “Telecom Italia” means Telecom Italia S.p.A. and/or its consolidated subsidiaries as they exist as at the date of this EMTN Programme Prospectus).

RISKS RELATED TO THE TELECOM ITALIA GROUP

Telecom Italia’s business will be adversely affected if it is unable to successfully implement its strategic objectives. Factors beyond its control may prevent it from successfully implementing its strategy.

On 25 February, 2011, Telecom Italia set out its strategic priorities for the 2011-2013 period. Its strategy confirms the strategic priorities that the Telecom Italia Group set in April 2010, and in particular that it will:

(i) focus on its core markets (Italy, Brazil and Argentina) to enhance free cash flow generation; and

(ii) continue capital discipline to generate sustainable dividend growth and to complete the ongoing deleveraging of the Group’s balance sheet through the further reduction of outstanding debt.

Telecom Italia’s ability to implement and achieve these strategic objectives may be influenced by certain factors, including factors outside of its control, such as:

(i) increasing competition from global and local “over the top” (OTT) players (i.e. operators offering contents and services on the internet without owning a proprietary telecommunications (TLC) network infrastructure);

(ii) regulatory decisions and changes in the regulatory environment in Italy and other countries in which Telecom Italia operates;

(iii) increasing number of competitors in the Italian telecommunications market which could cause Telecom Italia to lose further market share;

(iv) stronger market competition in its principal markets with a consequent decline in the prices of services;
Telecom Italia’s ability to strengthen its competitive position in Italy through its focus on related markets and in international markets, particularly in Brazil and Argentina for mobile telecommunications;

Telecom Italia’s ability to develop and introduce new technologies which are attractive to customers in its principal markets, to manage innovation, to supply value added services and to increase the use of its fixed and mobile networks;

the success of “disruptive” new technologies which could cause significant reductions in revenues from fixed and mobile telephony;

Telecom Italia’s ability to manage costs;

the continuing effects of the global credit crisis and weak economic conditions in the major markets in which the Telecom Italia Group operates;

Telecom Italia’s ability to refinance existing indebtedness when due under the uncertain conditions in the capital and bank markets;

Telecom Italia’s ability to attract and retain highly qualified employees; and

the effect of exchange rate fluctuations on Telecom Italia’s 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 Telecom Italia is unable to attain its strategic priorities, its goodwill may be impaired which could result in significant write-offs.

The global economic crisis adversely affected Telecom Italia’s business in 2009 and 2010 and continuing global economic weakness could further adversely affect Telecom Italia’s businesses and therefore have a negative impact on its operating results and financial condition.

The global economic crisis began in late 2008 and continued through to 2010. Although the global economy began to recover during 2010, such recovery varied between geographical areas and European economies, including Italy, were affected by the sovereign debt crisis and continuing concerns about the strength of certain economies, in particular Ireland, Greece, Portugal and Spain. The continuing economic weakness was reflected in the general contraction in consumer spending, with the impact on consumer spending varying between geographical areas and different markets. Economic weakness, particularly in Telecom Italia’s domestic market, is expected to continue for at least the whole of 2011.

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 improved slightly compared to 2009. In 2010, in both Brazil and Argentina there was a recovery in GDP growth, which is expected to continue in 2011.

Although the contribution of raw materials to export growth increased in Brazil in 2010, a fall in the price of raw materials may have a material adverse effect on Brazil’s economic growth. In Argentina, as has been the case in the last few years, the level of inflation has been high, and the expected growth of the economy may generate further inflation in the medium term. Such inflation may negatively affect the margins of the Argentinean Business Unit.

Although telecommunications have proven to be one of the industrial segments least affected by pro-cyclical trends since society has an increasing need to communicate, recessionary conditions have weighed, and may continue to weigh, heavily on the development prospects of Telecom Italia’s 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 continuing weak economic conditions could have a negative effect on revenues. Declines in the growth in the economies of Brazil and Argentina could also reduce the demand for Telecom Italia’s products and services in those markets.

The continuing weakness in the global economy, and in particular the expected slow growth in GDP in Telecom Italia’s domestic market, creates significant uncertainty and may adversely impact consumer spending, including telecommunication services. If Telecom Italia fails to successfully implement its plans to improve efficiency and optimise expenditures, its results of operations and financial conditions could be adversely affected.

*Telecom Italia’s leverage is such that deterioration in cash flow generation can change the expectations of the Group’s ability to repay its debt and the inability to reduce its debt could have a material adverse effect on Telecom Italia’s business. Continuing volatility in the international credit markets may limit Telecom Italia’s ability to refinance its financial debt.*

Telecom Italia’s gross financial debt was 41,230 million euros at 31 December, 2010 compared with 44,397 million euros at 31 December, 2009 and its net financial debt was 32,087 million euros at 31 December, 2010 compared with 34,747 million euros as of 31 December, 2009.

Due to the competitive environment and the current economic conditions, there could be deterioration in Telecom Italia’s income statement and statement of financial position measures used by investors and rating agencies in determining the credit quality of Telecom Italia. Ratios derived from these 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 Telecom Italia’s ability to repay its debt.

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

Factors which are beyond Telecom Italia’s control such as deterioration in performance by the telecommunications sector, unfavourable fluctuations in interest rates and/or exchange rates, further disruptions in the capital markets, particularly debt capital markets, and, in a broader sense, deterioration in general economic conditions as a result of the continuing effects of the economic and financial crisis, could have a significant effect on Telecom Italia’s ability to reduce its debt, or the ability of the Telecom Italia Group to refinance existing debt through further access to the financial markets. As a result of the reduction of debt being a key element of the Group’s strategy, the failure to reduce debt could be viewed negatively and adversely affect the credit ratings of Telecom Italia.

The management and further development of Telecom Italia’s business will require it to make further capital and other investments. Telecom Italia may therefore incur additional debt in order to finance such investment. Telecom Italia’s future results of operations may be influenced by its ability to enter into such transactions, which in turn will be determined by market conditions and factors that are outside its control. In addition, if such transactions increase its leverage it could adversely affect the credit ratings of Telecom Italia.
Telecom Italia is continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties and is 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 the results of operations and financial condition of Telecom Italia.

Telecom Italia is subject to numerous risks relating to legal, competition and regulatory proceedings in which it is currently a party or which could develop in the future. It is also the subject of a number of investigations by judicial authorities. Such proceedings and investigations are inherently unpredictable. Legal, competition and regulatory proceedings and investigations in which Telecom Italia is, or may become, involved (or settlements thereof) may have a material adverse effect on its results of operations and/or financial conditions. Furthermore, Telecom Italia’s involvement in such proceedings and investigations may adversely affect its reputation. For information concerning the most significant legal, competition and regulatory proceedings and investigations in which Telecom Italia is involved, see “Description of Telecom Italia – Litigation”.

The Italian Collective Action for Damages for the Protection of Consumers Law (the Collective Action Law) was passed in December 2007 and, after undergoing substantial modifications by the Italian Parliament, entered into force on 1 January, 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, although no such actions have yet been brought against Telecom Italia.

Operational risks could adversely affect Telecom Italia’s reputation and profitability.

Telecom Italia faces numerous operational risks inherent in its business, including those resulting from inadequate internal and external processes, fraud, employee errors or misconduct, failure to comply with applicable laws, failure to document transactions properly or systems failures. These events can result in direct or indirect losses and adverse legal and regulatory proceedings, and harm its reputation and operational effectiveness. In recent years Telecom Italia has been the subject of a number of fraud incidents, including matters relating to its Telecom Italia Sparkle subsidiary, which resulted in the restatement of its financial statements in connection with the 2009 financial year.

Telecom Italia has risk management practices in place designed to detect, manage and monitor, at top level, the evolution of these operational risks, and for this purpose it has recently established a group risk management committee.

However, there is no guarantee that these measures will be successful in effectively controlling the operational risks that Telecom Italia faces and such failures could have a material adverse effect on its results of operations and could harm its reputation.

Risks associated with Telecom Italia’s ownership chain.

Telco S.p.A. (Telco) a company in which interests are held by the 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 22.40% of the voting rights.

The shareholders in Telco are parties to an amended shareholders agreement dated 28 April, 2010 (as amended and supplemented from time to time, the Shareholders’ Agreement) which is effective through 27 April, 2013.

The Shareholders’ Agreement defines, inter alia, the criteria for drawing up the list of candidates for the appointment of the Board of Directors of Telecom Italia:
(i) Telefónica, insofar as it holds at least 30% of Telco’s share capital, will be entitled to designate two candidates; and

(ii) the other shareholders of Telco, as they hold the absolute majority of its share capital, have the right to designate the other members on the list, of which three candidates would be appointed unanimously and the others on a proportional basis.

The Shareholders’ Agreement provides that the Telecom Italia Group and the Telefónica group are managed autonomously and independently.

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 held on 12 April, 2011, 12 out of 15 Board members were elected from a list proposed by Telco, while the remaining 3 Directors were elected from a list proposed by a group of asset management companies and international institutional investors. 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 Shareholders’ Agreement provides that the Telecom Italia and Telefónica groups will be managed autonomously and independently. The Shareholders’ Agreement provides, among other things, 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 and Argentina. The presence of Telefónica in Telco could, however, result in legal or regulatory proceedings or affect regulatory decisions in countries where Telecom Italia may wish to operate if Telefónica is also an operator/competitor in such jurisdictions.

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 26 March, 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 arose 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 would not be in a position to know when the powers will be used. Through a decree passed on 20 May, 2010, the Italian Government amended the criteria under which it may exercise such special powers. In any event, the ruling by the European Court of Justice does not have any immediate or direct impact on Telecom Italia’s Bylaws.
System failures could result in reduced user traffic and reduced revenue and could harm Telecom Italia’s reputation.

Telecom Italia’s technical infrastructure (including its 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 its facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of service and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could harm Telecom Italia’s reputation.

Telecom Italia’s business depends on the upgrading of its existing networks.

Telecom Italia must continue to upgrade its existing networks in a timely and satisfactory manner in order to retain and expand its customer base in each of the markets in which it operates, to enhance its financial performance and to satisfy regulatory requirements. Among other things, Telecom Italia could be required to:

(i) upgrade the functionality of its networks to permit increased customisation of services;
(ii) increase coverage in some of its markets;
(iii) expand and maintain customer service, network management and administrative systems; and
(iv) upgrade older systems and networks to adapt them to new technologies.

Many of these tasks are not entirely under the control of Telecom Italia and may be affected by applicable regulation. If Telecom Italia fail to execute them successfully, its services and products may be less attractive to new customers and it may lose existing customers to its competitors, which could have a material adverse effect on Telecom Italia’s business, financial condition and results of operations.

RISKS RELATED TO THE TELECOMMUNICATIONS INDUSTRY AND FINANCIAL MARKETS

The value of Telecom Italia’s 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 Telecom Italia’s products and services and adversely affect its results of operations, cash flows and financial condition.

Telecom Italia’s business is dependent to a large degree on general economic conditions in Italy and its other principal markets, Brazil and Argentina, including levels of interest rates, inflation, taxes and general business conditions. A significant deterioration in economic conditions could adversely affect Telecom Italia’s business and results of operations. The continuing weak economic conditions in 2010 following on from 2009 had an adverse impact on Telecom Italia’s business, particularly in Italy. Telecom Italia may also be adversely affected by political developments in other countries where it has 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 Telecom Italia has invested and impair the value of these investments.

Continuing uncertainty about current global economic conditions poses a significant risk as consumers and businesses 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 Telecom Italia’s products and services. Although global economic conditions began to improve in 2010 such improvement varied in different parts of the world and recovery, particularly in Europe, remained weak. Economic difficulties in the credit markets and other economic conditions may reduce the
demand for, or the timing of, purchases of Telecom Italia’s products and services. Loss of customers or a reduction in purchases by Telecom Italia’s current customers could have a material adverse effect on its financial condition, results of operations and cash flow and may negatively affect its ability to meet its growth targets. Other factors that could influence customer demand include access to credit, consumer confidence and other macroeconomic factors.

Because Telecom Italia operates in a heavily regulated industry, regulatory decisions and changes in the regulatory environment could materially adversely affect its business.

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

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 under this obligation.

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 was expected to be implemented in Italy, as in each EU Member State, by 25 May, 2011. To date, a government bill is currently before Parliament (Legge Comunitaria 2010) that will, once adopted, require the government to transpose the EU 2009 regulatory framework into Italian law by a legislative decree.

Included within the regulatory framework is the obligation on the part of the Italian regulator responsible for the regulation of telecommunications, radio and television broadcasting sector (AGCom) to identify operators with “significant market power” (SMP) based on 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 SMP in various markets.

The regulatory approach to Next Generation Access Network (NGAN) is still under consideration. With Decisions 1/11/CONS of January 2011 and 301/11/CONS of May 2011, AGCom launched public consultations on the regulation of access to NGAN. The proceedings are expected to conclude by the end of July 2011 although implementing measures will not be published before the second half of 2011. As NGAN 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.

On 19 January, 2011, with respect to the annual contribution to AGCom, AGCom commenced an audit of Telecom Italia’s compliance with the requirements relating to payments for 2006, 2007, 2008, 2009 and 2010. The AGCom audit on the annual contribution to AGCom is part of a general audit of all companies in the TLC industry. AGCom released its findings on 1 March, 2011 with the Decision 99/11/CONS, holding that Telecom Italia did not properly fulfil its obligation to pay the contribution in the 2006-2010 period. The cost for Telecom Italia is the payment of an amount of about 25 million euros. On 23 April, 2011, Telecom Italia filed with the Regional Administrative Court of Lazio (TAR), the action for the annulment of Decision 99/11/CONS and the deadline for the payment order has been suspended until the public hearing date fixed by TAR for 13 December, 2011.

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

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

**Telecom Italia operates under licenses, authorisations and concessions granted by government authorities.**

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

Many of these licenses, authorisations and concessions are revocable for public interest reasons. The rules of some of the regulatory authorities with jurisdiction over Telecom Italia’s operating companies require it to meet specified network build-out requirements and schedules. In particular, Telecom Italia’s existing licenses, authorisations and concessions typically require Telecom Italia 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, authorisation or concession for the relevant area. In addition, the need to meet scheduled deadlines may require Telecom Italia 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 a material adverse effect on its results of operations and financial condition.**

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 liberalisation 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 for broadband services.

Competition has continued to intensify. As of the date of this EMTN Programme Prospectus, 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 TLC, Information Technology (IT), Media and Devices/Consumer Electronic 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 and market participants.

This competition may further increase due to the consolidation and globalisation of the telecommunications industry in Europe, including Italy, and elsewhere. Telecom Italia faces competition from international
competitors who have entered local markets to compete with existing operators as well as local operators, each of which has increased the direct competition Telecom Italia faces in its 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:

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

Although Telecom Italia has taken a number of steps to realise additional efficiencies and to rebalance revenue mix through the continuing introduction of innovative and value added services to enhance domestic growth, and although its plans take into account that it faces significant competition from a number of operators in all the markets in which it operates, if any or all of the events described above should occur, the impact of such factors could have a material adverse effect on Telecom Italia’s results of operations and financial condition.

*Telecom Italia’s business may be adversely affected and its revenues may continue to decline if it is unable to continue the introduction of new services to stimulate increased usage of its fixed and wireless networks.*

In order to sustain growth in revenues despite increased competition eroding Telecom Italia’s market shares and lower prices, particularly in its core Italian domestic market, Telecom Italia’s strategy has been to introduce new services in its fixed-line, wireless and broadband businesses and in new addressable closely related markets (IPTV, Information and Communications Technology (ICT), Online advertising, Digital Home and Service Exposure). In recent years Telecom Italia’s strategy to reverse the trend which has led to continuing revenue declines has been to focus on increasing the loyalty of its customer base, increasing penetration of the retail broadband 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 and Telecom Italia’s other strategies to slow or reverse declines in revenues from its traditional fixed line businesses are not successful its revenues may continue to decrease.

In addition, Telecom Italia’s strategic priorities have required, and will continue to require, substantial expenditure. Although these initiatives are core to Telecom Italia’s strategy, it may be unable to introduce commercially these new products and services and, even if it introduces 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 Telecom Italia to make substantial additional investments.*

Many of the services Telecom Italia offers are technology-intensive and the development or deployment 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, Telecom Italia makes, and will have to make, substantial additional investments in new technologies to remain competitive. The new technologies
Telecom Italia chooses 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 unfavourable regulation regarding the usage of these technologies (for example, uncertainty on NGAN regulatory requirements). Furthermore, Telecom Italia’s most significant competitors in the future may be new entrants to its markets who do not have to maintain an installed base of older equipment.

As a result, Telecom Italia could lose customers, fail to attract new customers or incur substantial costs in order to maintain its 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 Telecom Italia’s 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 Telecom Italia operates will depend on a number of factors, many of which are outside its control. These factors include:

(i) the activities of its competitors;

(ii) competitive pressures and regulations applicable to retail and wholesale prices;

(iii) the development and introduction of new and alternative technologies for mobile telecommunications products and services and their attractiveness to its customers;

(iv) the success of new disruptive or substitute technologies; and

(v) the development of the mobile communications markets.

In addition, as Telecom Italia’s 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 Telecom Italia is unable to satisfactorily offer better value to its customers, its market share and revenues could decline.

If the mobile telecommunications markets in which Telecom Italia operates do not continue to expand, or if it is unable to retain its existing customers or stimulate increases in customer usage, Telecom Italia’s financial condition and results of operations may be harmed.

**Telecom Italia may be adversely affected if it fails to successfully implement its internet and broadband strategy.**

The continuing development of internet and broadband services is an important part of Telecom Italia’s strategic objectives and means to increase the use of its networks in Italy and abroad. Telecom Italia’s strategy is to replace the mature, traditional voice services with value added content and services to consumers and companies. Telecom Italia’s ability to successfully implement this strategy may be affected if:

(i) 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;

(ii) broadband penetration does not grow as it expects;

(iii) competition increases, for reasons such as the entry of new competitors (telcos, OTT players or players from adjacent markets), 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 it can offer; and

(iv) it experiences any network interruptions or related problems with network infrastructure.

Any of the above factors may adversely affect the successful implementation of Telecom Italia’s strategy, its business and results of operations.

*Telecom Italia may be adversely affected if it fails to successfully implement its ICT strategy.*

Telecom Italia intends to continue focusing on IT-TLC convergence by addressing the ICT market, in particular offering network and infrastructure management, as well as application management. It expects to experience increased competition in this market as additional competitors (mainly Telco operators through acquisition and partnership with IT operators) also enter this market.

There is no assurance that the services offered will be successful; as a result Telecom Italia’s revenue generation could be negatively affected.

*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. Telecom Italia 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.

Telecom Italia’s 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, Telecom Italia has made substantial international investments, primarily in U.S. dollars, and have significantly expanded its operations outside of the Euro zone, particularly in Latin America.

Telecom Italia generally hedge its foreign exchange exposure, but do not cover translation risk relating to its foreign subsidiaries. Movements in exchange rates of the euro relative to other currencies (in particular the Brazilian reais and Argentine peso) may adversely affect Telecom Italia’s consolidated results. A rise in the value of the euro compared to other currencies in certain countries in which Telecom Italia operates or have made investments will reduce the relative value of the revenues or assets of its operations in those countries and, therefore, may adversely affect its operating results or financial position.

In addition, Telecom Italia has 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. In accordance with its risk management policies, Telecom Italia generally hedge the foreign currency risk exposure related to non-euro denominated liabilities, through cross-currency and interest rate swaps.

Furthermore, Telecom Italia enters into derivative transactions hedging its interest rate exposure to changes in interest rates in order to manage the volatility of its income statement, while remaining within predefined target levels. However, no assurance can be given that fluctuations in interest rates will not adversely affect Telecom Italia’s 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 23 February, 2010 the Italian Finance Police, at the request of the Prosecutor’s Office of Rome (the Prosecutor) served Telecom Italia’s 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, relating to, inter alia, alleged cross-border 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) 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 offences 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 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 has been terminated.

In addition to the amounts seized, Telecom Italia Sparkle has provided guarantees for 195 million euros, of which 72 million euros correspond to the potential seizure of profits generated by the sales transactions noted above, and 123 million euros correspond 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.

In light of these initiatives, and after revocation of the request to appoint a legal administrator by the Rome Prosecutor’s Office, the judge in the preliminary investigation (the GIP) declared that there are “no grounds to proceed”.

In May 2010 the Guardia di Finanza communicated a “note of findings” to Telecom Italia, stating:

(i) that the VAT on the services attributable to the fraud mentioned above, deducted in the 2005, 2006 and 2007 tax years, totalling approximately 298 million euros, was not deductible;

(ii) that the costs of the aforementioned operations was not deductible for the purposes of corporation tax and regional tax (IRES and IRAP), with an estimated total expense of approximately 429 million euros, plus fines and interest.

Subsequently, in July 2010, the Lazio regional office of the Agenzia delle Entrate, taking note of the findings raised by the Guardia di Finanza, served three notices of assessment on Telecom Italia Sparkle, notifying the company of the non-deductibility of VAT totalling approximately 298 million euros, as mentioned above, plus interest and fines.
In July 2010, Telecom Italia Sparkle paid a proportion of the fines (25% of the sum imposed), the whole of the VAT considered to be non-deductible, plus the interest, for a total of 418 million euros. After the payment, the bank guarantee for approximately 123 million euros which had been issued in favour of the tax authorities, lapsed.

Moreover, in August 2010, Telecom Italia Sparkle’s application for the preventive seizure ordered by the Rome Prosecutor’s Office in February 2010 to be revoked was granted. In consequence, the assets seized were released, apart from a sum of 10 million euros which remains under seizure for guarantees connected to the criminal proceedings currently underway.

Finally, granting the application made in August 2010 by the Rome Prosecutor’s Office, the judge in the preliminary investigation ordered the immediate trial of the defendants currently subject to precautionary measures. In particular, the application requested the immediate trial of the former chief executive officer and two former employees.

In relation to this trial, Telecom Italia Sparkle made an application to bring a civil action against all the defendants. The Court ruled this application inadmissible in its hearing on 18 December, 2010, since it considered such an action incompatible with Telecom Italia Sparkle’s position as a subject of investigation pursuant to Legislative Decree No. 231/2001.

Given the complexity of the case, and the fact that the investigations are continuing, and that in consequence it is not yet possible to have full knowledge of all the acts of the proceedings, at present Telecom Italia Sparkle cannot formulate definitive predictions of their outcome, without prejudice to the defence that Telecom Italia Sparkle will pursue with the maximum vigour to demonstrate its non-involvement in the matters at issue. Regarding the effects of a conviction under Legislative Decree No. 231/2001, in addition to the administrative fines (which would be relatively small) and any interdiction, the profits of the crime would be confiscated, and in the current formulation of the charge by the public prosecutors and without prejudice to the defence considerations that will be developed in relation to this, would total approximately 72 million euros (a sum already guaranteed by the bond mentioned above and already set aside in the 2009 consolidated financial statements).

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

**Factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme.**

*The Notes may not be a suitable investment for all investors.*

Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this EMTN Programme Prospectus or any applicable supplement to the EMTN Programme Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

*Risks related to the structure of a particular issue of Notes.*

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features.

*Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

*Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a Relevant Factor). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally.

Set out below is a brief description of certain risks relating to the Notes generally.
Modification, waivers and substitution

The Conditions contain provisions for convening meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, subject to a procedure whereby on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State of the EU which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Each Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EC Council Directive 2003/48/EC.

Change of law

The Conditions are based on English law in effect as at the date of this EMTN Programme Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this EMTN Programme Prospectus.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.
Risks related to the market generally.

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does not develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the Investor’s Currency) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the Notes and (3) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the CRA Regulation) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.
Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.
The following documents which have previously been or are published simultaneously with this EMTN Programme Prospectus and have been filed with the CSSF shall be deemed to be incorporated in, and to form part of, this EMTN Programme Prospectus:

− the audited consolidated annual financial statements for each of the financial years ended 31 December, 2010 and 2009 of the Telecom Italia Group (the 2010 Telecom Italia Annual Report and the 2009 Telecom Italia Annual Report, respectively);

− the unaudited consolidated interim financial information as at and for the three months ended 31 March, 2011 of the Telecom Italia Group (the Telecom Italia Group’s Quarterly Report at 31 March, 2011); and

− the audited unconsolidated annual financial statements for each of the financial years ended 31 December, 2010 and 2009 of TI Finance,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this EMTN Programme Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this EMTN Programme Prospectus. Any information not listed in the table below but included in the documents incorporated by reference is provided for information purposes only.

The Issuers and (in the case of Notes issued by TI Finance) the Guarantor will provide, without charge upon request, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to any of the Issuers or to the Guarantor at their respective offices set out at the end of this EMTN Programme Prospectus. In addition, such documents will be available free of charge at the principal office in Luxembourg of Deutsche Bank (Luxembourg) S.A. for Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange and will be available on the website of the Luxembourg Stock Exchange: www.bourse.lu.

The Issuers and (in the case of Notes issued by TI Finance) the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this EMTN Programme Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this EMTN Programme Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes.

The following information from Telecom Italia’s and TI Finance’s annual reports is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated:
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TI Finance’s Audited Unconsolidated Annual Financial Statements for the Financial Year Ended 31 December, 2010

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TI Finance’s Audited Unconsolidated Annual Financial Statements for the Financial Year Ended 31 December, 2009

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FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a Temporary Global Note) or, if so specified in the applicable Final Terms, a permanent global note (a Permanent Global Note) which, in either case, will

(i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the Common Safekeeper) for Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg); and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the Common Depository) for, Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the Exchange Date) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by a duly authorised representative of the relevant Issuer is given to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an
Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes”), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such further Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the relevant Issuer, the Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.
APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than €100,000 (or its equivalent in another currency).

[Date]

TELECOM ITALIA S.p.A.

TELECOM ITALIA FINANCE, société anonyme
(having its registered office at 12 Rue Eugène Ruppert, L-2453 Luxembourg Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B-76448)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] [Guaranteed by TELECOM ITALIA S.p.A.] under the €20,000,000,000 Euro Medium Term Note Programme

[The EMTN Programme Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

(i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or

(ii) in those Public Offer Jurisdictions mentioned in Paragraph 35 of Part A below, provided such person is one of the persons mentioned in Paragraph 35 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]

[The EMTN Programme Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]


1 Consider including this legend where a non-exempt offer of Notes is anticipated.

2 Consider including this legend where only an exempt offer of Notes is anticipated.
PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the Conditions) set forth in the EMTN Programme Prospectus dated 22 July, 2011 [and the supplement to the EMTN Programme Prospectus dated [ ] (the Supplement)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive)) to the extent that such amendments have been implemented in a Relevant Member State. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the EMTN Programme Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the EMTN Programme Prospectus [and the Supplement]. The EMTN Programme Prospectus [and the Supplement] [is/are] available for viewing at www.telecomitalia.it and www.bourse.lu and copies may be obtained free of charge from the Issuer [or the Guarantor] at [its/their respective] registered office[s]. In addition, this EMTN Programme Prospectus will be available from the specified office of each of the Paying Agents.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the Conditions) set forth in the Prospectus(1) dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive)) to the extent that such amendments have been implemented in a Relevant Member State and must be read in conjunction with the EMTN Programme Prospectus dated 22 July, 2011 [and the supplement to the EMTN Programme Prospectus dated [ ] (the Supplement)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms, the EMTN Programme Prospectus dated 22 July, 2011 [, the Supplement] and the Prospectus dated [original date]. Copies of such Prospectuses [and Supplement] are available for viewing at www.telecomitalia.it and www.bourse.lu and copies may be obtained from the Issuer [or the Guarantor] at [its/their respective] office[s] as well as from the specified office of each of the Paying Agents.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” or “N/A” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

(1) This should reflect the name of the document.

1. (a) Issuer: Telecom Italia S.p.A.
Telecom Italia Finance S.A.

(b) Guarantor: Telecom Italia S.p.A. (in the case of Notes issued by TI Finance only)

2. (a) Series Number: [ ]
(b) Tranche Number: [ ]

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)

3. Specified Currency or Currencies: [ ]

4. Aggregate Nominal Amount of Notes admitted to trading:
   (a) Series: [ ]
   (b) Tranche: [ ]

5. Issue Price: [ ]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]

6. (a) Specified Denominations: [ ]

(N.B. The minimum denomination must be €1,000 or a denomination in another currency provided that the value of such denomination when converted into euro amounts to at least €1,000)

(b) Calculation Amount: [ ]

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: [ ]
(b) Interest Commencement Date: [specify/Issue Date/Not Applicable]

(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)

8. Maturity Date: [Fixed rate - specify date/ Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]

9. Interest Basis: [[ ]% Fixed Rate] [[LIBOR/EURIBOR] +/- [ ]% Floating Rate] [Zero Coupon]
10. Redemption/Payment Basis: [Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [specify other]
(further particulars specified below)

11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]

12. Put/Call Options: [Investor Put] [Issuer Call] [(further particulars specified below)]

13. [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [     ] [and [     ], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)

14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Rate(s) of Interest: [     ]% per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]
(If payable other than annually, consider amending Condition [Interest])

(b) Interest Payment Date(s): [[     ] in each year up to and including the Maturity Date]/[specify other]
(N.B. This will need to be amended in the case of long or short coupons)

(c) Fixed Coupon Amount(s): [     ] per [     ] Calculation Amount
(Applicable to Notes in definitive form.)

(d) Broken Amount(s): [per Calculation Amount payable on the Interest Payment Date falling [in/on] [     ]]
(Applicable to Notes in definitive form.)

(e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
(f) Determination Date(s): [   ] in each year

[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration
N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]

(g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]

16. Floating Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Specified Period(s)/Specified Interest Payment Dates: [   ]

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]

(c) Additional Business Centre(s): [   ]

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/[specify other]]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [   ]

(f) Screen Rate Determination:

Reference Rate: [   ]

(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)

Interest Determination Date(s): [   ]

(Second London business day prior to the start of each
Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR

 Relevant Screen Page:  

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

(g) ISDA Determination: 
   Floating Rate Option:  
   Designated Maturity:  
   Reset Date:  

(h) Margin(s):  [+/-] [ ]% per annum

(i) Minimum Rate of Interest: [ ]% per annum

(j) Maximum Rate of Interest: [ ]% per annum

(k) Day Count Fraction:  
   [Actual/Actual (ISDA) or Actual/Actual 
   Actual/365 (Fixed) 
   Actual/365 (Sterling) 
   Actual/360 
   30/360 or 360/360 or Bond Basis 
   30E/360 or Eurobond Basis 
   30E/360 (ISDA) 
   Other]

(See Condition [Interest] for alternatives)

(l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:  

17. Zero Coupon Note Provisions:  
   [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Accrual Yield:  [ ]% per annum

(b) Reference Price:  [ ]

(c) Any other formula/basis of determining amount payable:  [ ]
<p>| | | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>(d)</td>
<td>Day Count Fraction in relation to Early Redemption Amounts and late payment:</td>
<td>[Conditions [Redemption and Purchase – Early Redemption Amounts] (c) and [ – Late Payment on Zero Coupon Notes] apply/specify other] (Consider applicable day count fraction if not U.S. dollar denominated)</td>
</tr>
<tr>
<td>18.</td>
<td>Index Linked Interest Note Provisions:</td>
<td>[Applicable/Not Applicable]</td>
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<tr>
<td></td>
<td>(If not applicable, delete the remaining subparagraphs of this paragraph)</td>
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<td></td>
<td>(N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)</td>
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</tr>
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<td></td>
<td>(a) Index/Formula:</td>
<td>[Give annex details, including the name of the index and a description of the index if it is composed by the Issuer, or, if it is not composed by the Issuer, where information about the Index can be obtained; a description of any market disruption or settlement disruption events that affect the Index; and adjustment rules relating to events concerning the Index]</td>
</tr>
<tr>
<td></td>
<td>(b) Name and address of Calculation Agent responsible for calculating the interest due:</td>
<td>[ ]</td>
</tr>
<tr>
<td></td>
<td>(c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:</td>
<td>[Need to include a description of market disruption or settlement disruption events and adjustment provisions]</td>
</tr>
<tr>
<td></td>
<td>(d) Specified Period(s)/Specified Interest Payment Dates:</td>
<td>[ ]</td>
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<td></td>
<td>(e) Business Day Convention:</td>
<td>[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]</td>
</tr>
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<td></td>
<td>(f) Additional Business Centre(s):</td>
<td>[ ]</td>
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<tr>
<td></td>
<td>(g) Minimum Rate of Interest:</td>
<td>[ ]% per annum</td>
</tr>
<tr>
<td></td>
<td>(h) Maximum Rate of Interest:</td>
<td>[ ]% per annum</td>
</tr>
<tr>
<td></td>
<td>(i) Day Count Fraction:</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
19. Dual Currency Interest Note
Provisions:

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

(a) Rate of Exchange/method of calculating Rate of Exchange:

[Give or annex details]

(b) Calculation Agent, if any, responsible for calculating the interest payable:

[ ]

(c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:

[Need to include a description of market disruption or settlement disruption events and adjustment provisions]

(d) Person at whose option Specified Currency(ies) is/are payable:

[ ]

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call:

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s):

[ ]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):

[ ] per Calculation Amount/specify other/see Appendix

(c) If redeemable in part:

(i) Minimum Redemption Amount:

[ ] per Calculation Amount

(ii) Maximum Redemption Amount:

[ ] per Calculation Amount
(d) Notice period (if other than as set out in the Conditions): [ ]

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

21. Investor Put: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [ ] per Calculation Amount/specify other/see Appendix

(c) Notice period (if other than as set out in the Conditions): [ ]

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

22. Final Redemption Amount: [ ] per Calculation Amount/specify other/see Appendix

[Give annex details, including the name of the Index and a description of the Index if it is composed by the Issuer, or, if it is not composed by the Issuer, where information about the Index can be obtained; a description of any market disruption or settlement disruption events that affect the Index; and adjustment rules relating to events concerning the Index]

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition [Redemption and Purchase - Early Redemption Amounts]): [ ] per Calculation Amount/specify other/see Appendix
GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
   (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]
   [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
   [Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event]
   (Ensure that this is consistent with the wording in the “Form of the Notes” section in the EMTN Programme Prospectus and the Notes themselves.)
   (b) New Global Note: [Yes][No]

25. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]
   (Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)

26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]

27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]

28. Details relating to Instalment Notes:
   (a) Instalment Amount(s): [Not Applicable/give details]
   (b) Instalment Date(s): [Not Applicable/give details]

29. Redenomination applicable: Redenomination [not] applicable
   [(If Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]

30. Other final terms: [Not Applicable/give details]
   (When adding any other final terms consideration should be
given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive

DISTRIBUTION

31. (a) If syndicated, names and addresses of Managers and their underwriting commitments: [Not Applicable/give names, addresses and underwriting commitments]
   
   (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)

   (b) Date of [Subscription] Agreement: [ ]

   (c) Stabilising Manager(s) (if any): [Not Applicable/give name(s) and addresses]

32. If non-syndicated, name and address of relevant Dealer: [Not Applicable/give name and address]

33. Total commission and concession: [ ]% of the Aggregate Nominal Amount

34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]

35. Non exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify if applicable]] other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) - which must be jurisdictions where the EMTN Programme Prospectus and any supplements to this EMTN Programme Prospectus have been passported (in addition to the jurisdiction where approved and published)] (Public Offer Jurisdictions) during the period from [specify date] until [specify date or a formula such as “the Issue Date” or “the date which falls [ ] Business Days thereafter”] (Offer Period). See further Paragraph 10 of Part B below.

36. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange - Regulated Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] of the Notes described herein] pursuant to the €20,000,000,000 Euro Medium Term Note Programme of Telecom Italia S.p.A. and Telecom Italia Finance S.A.]
To be added if Telecom Italia S.p.A. is the Issuer:

[Telecom Italia S.p.A., with registered office at Milan (Italy), Piazza degli Affari 2, registered at the Company Register in Milan with number 00488410010.

Share capital at the Issue Date [     ].

Reserves at the Issue Date [     ].

Issue approved by the Issuer’s Board of Directors on [     ], registered at the Company Register in Milan on [     ].]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Final Terms. [[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer: [Signed on behalf of the Guarantor:

By: ____________________________  By: _____________________________

Duly authorised  Duly authorised]
PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

[(Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange - Regulated Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [    ].] [(Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange - Regulated Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [    ].] [(Not Applicable.)]

[(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)]

2. RATINGS

[(The Notes to be issued [(have been]/[are expected to be)] rated [insert details] by [insert credit rating agency name(s)].] [(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider)]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)

[[(Insert credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[(Insert credit rating agency] is established in the European Union and is registered under Regulation (EC) No. 1060/2009.]

[[(Insert credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009.]

[[(Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [insert the name of the relevant EU CRA affiliate that applied for registration], which is established in the European Union,]
disclosed the intention to endorse credit ratings of [insert credit rating agency].

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [insert the name of the relevant EU-registered credit rating agency] in accordance with Regulation (EC) No. 1060/2009. [Insert the name of the relevant EU-registered credit rating agency] is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.—Amend as appropriate if there are other interests]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: [   ]

(See [“Use of Proceeds”] wording in EMTN Programme Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here)

(ii) Estimated net proceeds: [   ]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)

(iii) Estimated total expenses: [   ]

[Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”]

(N.B.: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required)
5. **YIELD** *(Fixed Rate Notes only)*

Indication of yield:

[ ]

[Calculated as [include details of method of calculation in summary form] on the Issue Date]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. **HISTORIC INTEREST RATES** *(Floating Rate Notes only)*

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].

7. **PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING** *(Index-linked Notes only)*

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

8. **PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT** *(Dual Currency Notes only)*

[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

(N.B. The requirement below only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)
[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

[[When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive.]]

9. **OPERATIONAL INFORMATION**

   (i)  ISIN Code: [ ]

   (ii) Common Code: [ ]

   (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

   (iv) Delivery: Delivery [against/free of] payment

   (v) Names and addresses of additional Paying Agent(s) (if any):

   (vi) Intended to be held in a manner which would allow Eurosystem eligibility:

   [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if "yes" selected in which case the Notes must be issued in NGN form]

10. **TERMS AND CONDITIONS OF THE OFFER**

    Offer Price: [Issue Price/Not applicable/specify]

    [Conditions to which the offer is subject:] [Not applicable/give details]

    [Description of the application process]: [Not applicable/give details]

    [Details of the minimum and/or maximum amount of application: ]

    [Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: ] [Not applicable/give details]
[Details of the method and time limits for paying up and delivering the Notes:] [Not applicable/give details]

[Manner in and date on which results of the offer are to be made public:] [Not applicable/give details]

[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:] [Not applicable/give details]

[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:] [Not applicable/give details]

[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:] [Not applicable/give details]

[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:] [Not applicable/give details]

[Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:] [None/give details]
APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency).

[Date]

TELECOM ITALIA S.p.A.

TELECOM ITALIA FINANCE, société anonyme
(having its registered office at 12 Rue Eugène Ruppert, L-2453 Luxembourg Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B-76448)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by TELECOM ITALIA S.p.A.]
under the €20,000,000,000 Euro Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the Conditions) set forth in the EMTN Programme Prospectus dated 22 July, 2011 [and the supplement to the EMTN Programme Prospectus dated [ ] (the Supplement)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive) to the extent that such amendments have been implemented in a relevant Member State. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the EMTN Programme Prospectus [as so supplemented]. Full information on the Issuer[ , the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the EMTN Programme Prospectus [and the Supplement]. The EMTN Programme Prospectus [and the Supplement] [is/are] available for viewing at www.telecomitalia.it and www.bourse.lu and copies may be obtained free of charge from the Issuer [or the Guarantor] at [its/their respective] registered office[s]. In addition, the EMTN Programme Prospectus will be available from the specified office of each of the Paying Agents.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the Conditions) set forth in the Prospectus(1) dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive) to the extent that such amendments have been implemented in a relevant Member State and must be read in conjunction with the EMTN Programme Prospectus dated 22 July, 2011 [and the supplement to the EMTN Programme Prospectus dated [ ] (the Supplement)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto. Full information on the Issuer[ , the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms, the EMTN Programme Prospectus dated 22 July, 2011 [ , the Supplement] and the Prospectus dated [original date]. Copies of such Prospectuses [and Supplement] are available for viewing at www.telecomitalia.it and www.bourse.lu and copies may be obtained from the Issuer [or the Guarantor] at [its/their respective] office[s] as well as from the specified office of each of the Paying Agents.] [Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” or “N/A” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]
When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive.

If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.

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(1) This should reflect the name of the document.

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<table>
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| 1. | (a) Issuer: | Telecom Italia S.p.A.  
Telecom Italia Finance S.A. |
|   | (b) Guarantor: | Telecom Italia S.p.A. (in the case of Notes issued by TI Finance only) |
| 2. | (a) Series Number: | [ ] |
|   | (b) Tranche Number: | [ ] |
|   |   | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible) |
| 3. | Specified Currency or Currencies: | [ ] |
| 4. | Aggregate Nominal Amount of Notes admitted to trading: |   |
|   | (a) [Series: | [ ] |
|   | (b) [Tranche: | [ ] |
| 5. | Issue Price: | [ ]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)] |
| 6. | (a) Specified Denominations: | [ ] |

(N.B. Following the entry into force of the 2010 PD Amending Directive on 31 December, 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1 July, 2012) must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)

(Note – where multiple denominations above [€100,000] or
equivalent are being used the following sample wording should be followed:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”

(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the [€100,000] minimum denomination is not required.)

(b) Calculation Amount:  
(If only one Specified Denomination, insert the Specified Denomination.

If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: [   ]
(b) Interest Commencement Date: [specify/Issue Date/Not Applicable]

(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)

8. Maturity Date: [Fixed rate - specify date/ Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]

9. Interest Basis: [   ]% Fixed Rate
   [[LIBOR/EURIBOR] +/- [   ]% Floating Rate]
   [Zero Coupon]
   [Index Linked Interest]
   [Dual Currency Interest]
   [specify other]
   (further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]
    [Index Linked Redemption]
    [Dual Currency Redemption]
    [Partly Paid]
    [Instalment]
    [specify other]

11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]

12. Put/Call Options: [Investor Put]
    [Issuer Call]
    [(further particulars specified below)]
13. [Date [Board] approval for issuance of Notes [and Guarantee] obtained:

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)

14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Rate(s) of Interest: [ ]% per annum [payable annually/semi-annually/quarterly/other (specify) in arrear]

(If payable other than annually, consider amending Condition [Interest])

(b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[specify other]

(N.B. This will need to be amended in the case of long or short coupons)

(c) Fixed Coupon Amount(s): [ ] per [ ] Calculation Amount

(Applicable to Notes in definitive form.)

(d) Broken Amount(s): [per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]]]

(Applicable to Notes in definitive form.)

(e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]

(f) Determination Date(s): [ ] in each year

[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]

(g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]

16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Specified Period(s)/Specified Interest Payment Dates:

(b) Business Day Convention:

(c) Additional Business Centre(s):

(d) Manner in which the Rate of Interest and Interest Amount is to be determined:

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):

(f) Screen Rate Determination:

Reference Rate:

(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)

Interest Determination Date(s):

(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

Relevant Screen Page:

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

(g) ISDA Determination:

Floating Rate Option:

Designated Maturity:

Reset Date:
(h) Margin(s): [±/−] [ ]% per annum

(i) Minimum Rate of Interest: [ ]% per annum

(j) Maximum Rate of Interest: [ ]% per annum

(k) Day Count Fraction: [Actual/Actual (ISDA) or Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 or 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] (See Condition [Interest] for alternatives)

(l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]

17. Zero Coupon Note Provisions: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Accrual Yield: [ ]% per annum

(b) Reference Price: [ ]

(c) Any other formula/basis of determining amount payable: [ ]

(d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions [Redemption and Purchase – Early Redemption Amounts] (c) and [ – Late Payment on Zero Coupon Notes] apply/specify other] (Consider applicable day count fraction if not U.S. dollar denominated)

18. Index Linked Interest Note Provisions: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)

(N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will
(a) Index/Formula: [Give annex details, including the name of the index and a description of the index if it is composed by the Issuer, or, if it is not composed by the Issuer, where information about the Index can be obtained; a description of any market disruption or settlement disruption events that affect the Index; and adjustment rules relating to events concerning the Index]

(b) Name and address of Calculation Agent responsible for calculating the interest due: [ ]

(c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]

(d) Specified Period(s)/Specified Interest Payment Dates: [ ]

(e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specific other]

(f) Additional Business Centre(s): [ ]

(g) Minimum Rate of Interest: [ ]% per annum

(h) Maximum Rate of Interest: [ ]% per annum

(i) Day Count Fraction: [ ]

19. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

(a) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]

(b) Calculation Agent, if any, [ ]
responsible for calculating the interest payable:

(c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]

(d) Person at whose option Specified Currency(ies) is/are payable:

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]

(c) If redeemable in part:
   (i) Minimum Redemption Amount: [ ] per Calculation Amount
   (ii) Maximum Redemption Amount: [ ] per Calculation Amount

(d) Notice period (if other than as set out in the Conditions): [ ]
   (N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

21. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]
Amount and method, if any, of calculation of such amount(s):

(c) Notice period (if other than as set out in the Conditions): [ ]

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

22. Final Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]
[Give annex details, including the name of the Index and a description of the Index if it is composed by the Issuer, or, if it is not composed by the Issuer, where information about the Index can be obtained; a description of any market disruption or settlement disruption events that affect the Index; and adjustment rules relating to events concerning the Index]

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition [Redemption and Purchase - Early Redemption Amounts]): [[ ] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

(a) Form:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

N.B. This option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].”

[Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event]

(Ensure that this is consistent with the wording in the “Form of the Notes” section in the EMTN Programme Prospectus and the Notes themselves.)
25. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details] (Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)

26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]

27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]

28. Details relating to Instalment Notes:
   (a) [Instalment Amount(s): [Not Applicable/give details]
   (b) [Instalment Date(s): [Not Applicable/give details]

29. Redenomination applicable: Redenomination [not] applicable
   [(If Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]

30. Other final terms: [Not Applicable/give details]
   [(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive)]
   (Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.)

DISTRIBUTION

31. (a) If syndicated, names of Managers: [Not Applicable/give names]
   ([If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)
(b) Date of Subscription [     ]

(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

(c) Stabilising Manager(s) (if any): [Not Applicable/give name(s) and addresses]

32. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]

33. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]

34. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange - Regulated Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] of the Notes described herein pursuant to the €20,000,000,000 Euro Medium Term Note Programme of Telecom Italia S.p.A. and Telecom Italia Finance S.A.

To be added if Telecom Italia S.p.A. is the Issuer:

[Telecom Italia S.p.A., with registered office at Milan (Italy), Piazza degli Affari 2, registered at the Company Register in Milan with number 00488410010.

Share capital at the Issue Date [     ].

Reserves at the Issue Date [     ].

Issue approved by the Issuer’s Board of Directors on [     ], registered at the Company Register in Milan on [     ].]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Final Terms.

[[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer: [Signed on behalf of the Guarantor:

By: ____________________________  By: _____________________________

Duly authorised  Duly authorised]
PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

1. Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange - Regulated Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [    ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange - Regulated Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [    ].] [Not Applicable.]

2. Estimate of total expenses related to admission to trading: [ ]

2. RATINGS

[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert credit rating agency name(s)].]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)

[Insert credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[Insert credit rating agency] is established in the European Union and is registered under Regulation (EC) No. 1060/2009.]

[Insert credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009.]

[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [insert the name of the relevant EU CRA affiliate that applied for registration], which is established in the European Union, disclosed the
intention to endorse credit ratings of [insert credit rating agency].]

[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [have been][are expected to be] endorsed by [insert the name of the relevant EU-registered credit rating agency] in accordance with Regulation (EC) No. 1060/2009. [Insert the name of the relevant EU-registered credit rating agency] is established in the European Union and registered under Regulation (EC) No. 1060/2009.

[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.—Amend as appropriate if there are other interests]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) [Reasons for the offer: ]

(ii) [Estimated net proceeds: ]

(iii) [Estimated total expenses: ]

(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

5. YIELD (Fixed Rate Notes only)

Indication of yield: 
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index-linked Notes only)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]
Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.

Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.

(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive.)

The Issuer intends to provide post-issuance information [specify what information will be reported and where it can be obtained] [does not intend to provide post-issuance information].

(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

7. PERFORMANCE OF RATE[S] OF EXCHANGE (Dual Currency Notes only)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive.)

(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

8. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): [ ]

(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]

[Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend
upon satisfaction of the Eurosystem eligibility criteria. [include this text if "yes" selected in which case the Notes must be issued in NGN form]
TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Telecom Italia S.p.A. (Telecom Italia) or Telecom Italia Finance S.A. (TI Finance and, together with Telecom Italia (in its capacity as an issuer), the Issuers and each an Issuer) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the Trust Deed) dated 23rd July, 2010 made between Telecom Italia (in its capacity both as an Issuer and as guarantor (in such capacity, the Guarantor) of Notes issued by TI Finance), TI Finance and Deutsche Trustee Company Limited (the Trustee, which expression shall include any successor as Trustee).

References herein to the Notes shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a Global Note), units of the lowest Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the Agency Agreement) dated 23rd July, 2010 and made between Telecom Italia (in its capacity both as an Issuer and as the Guarantor), TI Finance, the Trustee, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the Agent, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the Paying Agents, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (Coupons) and, if indicated in the applicable Final Terms, talons for further Coupons (Talons) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (Receipts) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and supplement these Terms and Conditions (these Conditions) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the applicable Final Terms are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the Noteholders, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the
holders of the Receipts (the Receiptholders) and the holders of the Coupons (the Couponholders, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, Tranche means Notes which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee being at 23rd July, 2010 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at www.telecomitalia.it and www.bourse.lu and copies may be obtained from the Issuer or (in the case of Notes issued by TI Finance) the Guarantor at their respective registered offices, as well as from the specified office of each of the Paying Agents, save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable. Definitive Notes will be executed by a duly authorised representative of Telecom Italia in the case of Notes issued by Telecom Italia or by two directors of TI Finance in the case of Notes issued by TI Finance.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of
ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (Euroclear) and/or Clearstream Banking, société anonyme (Clearstream, Luxembourg), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of an error which is manifest or, in the opinion of the Trustee, proven, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the relevant Issuer, the Agent and the Trustee.

2. STATUS OF THE NOTES AND THE GUARANTEE

2.1 Status of the Notes

The Notes and any related Receipts and Coupons are unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and rank pari passu among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

2.2 Status of the Guarantee

In the case of Notes issued by TI Finance, the payment of principal and interest in respect of the Notes and all other moneys payable by the relevant Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the Guarantors). The Guarantor guarantees the payment of such amount when such amount becomes due and payable, whether at the stated maturity of the Notes, by declaration or acceleration, call for redemption or otherwise. The obligations of the Guarantor under the Guarantee are unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and (save as aforesaid and for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.
3. RESTRICTIONS ON SECURITY INTERESTS

So long as any Note remains outstanding, the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor shall not create or permit to subsist any Security Interest other than Permitted Encumbrances upon the whole or any part of their present or future revenues or assets to secure any Capital Markets Indebtedness without at the same time or prior thereto taking any and all action necessary to ensure that:

(i) all amounts payable by it under the Notes, any relative Receipts and Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Capital Markets Indebtedness to the satisfaction of the Trustee; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-quarters of the votes cast thereon) of the Noteholders.

For the avoidance of doubt in respect of asset-backed financings originated by Telecom Italia or TI Finance, the expressions “assets” and “obligations for the payment of borrowed money” as used in this Condition do not include assets and obligations of Telecom Italia or TI Finance which, pursuant to the requirements of law and accounting principles generally accepted in Italy or Luxembourg, as the case may be, currently need not be, and are not, reflected in the balance sheet of Telecom Italia or TI Finance, as the case may be.

As used herein:

Capital Markets Indebtedness means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities, in each case which is/are listed or traded on a stock exchange or other recognised securities market;

Permitted Encumbrance means:

(a) any encumbrance existing on the date on which agreement is reached to issue the first Tranche of the Notes;

(b) any encumbrance over or affecting any asset acquired by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor after the date on which agreement is reached to issue the first Tranche of the Notes and subject to which such asset is acquired, if:

(A) such encumbrance was not created in contemplation of the acquisition of such asset by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor; and

(B) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor;

(c) any encumbrance over or affecting any asset of any company which becomes an obligor after the date on which agreement is reached to issue the first Tranche of the Notes, where such encumbrance is created prior to the date on which such company becomes an obligor, if:
(A) such encumbrance was not created in contemplation of that company becoming an obligor; and

(B) the amount thereby secured has not been increased in contemplation of, or since the date of, that company becoming an obligor;

d) any netting or set-off arrangement entered into by any member of the Telecom Italia Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances;

e) any title transfer or retention of title arrangement entered into by any member of the Telecom Italia Group in the normal course of its trading activities on the counterparty’s standard or usual terms;

f) encumbrances created in substitution of any encumbrance permitted under sub-paragraphs (b)(A) and (b)(B) of this definition over the same or substituted assets provided that (1) the principal amount secured by the substitute encumbrance does not exceed the principal amount outstanding and secured by the initial encumbrance and (2) in the case of substituted assets, if the market value of the substituted assets at the time of the substitution does not exceed the market value of the assets replaced;

g) encumbrances created to secure:

(A) loans provided, supported or subsidised by a governmental agency, national or multinational investment guarantee agency, export credit agency or a lending organisation established by the United Nations, the European Union or other international treaty organisation, including, without limitation, the European Investment Bank, the European Bank for Reconstruction and Development and the International Finance Corporation; or

(B) Project Finance Indebtedness,

provided that the encumbrance is created on an asset of the project being financed by such loans (and/or on the shares in, and/or shareholder loans made to, the company conducting such project) or, as the case may be, such Project Finance Indebtedness, and remains confined to that asset (and/or shares and/or shareholder loans);

h) encumbrances arising out of the refinancing of any Capital Markets Indebtedness secured by any encumbrance permitted by the preceding sub-paragraphs, provided that the amount of such Capital Markets Indebtedness is not increased and is not secured by an encumbrance over any additional assets;

i) any encumbrance arising by operation of law;

j) any encumbrance created in connection with convertible bonds or notes where the encumbrance is created over the assets into which the convertible bonds or notes may be converted and secures only the obligation of the issuer to effect the conversion of the bonds or notes into such assets;

k) any encumbrance created in the ordinary course of business to secure Capital Markets Indebtedness under hedging transactions entered into for the purpose of managing risks arising under funded debt obligations such as credit support annexes and agreements;
(l) any encumbrance over or affecting any asset of Telecom Italia to secure Capital Markets Indebtedness under a Permitted Leasing Transaction, provided that the aggregate Capital Markets Indebtedness secured by all such encumbrances does not exceed €1,000,000,000;

(m) any encumbrance created on short-term receivables used in any asset-backed financing;

(n) any encumbrance on real estate assets of Telecom Italia, any of its Subsidiaries or any person to which such real estate assets may be contributed by Telecom Italia or any of its Subsidiaries in connection with the issuance of any indebtedness, whether such indebtedness is secured or unsecured by such real estate assets or any other assets of such person to which real estate assets have been contributed by Telecom Italia or any of its Subsidiaries; and

(o) any other encumbrance securing Capital Markets Indebtedness of an aggregate amount not exceeding 10% of the total net worth of Telecom Italia (as disclosed in the most recent audited consolidated balance sheet of Telecom Italia);

**Permitted Leasing Transaction** means one or more transactions or a series of transactions as a result of which Telecom Italia disposes of or otherwise transfers (including, without limitation, by way of sale of title or grant of a leasehold or other access, utilisation and/or possessory interest(s)) its rights to possess, use and/or exploit all or a portion of a particular asset or particular assets owned, used and/or operated by Telecom Italia (or its rights and/or interests in respect thereof) to one or more other persons in circumstances where Telecom Italia or an affiliate shall have the right to obtain or retain possession, use and/or otherwise exploit the asset or assets (or rights and/or interests therein) so disposed of or otherwise transferred;

**Person** means any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organisation or government or agency or political subdivision thereof;

**Project Finance Indebtedness** means any indebtedness incurred by a debtor to finance the ownership, acquisition, construction, development and/or operation of an asset in respect of which the person or persons to whom such indebtedness is, or may be, owed have no recourse whatsoever for the repayment of or payment of any sum relating to such indebtedness other than:

(a) recourse to such debtor for amounts limited to the cash flow from such asset; and/or

(b) recourse to such debtor generally, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty or an obligation, representation or warranty to procure payment by another or an obligation, representation or warranty to comply or to procure compliance by another with any financial ratios or other test of financial condition) by the person against whom such recourse is available; and/or

(c) if such debtor has been established specifically for the purpose of constructing, developing, owning and/or operating the relevant asset and such debtor owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of such debtor and the shares in the capital of such debtor and shareholder loans made to such debtor;

**Security Interest** means (i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any Person; and (ii) any arrangement providing a creditor with prior right to an asset, or its proceeds of sale, over other creditors in a liquidation;

**Subsidiary** means a corporation in respect of which more than 50% of the outstanding voting shares or equity interest having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or
classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Guarantor or by one or more of its Subsidiaries, or by the Guarantor and one or more Subsidiaries; and

**Telecom Italia Group** means Telecom Italia and its Subsidiaries.

4. **MERGERS AND SIMILAR EVENTS**

So long as any Note remains outstanding, the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor may each consolidate or merge with another company or firm, sell or lease all or substantially all of their respective assets to another company or buy or lease all or substantially all of the assets of another company, provided that the relevant Issuer and (as the case may be) the Guarantor shall not take any of these actions unless:

(i) where the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor merges out of existence or sells or leases all or substantially all of its assets, the other company assumes all the then existing obligations of the relevant Issuer or (as the case may be) the Guarantor (including, without limitation, all obligations under the Notes and the Trust Deed), either by law or contractual arrangements;

(ii) if the other company is organised under the laws of a country other than Luxembourg (in the case of TI Finance) or Italy (in the case of Telecom Italia), it must indemnify the Noteholders, Receiptholders and Couponholders against (A) any tax, assessment or governmental charge imposed on any such Noteholder, Receiptholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder, Receiptholder or Couponholder as a consequence of such merger, conveyance, transfer or lease and (B) any costs or expenses of the act of such merger, conveyance, transfer or lease; provided that, if such company is incorporated in Italy, such other company shall not be liable under such indemnity to pay any additional amounts either on account of “imposta sostitutiva” or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy; and

(iii) the merger, sale or lease of all or substantially all of the assets of the relevant Issuer or (as the case may be) the Guarantor will not be an Event of Default (as defined in Condition 10) and no Event of Default or other event which, with the giving of notice or lapse of time or other condition (including, without limitation, certification from the Trustee), would be an Event of Default has occurred and is outstanding.

As long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, in the case of such merger or consolidation, Telecom Italia will advise the Luxembourg Stock Exchange, a supplement to this EMTN Programme Prospectus will be prepared and the Noteholders will be notified in accordance with Condition 14.

5. **INTEREST**

5.1 **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.
If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**), the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
(b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and means, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls on the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(i) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate for an Interest Period** means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.
Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.
The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}
\]

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}
\]

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}
\]

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and
"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed in accordance with the rules of such stock exchange and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or an error which is manifest or, in the opinion of the Trustee, proven) be binding on the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.
5.4 **Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 **Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. **PAYMENTS**

6.1 **Method of payment**

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 **Presentation of definitive Notes, Receipts and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the relevant Issuer and the relevant Issuer shall have no obligation to make any payment in respect thereof if so presented. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any)
relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

6.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) to, or to the order of, the holder of such Global Note.
Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the relevant Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance), adverse tax consequences to the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance).

6.5 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

   (i) in the case of definitive Notes only, the relevant place of presentation;

   (ii) any Additional Financial Centre specified in the applicable Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.6 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;
(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately before the giving of such notice that on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or (in the case of Notes issued by TI Finance) the Guarantor would be unable for reasons outside its control to procure payment by the relevant Issuer and in making payment itself would be required to pay such additional amounts, in each case either:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) taking reasonable measures available to it; or

(b) where a Person into which the relevant Issuer or, as the case may be, the Guarantor is merged or to whom it has conveyed, transferred or leased all or substantially all of its assets is required to pay additional amounts, unless the sole purpose of such a merger would be to permit the relevant Issuer to redeem the Notes,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) would be obliged to pay such additional amounts a payment in respect of the Notes then due.
Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by a duly authorised representative of the relevant Issuer or, as the case may be, a duly authorised representative of the Guarantor (in the case of Notes issued by TI Finance) stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the relevant Issuer may, having given (unless otherwise specified in the Final Terms) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the Selection Date). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. So long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, such exchange will be informed once in each year of all Redeemed Notes and the aggregate principal amount of Notes outstanding. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer not less than 15 nor more than 30 days’ notice in accordance with Condition 14, the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.
To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise (which notice shall be irrevocable) in the form (for the time being current) obtainable from any specified office of any Paying Agent (a Put Notice) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note the terms of which require presentation for recording changes to its nominal amount, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly. The Luxembourg Stock Exchange will be advised by the Agent of any such Note which has been redeemed.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the Amortised Face Amount) calculated in accordance with the following formula:

\[
\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y
\]

where:

\text{RP} means the Reference Price;

\text{AY} means the Accrual Yield expressed as a decimal; and

\[y\] is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 30-day months) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or, as the case may be, the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.
7.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

7.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.8 Purchases

The relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), any Subsidiary of the relevant Issuer or (in the case of Notes issued by TI Finance) any Subsidiary of the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor, surrendered to any Paying Agent for cancellation.

7.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

7.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties assessments or governmental charges of whatever nature (Taxes) imposed or levied by or on behalf of any Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of
principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable:

(a) in respect of any Note, Receipt or Coupon presented for payment by or on behalf of a holder who is liable for such Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000; or

(c) in respect of any Note, Receipt or Coupon presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(d) in respect of any Note, Receipt or Coupon presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or

(e) in respect of payments made by Telecom Italia with respect to any Note, Receipt or Coupon for or on account of imposta sostitutiva pursuant to Italian Legislative Decree No. No. 239 of 1 April, 1996 (Decree No. 239) as amended and/or supplemented or superseded as at the date on which agreement is reached to issue the first Tranche of the Notes.

For the avoidance of doubt, any withholding or deduction for or on account of imposta sostitutiva imposed following any amendment or supplement to or replacement of Decree No. 239 after the date on which agreement is reached to issue the first Tranche of the Notes shall not be an exception to the payment by Telecom Italia of the relevant additional amounts payable with respect to such Note, Receipt or Coupon, to the extent that the amount of such withholding or deduction exceeds the amount of imposta sostitutiva payable by Telecom Italia with respect to such Note, Receipt or Coupon pursuant to Decree No. 239 as amended and/or supplemented or superseded at the date on which agreement is reached to issue the first Tranche of the Notes.

Furthermore, no additional amount shall be payable by Telecom Italia with respect to any Note, Receipt or Coupon for or on account of imposta sostitutiva if the holder becomes subject to imposta sostitutiva after the date on which agreement is reached to issue the first Tranche of the Notes by reason of an amendment or supplement to or replacement of the list of countries which provide for a satisfactory exchange of information with Italy, according to Article 6 of Decree No. 239, as amended and/or supplemented or superseded as at the date on which agreement is reached to issue the first Tranche of the Notes; or

(f) in respect of payments made by Telecom Italia with respect to any Note having an original maturity of less than 18 months where such withholding or deduction is required pursuant to Italian Legislative Decree No. No. 600 of 29 September, 1973 (Decree No. 600) as amended and/or supplemented or superseded at the date on which agreement is reached to issue the first Tranche of the Notes.

For the avoidance of doubt, any withholding or deduction imposed following any amendment or supplement to or replacement of Decree No. 600 after the date on which agreement is reached to issue the first Tranche of the Notes shall not be an exception to the
payment by Telecom Italia of the relevant additional amounts with respect to such Note, to
the extent that the amount of such withholding or deduction exceeds the amount of the
withholding or deduction that is required pursuant to Decree No. 600 as amended and/or
supplemented or superseeded at the date on which agreement is reached to issue the first
Tranche of the Notes; or

(g) in respect of any Note, Receipt or Coupon presented for payment by or on behalf of a holder
if such withholding or deduction may be avoided by such holder producing a declaration or
other evidence of non-residence in the Relevant Jurisdiction to the relevant taxing authority
or making any other claim or filing, unless such holder is not entitled to produce such
declaration or other evidence or to make such other claim or filing.

As used herein:

(i) Relevant Jurisdiction means (A) irrespective of the identity of the Issuer, Italy and/or such
other taxing jurisdiction to which Telecom Italia becomes subject, or any political
subdivision or any authority thereof or therein having power to tax or (B) if the Issuer is TI
Finance, the Grand-Duchy of Luxembourg and/or such other taxing jurisdiction to which TI
Finance becomes subject, or any political subdivision or any authority thereof or therein
having power to tax; and

(ii) the Relevant Date means the date on which such payment first becomes due, except that, if
the full amount of the moneys payable has not been duly received by the Trustee or the
Agent on or prior to such due date, it means the date on which, the full amount of such
moneys having been so received, notice to that effect is duly given to the Noteholders in
accordance with Condition 14.

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or
interest are made within a period of 10 years (in the case of principal) and five years (in the case of
interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the
claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or
any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter
in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution
shall (subject in each case to being indemnified to its satisfaction) (but only if, except in relation to
paragraph (a) below, the Trustee shall have certified in writing to the relevant Issuer and (in the case
of Notes issued by TI Finance) the Guarantor that such event is, in its opinion, materially prejudicial
to the interests of the Noteholders), give notice in writing to the relevant Issuer that the Notes are,
and the Notes shall thereupon immediately become, due and repayable at their Early Redemption
Amount together with accrued interest as provided in the Trust Deed if any of the following events
(each an Event of Default) shall have occurred and be continuing:

(a) Non-payment: default is made in the payment of any principal or interest due in respect of
the Notes or any of them and the default continues for a period of 10 days in the case of
principal and 30 days in the case of interest; or
(b) **Breach of other obligations:** the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and the failure continues for the period of 60 days next following the service by the Trustee on the relevant Issuer or (as the case may be) the Guarantor of notice requiring the same to be remedied; or

(c) **Cross-default of Issuer or Guarantor:**

(i) any Capital Markets Indebtedness of the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor in excess of €100,000,000 (or the equivalent thereof in other currencies) has to be repaid prematurely due to a default under its terms; or

(ii) the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor fails to fulfill any payment obligation exceeding €100,000,000 (or the equivalent thereof in other currencies) under any Capital Markets Indebtedness of the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor, or under any guarantee provided for any such Capital Markets Indebtedness in excess of €100,000,000 (or the equivalent thereof in other currencies) of others, and such failure continues for a period of 30 days; or

(iii) any security or guarantee relating to Capital Markets Indebtedness in excess of €100,000,000 (or the equivalent thereof in other currencies) provided by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor is enforced by the lenders and such enforcement is not contested in good faith by the relevant Issuer or (as the case may be) the Guarantor or the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor publicly announces their inability to meet their financial obligations; or

(d) **Insolvency:**

(i) a court opens insolvency or equivalent proceedings against the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor which are not resolved within six months, unless such proceedings are frivolous or vexatious and contested in good faith and appropriately and do not result in court orders or the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor applies for such insolvency or equivalent proceedings; or

(ii) the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor approves a resolution pursuant to which it goes into liquidation or (in the case of Notes issued by TI Finance) it goes into liquidation or initiates or consents to proceedings under any applicable bankruptcy or insolvency law (including, without limitation, controlled management (*gestion contrôlée*), suspension of payments (*sursis de paiement*), a moratorium or a composition) unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by TI Finance or Telecom Italia, in connection with the Notes and the Trust Deed; or

(e) **Guarantee not in force:** in the case of Notes issued by TI Finance, the Guarantee ceases to be valid or legally binding for any reason.

10.2 **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the relevant Issuer and/or (in the case of Notes issued by TI Finance) the Guarantor as it may think fit to
enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) are entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such places as the rules of the relevant stock exchange require (which, if the relevant stock exchange is the Luxembourg Stock Exchange, shall be Luxembourg); and

(c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days’ prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.
13. **EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. **NOTICES**

All notices regarding the Notes will be deemed to be validly given (a) if published in a leading English language daily newspaper of general circulation in London (it is expected that such publication will be made in the *Financial Times* in London) and (b) if and for so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange if published on the website of the Luxembourg Stock Exchange: [www.bourse.lu](http://www.bourse.lu) or in another manner of publication in accordance with the Luxembourg laws and regulations implementing Directive 2004/109/EC and, if so required, in accordance with the rules of such exchange. The relevant Issuer shall also ensure that notices are duly published in a manner which complies with any applicable laws and regulations and with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND SUBSTITUTION**

15.1 **Meetings in respect of Notes issued by TI Finance**

In respect of Notes issued by TI Finance, the Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by TI Finance, the Guarantor or the Trustee and shall be convened by TI Finance if required in writing by Noteholders holding not less than 25% in nominal amount of the Notes for the time being remaining outstanding. The quorum at...
any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than one-half in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any adjourned meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than one-quarter in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may, without the consent of the Noteholders, agree with TI Finance to the substitution in place of TI Finance (or of any previous substitute under this Condition 15.1) as the principal debtor under the Notes, Receipts, Coupons and the Trust Deed of another company, being either (i) the Guarantor or (ii) a Subsidiary of the Guarantor, subject to (a) (in the case of (ii)) the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, (c) the Guarantor or the Subsidiary of the Guarantor substituted in place of TI Finance indemnifying the Noteholders, Receiptholders and Couponholders against (A) any tax, assessment or governmental charge imposed on any such Noteholder, Receiptholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder, Receiptholder or Couponholder as a consequence of such substitution and (B) any costs or expenses of the act of such substitution, except that the Guarantor or, as the case may be, the Subsidiary of the Guarantor (provided that such Subsidiary is incorporated in Italy) shall not be liable under such indemnity to pay any additional amounts either on account of *imposta sostitutiva* or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy and (d) certain other conditions set out in the Trust Deed being complied with.

As long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, in the case of such a substitution, TI Finance will advise the Luxembourg Stock Exchange, a supplement to this EMTN Programme Prospectus will be prepared and the Noteholders will be notified in accordance with Condition 14.

The Trustee may also, without the consent of the Noteholders, agree with TI Finance and the Guarantor to the substitution in place of the Guarantor (or of any previous substitute under this Condition 15.1) as guarantor of the Notes of another company, being any entity that may succeed to, or to which the Guarantor (or any previous substitute under this Condition 15.1) may transfer, all or substantially all of the assets and business of the Guarantor (or any previous substitute under this Condition 15.1) by operation of law, contract or otherwise, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, (b) the company substituted in place of the Guarantor indemnifying the Noteholders, Receiptholders and Couponholders against (A) any tax, assessment or governmental charge imposed on any such Noteholder, Receiptholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder, Receiptholder or Couponholder as a consequence of such substitution and (B) any costs or expenses of the act of such substitution, except that (provided that such company is incorporated in Italy) such company shall not be liable under such indemnity to pay any additional amounts either on account of *imposta sostitutiva* or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy and (c) certain other conditions set out in the Trust Deed being complied with.
15.2 Meetings in respect of Notes issued by Telecom Italia

In respect of Notes issued by Telecom Italia, the Trust Deed contains provisions consistent with the rules of the Italian Civil Code for convening meetings of the Noteholders to consider any matter affecting their interests, including any modification of the Conditions or of any provisions of the Trust Deed. According to the Italian Civil Code, such meeting will be validly held if (i) in the case of a first meeting, there are one or more persons present being or representing Noteholders holding more than one-half in nominal amount of the Notes for the time being outstanding and (ii) in case of an adjourned meeting, there are one or more persons present being or representing Noteholders holding more than one-third in nominal amount of the Notes for the time being outstanding. Certain proposals, as set out in Article 2415 of the Italian Civil Code (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass a resolution), may only be sanctioned by a resolution passed at a meeting of the Noteholders by one or more persons present holding or representing not less than one-half of the aggregate principal amount of the outstanding Notes. Resolutions passed at any meeting of the Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders. In accordance with the Italian Civil Code, a rappresentante comune, being a joint representative of Noteholders, may be appointed in accordance with Article 2417 of the Italian Civil Code in order to represent the Noteholders’ interest hereunder and to give execution to the resolutions of the meeting of the Noteholders.

The Trustee may, without the consent of the Noteholders, agree with Telecom Italia to the substitution in place of Telecom Italia (or of any previous substitute under this Condition 15.2) as the principal debtor under the Notes, Receipts, Coupons and the Trust Deed of another company, being any entity that may succeed to, or to which Telecom Italia (or any previous substitute under this Condition 15.2) may transfer, all or substantially all of the assets and business of Telecom Italia (or any previous substitute under this Condition 15.2) by operation of law, contract or otherwise, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Trust Deed being complied with. As long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, in the case of such a substitution, Telecom Italia will advise the Luxembourg Stock Exchange, a supplement to this EMTN Programme Prospectus will be prepared and the Noteholders will be notified in accordance with Condition 14.

15.3 Waiver, authorisation, determination and exercise by the Trustee of discretions etc.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct an error which is manifest or, in the opinion of the Trustee, proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual
Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance) and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance) and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law, except for the first paragraph of Condition 15.2 which is governed by, and shall be construed in accordance with, Italian law. The provisions of Articles 86 to 94-8 of the Luxembourg law on commercial companies of 10 August, 1915, as amended, are excluded.
19.2 Submission to jurisdiction

Each of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) has in the Trust Deed irrevocably agreed, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including any disputes relating to any non-contractual obligations which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) and accordingly submit to the exclusive jurisdiction of the English courts.

Each of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) has in the Trust Deed waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as Proceedings) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) against the relevant Issuer or, as the case may be (in the case of Notes issued by TI Finance), the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

Each of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) has appointed Telecom Italia United Kingdom Ltd at its registered office at 100 New Bridge Street, London EC4V 6JA, as its agent for service of process, and undertakes that, in the event of Telecom Italia United Kingdom Ltd ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.
USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes. If in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.
DESCRIPTION OF TELECOM ITALIA

The legal and commercial name of the company is Telecom Italia S.p.A. Telecom Italia was incorporated as a joint stock company under the laws of Italy on 20 October, 1908, and its duration is until 31 December, 2100. Telecom Italia is registered with the Company Register in Milan under registration number 00488410010.

The registered office and principal executive offices of Telecom Italia are at Piazza degli Affari 2, 20123 Milan, Italy. Its telephone number is +39-02-85951.

Telecom Italia complies with applicable Italian corporate governance rules. For additional details on corporate governance of the Telecom Italia Group, reference should be made to the corporate website: www.telecomitalia.com, where, in the “Corporate” channel (under “Governance” – “Governance system”), the Annual report on corporate governance is available.

Telecom Italia's business objects can be found in article 3 of its Bylaws.

Overview of the Telecom Italia Group’s Major Business Areas

Telecom Italia is the parent company of the Telecom Italia Group.

Telecom Italia Group’s Business Units as of 31 March, 2011 were as follows.

Overview

On 18 July, 1997, Old Telecom Italia’s predecessor company was merged with and into Società Finanziaria Telefonica—per Azioni (STET), its parent holding company, with STET as the surviving corporation. As of the effective date of the merger, STET changed its name to "Telecom Italia S.p.A.". In November 1997, the Ministry of the Treasury of the Republic of Italy completed the privatisation of Telecom Italia, selling substantially all of its stake in the Old Telecom Italia Group through a global offering and a private sale to a stable group of shareholders.

On 21 May, 1999, Olivetti obtained control of the Old Telecom Italia Group through a tender offer where approximately 52.12% of Old Telecom Italia Ordinary Shares were tendered to Olivetti. Through a series of transactions which started in July 2001, Olimpia, whose largest shareholder was Pirelli & C. S.p.A. (Pirelli), acquired a 28.7% stake in Olivetti.

On 9 December, 2002, the Italian Ministry of the Treasury sold its remaining stake in Old Telecom Italia Ordinary and Savings share capital.

On 4 August, 2003, Old Telecom Italia merged with and into Olivetti (the Merger). Olivetti, as the surviving company, changed its name to "Telecom Italia S.p.A.". Following the Merger, the proportionate ownership of Telecom Italia's share capital by shareholders unaffiliated with Olimpia or Pirelli, Olimpia's largest shareholder, increased substantially to approximately 88.43% of the outstanding Ordinary Shares. Following the Merger, Olimpia acquired additional shares through market purchases and, prior to the acquisition by Telecom Italia of the share capital in TIM that it did not already own (the TIM Acquisition), Olimpia held approximately 17% of Telecom Italia's Ordinary Shares, making it the largest shareholder of Telecom Italia. As a result of a series of transactions in December 2004 and March 2005, Olimpia acquired additional Ordinary Shares reaching a stake of approximately 21.4% of the outstanding Ordinary Shares.

On 30 June, 2005, TIM merged with, and into, Telecom Italia.

Following the issuance of shares of Telecom Italia in exchange for outstanding shares of TIM held by third parties, as a result of the merger of TIM into Telecom Italia through which the TIM Acquisition was effected, Olimpia's stake was diluted to approximately 18%.

Effective as from 1 March, 2006, Tim Italia merged with and into Telecom Italia, with Telecom Italia as the surviving company.

On 28 April, 2007, a group of investors (the Investors or the Parties), made up of (i) Assicurazioni Generali S.p.A., Sintonia S.A., Intesa Sanpaolo S.p.A. (Intesa Sanpaolo), Mediobanca S.p.A. (Mediobanca) (the Class A Shareholders) and (ii) Telefónica S.A. (Telefónica), entered into a Co-Investment Agreement establishing terms and conditions for their participation in Telco, the vehicle through which the Investors purchased the entire share capital of Olimpia, from Pirelli and Sintonia S.p.A. and Sintonia (together, Sintonia Sellers).

On 4 May, 2007, the Investors entered into a Share Purchase Agreement with Pirelli and the Sintonia Sellers to purchase the entire share capital of Olimpia. The acquisition was completed on 25 October, 2007 by Telco, to which Ordinary Shares equal to 5.6% of the ordinary share capital were contributed on the same date by Mediobanca S.p.A. and companies of the Generali Group (Generali Group). The total investment held by Telco S.p.A. was therefore equal to 23.595% of Telecom Italia’s ordinary share capital, of which 17.99% was held through Olimpia.

Telco was held by Generali Group (28.1%), Intesa Sanpaolo (10.6%), Mediobanca (10.6%), Sintonia (8.4%) and Telefónica (42.3%).

With effect from 18 December, 2007, Olimpia merged with and into Telco, with Telco as the surviving company and directly holding a stake of 23.595% in Telecom Italia’s ordinary share capital.
On 20 March, 2008 Telco acquired a further 121.5 million Ordinary Shares and increased its ownership in Telecom Italia’s ordinary share capital to 24.5%.

Upon completion of the acquisition of the entire share capital of Olimpia, all the previous shareholders’ agreements concerning Olimpia and Telecom Italia ceased to have any effect, and the only existing agreements amongst its direct and indirect shareholders that Telecom Italia is aware of are the agreements among the Investors and Telco.

On 28 October, 2009, Sintonia requested, pursuant to Article 11(b) of the Shareholders Agreement, the non-proportional de-merger of Telco, with the assignment of its pro-rata share of the assets and liabilities of Telco (comprised of Telecom Italia Shares held by Telco representing approximately 2.06% of Telecom Italia’s share capital).

On the same date, the Investors other than Sintonia, namely Intesa Sanpaolo, Mediobanca, Generali Group and Telefónica (collectively, the Non-Exiting Shareholders) acknowledged Sintonia’s decision and, by entering into a Renewal Agreement dated 28 October, 2009, and effective as of 28 April, 2010, (the Renewal Agreement), agreed (i) not to request the non-proportional de-merger of Telco, with the assignment of their corresponding share of Telecom Italia Shares at that time; and (ii) to renew the Shareholders’ Agreement for an additional term of three years until 27 April, 2013, substantially on the same terms and conditions, except to provide that (a) the right of the Non-Exiting Shareholders to request the non-proportional de-merger of Telco not later than six months prior to the new expiry date will only be exercisable in the period between 1 October, 2012, and 28 October, 2012, and (b) for an early withdrawal right period exercisable between 1 April, 2011, and 28 April, 2011, (such Shareholders’ Agreement, as amended and renewed, the New Shareholders’ Agreement).

The Non-Exiting Shareholders also agreed, in the Renewal Agreement, to consider and evaluate – together with Sintonia – mutually agreed alternatives to permit Sintonia to exit Telco, other than through non-proportional de-merger.

The terms of Sintonia’s exit were approved on 26 November, 2009, when an extraordinary general meeting of the Telco shareholders unanimously approved a proposal of the Telco board of directors to permit Sintonia to exit Telco in a single transaction consisting of two parts.

The transaction was concluded on 22 December, 2009 when Telco and Sintonia executed a purchase and sale agreement pursuant to which: (i) Sintonia acquired the Sintonia Telecom Italia Shares from Telco for a consideration of €605,254,575.20 (equal to a price of €2.20 for each Sintonia Telecom Italia Share), and (ii) Telco voluntarily reduced its share capital by acquiring and cancelling Sintonia’s Telco shares (equal to 162,752,995 class A shares, constituting 8.39% of Telco’s share capital) for a consideration of €293,461,160.95 (equal to a price of approximately €1.80 for each Telco share) which was equal to the pro rata net asset value of Sintonia’s interest in Telco as of 15 December, 2009.

Currently Telco is Telecom Italia’s largest shareholder, holding an interest of approximately 22.40% of the voting rights. Telco’s interests are held by Generali Group (30.58%), Intesa Sanpaolo (11.62%), Mediobanca (11.62%) and Telefónica (46.18%).

**Telecom Italia Shareholder Agreement**

The information contained herein regarding shareholders’ agreements has been derived from publicly available information filed by the parties involved with regulatory authorities. So far as Telecom Italia is aware, no facts have been omitted herein which would render the information misleading. No further or other responsibility in respect of such information is accepted by Telecom Italia.

On 28 April, 2007, a group of Investors, made up of the Class A Shareholders and Telefónica, entered into a Co-Investment Agreement establishing terms and conditions for their participation in Telco, the vehicle through which they purchased the entire share capital of Olimpia, from Pirelli and the Sintonia Sellers.
On 4 May, 2007, the Investors entered into a Share Purchase Agreement with Pirelli and Sintonia Sellers to purchase the entire share capital of Olimpia. The acquisition was executed on 25 October, 2007 by Telco, to which Ordinary Shares equal to 5.6% of the Telecom Italia Ordinary Share capital were conferred on the same date by Mediobanca S.p.A. and companies of the Generali Group. The total investment held by Telco S.p.A. was therefore equal to 23.595% of Telecom Italia Ordinary Share capital, of which 17.99% were held through Olimpia.

Telco was held by Generali Group (28.1%), Intesa Sanpaolo (10.6%), Mediobanca (10.6%), Sintonia S.A. (8.4%) and Telefónica S.A. (42.3%).

Effective as from 18 December, 2007 Olimpia merged with and into Telco, with Telco as the surviving company and directly holding a stake of 23.595% in Telecom Italia’s ordinary share capital.

On 20 March, 2008 Telco acquired a further 121.5 million Ordinary Shares and increased its ownership in Telecom Italia’s ordinary share capital to 24.5%.

Upon completion of the acquisition of the entire share capital of Olimpia, all the previous shareholders’ agreements concerning Olimpia and Telecom Italia ceased to have any effect, and the only existing agreements amongst its direct and indirect shareholders, of which Telecom Italia is aware, are the agreements among the Investors and Telco.

In accordance with the Shareholders Agreement, after the closing of the Share Purchase Agreement, the Board of Directors of Telco approved the list to be submitted to the shareholders’ meeting of Telecom Italia held on 14 April, 2008, for the appointment of the directors of Telecom Italia, pursuant to the following criteria: (i) Telefónica - to the extent it holds at least 30% of Telco’s share capital - has the right vis-à-vis the other parties to designate two directors of Telecom Italia to be included as designees for appointment in the Board of Directors of Telecom Italia in the list and, to the extent feasible, pursuant to article 2386, first paragraph, of the Italian Civil Code (i.e. through co-optation) and (ii) the Class A Shareholders - to the extent they hold at least 50% plus one share of Telco’s share capital - may designate the other members of the list as follows: (a) three members unanimously and (b) the remaining members on the basis of a proportionality criterion.

On 28 October, 2009 the Investors other than Sintonia, namely Intesa Sanpaolo, Mediobanca, Generali and Telefónica (Non-Exiting Shareholders) acknowledged Sintonia’s decision to exit from Telco and entered into the Renewal Agreement (effective as of 28 April, 2010).

In accordance with the Shareholders’ Agreement, the Investors have agreed that the Telecom Italia Group and Telefónica group will be managed autonomously and independently. In particular, the directors designated by Telefónica in Telco and Telecom Italia shall be directed by Telefónica to neither participate nor vote at the Board of Directors’ meetings at which resolutions will be discussed and proposed relating to the policies, management and operations of companies directly or indirectly controlled by Telecom Italia providing services in countries where regulatory and legal restrictions or limitations for the exercise of voting rights by Telefónica are in force.

Accordingly Cesar Alierta and Julio Linares committed not to take part in any discussion or to vote in matters concerning activities of Telecom Italia or Telecom Italia’s subsidiaries in the Brazilian or Argentinean telecommunications markets.

On 25 October, 2007, an Amendment to the Co-investment and Shareholders' Agreement was signed in which, inter alia, the contents of the ruling by ANATEL (the Brazilian telecommunications regulator) announced on 23 October, 2007 and published on 5 November, 2007 (the ANATEL Ruling), which approved the indirect acquisition by Telco of the Brazilian Telecom Italia subsidiaries, were acknowledged and each party undertook to implement the content thereof through appropriate legal measures and actions. In furtherance of that undertaking, respectively on 19 November, 2007 and on 20 November, 2007, the
Shareholders’ Agreement and the By-laws of Telco were amended to implement the clauses contemplated in the ANATEL Ruling.

Specifically with respect to Telecom Italia’s Brazilian telecommunication operations, the Parties have agreed as follows.

While applicable regulatory restrictions and limitations exist:

(i) Telefónica and the directors/officers nominated by Telefónica may not participate, vote or veto resolutions in meetings of shareholders, the board or committees or organs with equivalent functions of Telco, Telecom Italia or any other company controlled by Telecom Italia when the subject matter concerns engaging in telecommunications activity in the Brazilian market. In addition, Telefónica may not nominate or designate directors or officers (i) of companies with their registered office in Brazil that are controlled by Telecom Italia and supply telecommunications services in the Brazilian market or (ii) of companies with their registered office in Brazil controlling such suppliers of telecommunications services;

(ii) Telefónica must take steps to ensure that its subsidiaries supplying telecommunications services in the Brazilian market do not enter into certain types of relationship with the companies controlled by Telecom Italia that supply telecommunications services in the Brazilian market, on terms and conditions different from those envisaged by the provisions of Brazilian law applicable to telecommunications;

(iii) Telefónica, including where it exercises the right to acquire shares of Telco, may not exercise direct or indirect control over any company controlled by Telecom Italia in Brazil; and

(iv) the parties to the agreement must give instructions to the members of the Board of Directors of Telco they have respectively nominated and to the members of the Board of Directors of Telecom Italia nominated by Telco for: (i) separate agendas to be prepared for the meetings of the Boards of Directors of Telco, Telecom Italia and Telecom Italia International N.V. and every other company with its registered office outside Brazil that is controlled by Telecom Italia and has investments in the Brazilian telecommunications sector in which the directors nominated by Telefônica are allowed to attend and for the meetings in which the participation of the directors nominated by Telefónica is not allowed; and (ii) a copy of the agendas and minutes of the meetings referred to in point (i) is to be delivered to ANATEL within a time limit of 30 days.

The restrictions and limitations imposed on Telefónica shall survive also in the event of a demerger of Telco as provided in the Shareholders’ Agreement, as long as applicable regulatory restrictions and limitations exist at the time of such demerger.

In compliance with the ANATEL Ruling, the Brazilian Telecom Italia subsidiaries submitted to ANATEL, on 22 November, 2007, the relevant corporate instruments (including a Telecom Italia Group internal procedure adopted by the Board of Directors of Telecom Italia and directed to Telecom Italia Group companies) to implement the measures and procedures required by the ANATEL Ruling to assure the segregation of Telecom Italia’s activities in Brazil from any potential influence of Telefónica. As a result, Telecom Italia’s Brazilian subsidiaries continue to operate independently and autonomously in the Brazilian market.

The ANATEL Ruling also provided for a period of 6 months - ending on 5 May, 2008 - for the parties to submit additional possible measures for ANATEL’s approval in order to guarantee the maintenance of a complete segregation (total desvinculação) between Vivo, Telefónica’s Brazilian mobile operator, and TIM, Telecom Italia’s Brazilian mobile operator. The Brazilian Telecom Italia subsidiaries proposed a list of such additional measures on 2 May, 2008.
On 31 July, 2008 ANATEL approved the corporate instruments filed on 22 November, 2007 after finding full compliance with the restrictions imposed by the ANATEL Ruling in this respect. Approval of the additional measures filed on 2 May, 2008, was obtained on 7 July, 2009.

On 28 April, 2010, the board of the Brazilian Antitrust Commission (CADE) unanimously approved the acquisition by Telco of an indirect minority shareholding in Telecom Italia occurred in 2007, subject to the simultaneous signing of an agreement (Termo de Compromisso de Desempenho) (TCD), by and between all the Telco shareholders - Mediobanca, Generali, Intesa Sanpaolo, Telefónica and CADE. Tim Brasil executed such agreement exclusively as an intervening party on behalf of the Telecom Italia Group, since the latter was not formally a party to the antitrust proceedings.

Such agreement, aimed at assuring the effective segregation between the Telefónica and Telecom Italia groups in relation to their respective operations in Brazil, provides for certain undertakings for all involved parties, including the restrictions already imposed by ANATEL in its decisions of November 2007 and July 2009 on the Telco transaction, plus some additional commitments. As had occurred for the measures imposed by ANATEL, the undertakings given to CADE were incorporated in a special internal procedure (through a resolution of the Board of Directors of Telecom Italia on 6 May, 2010).

A further procedure was introduced by the Board of Directors of Telecom Italia on 4 November, 2010, against the undertakings given by the Group to the Argentinean antitrust authority (CNDC) to obtain approval of the transfer of 8% of Sofora to Telecom Italia International N.V. These undertakings were aimed at maintaining the separation and independence of the Telefónica and Telecom Italia groups in Argentina.

With the approval of the above mentioned “CNDC procedure”, the internal procedure adopted at the end of 2008 to formalise the separation of the activities of the Telecom Italia Group and those of the Telefónica group in Argentina’s telecommunications market was superseded and revoked and so were the further specific governance solutions approved by the Board of Directors of Telecom Italia with respect to the Argentinean market.

On 10 December, 2010 the New Shareholders’ Agreement was amended to take into account the provisions of the “Compromiso” (containing certain obligations aimed at permitting approval of the Telco Transaction by the Argentinean authorities) signed before the CNDC on 6 October, 2010 by the Telco shareholders, Telco and, as intervening parties in order to execute the obligations assumed, by Telecom Italia, Telecom Italia International N.V., Sofora Telecomunicaciones S.A., Nortel Inversora S.A., Telecom Argentina S.A., Telecom Personal S.A., Telefónica de Argentina S.A., and Telefónica Moviles S.A. Accordingly, with reference to activities carried out in the Argentinean market by Telefónica and Telecom Italia, directly or through subsidiaries, the following were established:

(i) Telefónica and the directors/executives designated by Telefónica will not attend, vote, or exercise their veto right in the shareholders’ meetings, boards of directors, executive committees or boards of auditors/supervisory boards of Telco, and/or any other company directly or indirectly controlled by or associated with Telco or Telecom Italia in relation to any matter concerning the business performed in the Argentinean market;

(ii) Telefónica may not designate any member of the board of directors, management staff, board of auditors/supervisory board, nor any executive or member of any corporate body performing similar functions in companies engaged in activities on the Argentinean market, directly or indirectly controlled by Telecom Italia;

(iii) the restrictions and limitations imposed on Telefónica will apply even in the event of a Telco de-merger;

(iv) any amendment in the shareholders’ agreement or Bylaws of Telco concerning the Compromiso and/or having an impact on the Argentinean market is subject to prior approval of CNDC;
(v) according to Argentinean law, Telefónica may not exercise direct or indirect control over any company controlled by Telecom Italia that carries out activities in the Argentinean market;

(vi) Teles’ Bylaws will need to be amended (as they have been) in order to provide that, as long as the limitations and restrictions undertaken with respect to CNDC are effective, (i) holders of B Shares (currently held exclusively by Telefónica) do not have the right to vote and do not attend shareholders’ meetings referring to any matter connected with the activities carried out and/or to be carried out directly or indirectly in the Argentinean market by Telecom Italia and its Argentinean subsidiaries, either directly or indirectly, (ii) the directors chosen from the list submitted by holders of B Shares and the directors designated at their request may not participate in discussions relating to the activities carried out and/or to be carried out in the Argentinean market by Telecom Italia and its Argentinean subsidiaries, either directly or indirectly; (iii) when the items to be addressed by the Teles board of directors include matters relating to activities in the Argentinean market, two separate agendas shall be prepared, one for the meeting that directors chosen from the list submitted by Telefónica are entitled to attend, and the other for the meeting they are not allowed to attend, where issues related to activities in the Argentinean market of Telecom Italia and its subsidiaries are to be dealt with; and

(vii) Telefónica may not appoint, in Teles or Telecom Italia, persons who are also members of the board of directors or employees of Telefónica de Argentina S.A. or Telefónica Móviles Argentina S.A.

Share Capital

The table below contains a breakdown of the share capital of Telecom Italia as at 31 March, 2011:

<table>
<thead>
<tr>
<th>Number of Shares(^1)</th>
<th>Value (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued, paid and relevant filing made with the Company Register</td>
<td></td>
</tr>
<tr>
<td>Ordinary Shares</td>
<td>13,407,963,078</td>
</tr>
<tr>
<td>Savings Shares</td>
<td>6,026,120,661</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,434,083,739</strong></td>
</tr>
</tbody>
</table>

\(^1\) Each share has a par value of €0.55.

Recent Developments

*Telecom Italia acquires chain of 200 specialist telephony retail stores*

On 12 May, 2011, Telecom Italia reached an agreement with the BS Investimenti IV Fund, BSBS Private Equity and other private shareholders for the acquisition of a 71% stake in the share capital of the 4G Holding S.p.A. company for an outlay of around 8.3 million euros.

The remaining 29% of the company will remain under the ownership of GIR S.r.l., a company controlled by the current chief executive officer, who will remain in his position after the acquisition as the result of a specific governance agreement with Telecom Italia.

The acquisition will be completed through TLC Commercial Services, a wholly owned subsidiary of Telecom Italia, once it receives approval from the Italian Anti-Trust Authority to do so.

4GH is Italy’s largest chain of specialist telephony industry retailers, with some 200 outlets in Italy’s largest shopping centres. 150 of these stores already have a TIM franchising contract. Last year the 4GH Group posted revenues of around 140 million euros.
TIM Participações’ migration to Novo Mercado

The Board of Directors of Telecom Italia, during the meeting held on 5 May, 2011, has approved the migration of its subsidiary, TIM Participações, to Novo Mercado. Novo Mercado is a segment of the Brazilian Stock Exchange, listing companies having a higher corporate governance level and whose capital is only made up of ordinary shares. Such a transition will be subject to the approval of both TIM Participações’ shareholders’ meetings, gathering the two different types of shareholders, and will entail the conversion of preferred shares into ordinary shares in a share swap ratio of 0.8406 ordinary shares to one preferred share, put forth by TIM Participações’ board of directors, based on the weighted average ratio between the prices of the two share classes over a 60 day period.

Tim Participações acquires Aes Atimus for €700,000,000

On 8 July, 2011, Tim Participações S.A., through its subsidiary Tim Celular S.A., signed an agreement for the acquisition of AES Atimus group (100% of Electropaulo Telecomunicacões Ltda and AES Communications Rio de Janeiro S.A.) from Companhia Brasiliana de Energia. The group is a telecommunications infrastructure operator to the states of Sao Paulo and Rio de Janeiro.

AES Atimus is the owner of a 5,500 km fibre optics network covering all 21 towns that make up the urban conglomeration of Sao Paulo and Rio de Janeiro. The AES Atimus group represents a vital asset enabling Tim Brasil to reinforce its competitive position. The deal has an enterprise value of 1,600,000,000 Brazilian reais, or roughly €700,000,000 and is expected to close by the last quarter of 2011, once the company and the competent authorities have given their approval.

Bond Issuance

On 18 May, 2011, Telecom Italia issued an aggregate nominal amount of €750,000,000 4.75% Notes maturing on 25 May, 2018.
BUSINESS UNITS

Key financial data prepared in accordance with IFRS for the three-month period ended 31 March, 2011

At 31 March, 2011, the Telecom Italia Group was organised by business segment as follows:

(i) **Domestic Business Unit**: includes domestic operations for voice and data services on fixed and mobile networks for final customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group (international wholesale) as well as the relative support activities;

(ii) **Brazil Business Unit**: includes mobile (Tim Brasil) and fixed (Intelig) telecommunications operations in Brazil;

(iii) **Argentina Business Unit**: comprises fixed (Telecom Argentina) and mobile (Telecom Personal) telecommunications operations in Argentina, and mobile (Núcleo) telecommunications operations in Paraguay;

(iv) **Media Business Unit**: includes television network operations and management;

(v) **Olivetti Business Unit**: includes manufacturing operations for digital printing systems, office products and Information Technology services; and

(vi) **Other Operations**: includes finance companies and other minor companies not strictly related to the core business of the Telecom Italia Group.

On 13 October, 2010, the Sofora – Telecom Argentina group entered the scope of consolidation after the Telecom Italia Group increased its stake in the share capital of Sofora Telecomunicaciones S.A., the controlling holding company of the Telecom Argentina group, from 50% to 58%. In January 2011 and March 2011, additional shares were purchased which increased the economic interest held in the Telecom Argentina group from 16.2% to 21.1%.

The data of the Sofora group are represented in the Telecom Italia Group in the business unit denominated “Argentina Business Unit”.

During 2010, the following companies exited the scope of consolidation: HanseNet Telekommunikation GmbH (a company operating in the broadband sector in Germany) which had been classified in “Discontinued operations”, whose sale took place on 16 February, 2010; Elettra (a company included in the “Domestic Business Unit – International Wholesale”) sold on 30 September, 2010; and the BBNed group (included in “Other Operations”) sold on 5 October, 2010.
As of 31 March, 2011, the Telecom Italia Group Business Units were engaged in the following activities:

(a) The Domestic Business Unit operates as the consolidated market leader in Italy in providing telephone and data services on fixed-line and mobile networks for final retail voice customers and other wholesale operators. In the international field, the Domestic Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

Telecom Italia implemented its “customer centric” organisation for its domestic market in 2009. The principal operating and financial data of the Domestic Business Unit are reported according to two Cash-generating units (CGU):

(i) Core Domestic: Core Domestic includes all telecommunications activities within the Italian market. Revenues indicated in the tables that follow are divided according to the net contribution of each market segment to the CGU’s results, excluding infrasegment transactions. The sales market segments defined on the basis of the “customer centric” organisational model are as follows:

(A) Consumer: Consumer comprises the aggregate of voice and internet services and products managed and developed for individuals and families in the fixed and mobile telecommunications markets, public telephony and web portal/services;

(B) Business: Business comprises the aggregate of voice, data, internet and ICT solution services and products managed and developed for SMEs (small and medium enterprises) and SOHOs (Small Office Home Office) in the fixed and mobile telecommunications markets;

(C) Top: Top comprises the aggregate of voice, data, internet and ICT solution services and products managed and developed for Top, Public Sector, Large Account and Enterprise clientele in the fixed and mobile telecommunications markets;
(D) **National Wholesale**: National Wholesale consists of the management and development of the portfolio of regulated and unregulated wholesale services for fixed and mobile telecommunications operators in the domestic market;

(E) **Other (support structures)**: Other includes:

I. **Technology & Operations**: services related to the development, building and operation of network infrastructures, real estate–plant and information technology, in addition to delivery and assurance processes regarding client services; and

II. **Staff & Other**: services carried out by Staff functions and other support activities performed by minor companies of the Group also offered to the market and other Business Units; and

(ii) **International Wholesale**: International Wholesale includes the activities of the Telecom Italia Sparkle group which operates in the international voice, data and internet services market aimed at fixed and mobile telecommunications operators, ISPs/ASPs (wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

(b) **Brazil Business Unit**. The Telecom Italia Group operates in the mobile and fixed telecommunications sector in Brazil through the Tim Brasil group which offers mobile services using UMTS, GSM and TDMA technologies. Moreover, through the subsidiary Intelig Telecomunicacoes, the Tim Brasil group completes its services portfolio by offering fiber-optic data transmission using full IP technology such as DWDM and MPLS.

(c) **Argentina Business Unit**. The Telecom Italia Group operates in the fixed and mobile telecommunications sector in Argentina mainly through Telecom Argentina and Telecom Personal, respectively, as well as mobile telecommunications operations in Paraguay through Núcleo. In particular, Telecom Argentina is one of the largest private-sector companies in Argentina. Telecom Argentina has a non-expiring license to provide fixed-line telecommunications services in Argentina, Telecom Personal has a non-expiring licence to provide mobile services in Argentina and Núcleo has a renewable license to provide mobile services in Paraguay. Telecom Argentina also provides other telephone-related services such as international long-distance service, data transmission, IT solutions outsourcing and internet services.

(d) **Media Business Unit**. Telecom Italia Media group operates in the segments: TI Media – La7, MTV group and Network Operator business segments. In particular:

(i) **TI Media – La7**: includes activities relating to the television broadcasters La7 and La7d and those of the Digital Content for the Telecom Italia Group for the creation and production of content relating to the innovative platforms of Telecom Italia and to the web;

(ii) **MTV group**: includes activities carried out by MTV Italia and its subsidiary MTV Pubblicità relating to the television broadcasters MTV and MTV Music, the 360° Playmaker production unit, the production of multimedia musical platforms and satellite channels, in addition to MTV Mobile and Digital (Web); and

(iii) **Network Operator TIMB**: includes activities conducted by Telecom Italia Media Broadcasting for the operation of the analog and digital broadcasting networks of La7 and MTV and the Digital Multiplex channels operated by the Group, in addition to accessory services and radio and television broadcasting platforms offered to Group companies and third parties.
(e) **Olivetti Business Unit**. The Olivetti group mainly operates in the sector of office products and services for IT. Due to its vast offering of cutting-edge hardware and software, its Solution Provider activities offer solutions able to automate processes and business activities for small and medium enterprises, large corporations and vertical markets. The Group continues the process, begun during the last few years, of expanding and diversifying the offering by concentrating on both the development of software solutions and applications services for businesses and public administrations, and also specialised electronic devices. The market of the Olivetti Business Unit is focused mainly in Europe, Asia and South America.

**Strategy**

**Strategic Priorities and Objectives for the 2011-2013 Three-year Period (the Plan)**

The updated 2011–2013 Plan was announced on 25 February, 2011 and confirms the following strategic priorities and objectives for the Telecom Italia Group:

(i) focus on core markets (Italy, Brazil and Argentina) to enhance free cash-flow generation; and

(ii) continue capital discipline to generate sustainable dividend growth and to complete the ongoing deleveraging of the Group’s balance sheet through the further reduction of outstanding debt.

**Domestic market**

In the Domestic market, Telecom Italia’s strategic priorities and objectives are:

(i) improve revenues trend:

   (A) defend traditional services: protect the value of voice services and market shares; increase “value for money” while avoiding aggressiveness on pricing; exploit its knowledge of the customer;

   (B) strengthen the broadband experience: leverage on quality of service to sustain premium pricing; push on innovation; leverage the mobile internet and smartphones; promote ADSL as new applications enabler for new bundled product offers; and

   (C) develop innovative services: home gateway and content enrichment; over the top services; cloud computing; smart cities, health & digital bureaucracy;

(ii) continue to protect profitability and free cash flow generation:

   (A) operating expense efficiency: continue processes assessment to pursue further cost efficiency; control discretionary costs; and

   (B) optimisation of capital expenditures: focused commercial investments; selective deployment of NGAN; roll out of next generation wireless access; core network delivering; cloud and service-oriented IT architectures.

**Brazil**

Brazil remains an important market and Telecom Italia will continue to exploit the pure mobile infrastructure operator approach.

Tim Brasil’s business plan is based on the following strategic priorities and objectives:

(i) increase size: consistent community expansion; grow customer base and increase market share; consolidate as the second mobile operator in the Brazilian market;
(ii) revenues growth: drive Fixed Mobile Substitution, increasing voice minutes of usage; further development of mobile internet to strongly increase VAS share of service revenues;

(iii) enhance value creation: strengthen the network infrastructure to support voice and data volumes growth and to extend coverage; efficiency in go-to-market; improve profitability and cash generation.

Argentina

Argentina is also expected to be an important market and represents a further growth opportunity. Telecom Argentina’s strategic priorities and objectives are:

(i) increase size: on fixed business, consolidate market share on fixed access and take steps to achieve a strong increase in broadband lines; on mobile business, steady churn reduction and sound acquisitions in postpaid customers and mobile broadband service;

(ii) revenues growth: bundling offers to increase loyalty and ARPU; boost innovative services both on fixed and mobile business; strong growth on Interactive value added services through smartphone leadership; and

(iii) enhance value creation: capital expenditure growth to support broadband and mobile development; strong focus on high margin services and products; solid FCF generation; capital structure optimisation.

There can be no assurance that these objectives will actually be achieved.

Capital expenditures

In the first three months of 2011, capital expenditures amounted to 901 million euros and decreased by 141 million euros with respect to the first three months of 2010.

The capital expenditures planned for 2011, at Telecom Italia Group level, will be approximately 4.8 billion euros.

The breakdown by core markets is as follows:

(i) **Domestic Business Unit**: approximately 3 billion euros in 2011 (approximately 8.7 billion euros in the 2011-2013 period);

(ii) **Brazil Business Unit (Tim Brasil)**: approximately 2.9 billion Brazilian reais in 2011 (approximately 8.5 billion Brazilian reais in the 2011-2013 period); and

(iii) **Argentina Business Unit**: approximately 3.2 billion Argentine pesos in 2011.

The Telecom Italia Group expects to fulfil its future commitments for capital expenditures primarily through the use of cash generated from operations.

**Competition in the Domestic Market**

**The market**

The Italian telecommunications market has been characterised for some time by strong competitive pressure, both at the retail and at the wholesale levels, which over the years has led to a marked reduction in revenues from the traditional components of service, in particular of the voice service. Key elements in the evolution of the market have been the increased penetration of broadband, initially over the fixed and, increasingly,
now also mobile, and above all, the progressive increase in bandwidth speed not accompanied, however, by a corresponding increase in average prices.

In recent years, the competitive scenario for telecommunications in Italy and at the global level, has been evolving under the effect of the convergence of telecommunications, information technology, media and the consumer electronics markets. This scenario causes “lateral” competition which extends the area of competition to include the converging markets and their reference operators, creating an opportunity for growth but also a threat.

In particular, for telecommunications operators (Telcos), in addition to the core competition from the other historical Telcos in the sector, there is increased competition from OTT companies and device producers, which take advantage of their full understanding of consumer trends, consumer electronics evolution and software environments and which, operating wholly in the digital world, base their behaviour on a competitive rationale which is different from that of the Telcos.

Over time, therefore, the traditional players’ business models have had to evolve so as to meet the competition from the new entrants and to utilise the new opportunities, as set out below:

(i) in Media, the broadcasters, vertically integrated players, continue to dominate this segment but, with the World Wide Web having a growing importance as a complementary distribution platform, they are increasingly under pressure from consumer electronics companies, the Telcos and OTT operators; 

(ii) in Information Technology (where Italy continues to have a level of investment relative to its GDP which is significantly lower than that of the United States and of other European countries), the decline in revenues is driving the various players towards cloud computing as a way of protecting market shares in their respective core businesses. A strengthening of the Telcos is expected however, through partnerships and acquisitions; 

(iii) in the Consumer Electronics market, the cell phones with greater functionality (such as Apple’s iPhone) attenuate the relationship between the customer and the telecommunications operator, and other devices, such as the games console, the set-top box and more recently the connected TV itself, compete with the Media companies, with the Telcos and with the OTT operators for the role of “net enabler” of the living room screen; and 

(iv) the OTT operators, as indicated above, represent the most significant threat for the Telcos because of their capacity to diversify, their capacity for rapid scale, their disruptive business model (free for the customer and based on advertising) and their intensive use of their knowledge of the customer, often with the latter’s consent.

Conversely, with regard to the positioning of the telecommunications operators in the converging markets, it should be noted that there are, at varying levels of development, initiatives to enter infrastructure services in the IT market (Cloud Computing, Machine to Machine, Mobile payment, Security etc.), a role as premium content distributor through IPTV and as facilitator of the consumption of online content on the living room screen through OTTV and a significant presence in online advertising and in the development of smartphone web 2.0 applications.

**Competition in Fixed-Line Telecommunications**

The fixed-line telecommunications market is characterised by strong competition between operators centred on their capacity to innovate service offerings through the introduction of voice/broadband packages (double play) and voice/broadband/IPTV packages (triple play).

This evolution is possible as a result of the competitors’ shift from an essentially reseller approach (carrier selection/carrier pre-selection for voice services and Wholesale for ADSL) to an approach based on control
of the infrastructures (primarily LLU - Local Loop Unbundling). There is also an increasingly evident trend of fixed/mobile convergence: many fixed operators are today also Mobile Virtual Network Operators (MVNOs) and offer integrated fixed-mobile services.

In 2010, there was a continuation of the migration of customers from fixed telephony to mobile telephony services and to alternative communications solutions (messaging, e-mail, chat etc.). For some years, for both private consumers and small and medium businesses there has been in progress a substitution of the mature traditional voice services with content and value-added services based on the Internet Protocol (IP), the spread of which is favoured both by the use of the internet and by changes in customer preferences and by the penetration of broadband, of PCs and of other connected devices, as well as by the quality of the service.

The competitive scenario in the Italian market for fixed telecommunications is dominated by Telecom Italia and a number of operators with differentiated business models and with a focus on differing segments of the market:

(i) Wind-Infostrada, an integrated fixed-mobile operator is focused, with its “all inclusive” offering (voice and data), on cost conscious retail mass market customers with less concentration on the “top” segment and on an ICT offering;

(ii) Fastweb, an operator which positions itself as technological leader and which offers a high value-added “all-inclusive” broadband service is directed mainly at retail and corporate customers. Fastweb remains focused on the large urban centres and on high value customers, although in 2010 it has shown a gradual abandonment of premium pricing with recourse to very aggressive promotional formula. The company is also present in the mobile market as a mobile virtual operator (MVO) with H3G;

(iii) Tiscali, an operator focused on fixed-line with a broadband offering “semplice e conveniente”, is directed primarily at the consumer and SOHO segments and also has a mobile telephony offering “Tiscali Mobile” as an MVNO with TIM;

(iv) Vodafone, positioned as a global player mainly concentrating on mobile with a fixed offering focused on the 2play offering and on fixed-mobile cross-selling is focused on the 2Play package (Vodafone Station) and on fixed-mobile cross-selling activities; less focused on “top” and ICT offerings;

(v) TeleTu (formerly Tele2, purchased by Vodafone) is focused on low-spending customers with aggressive pricing, entry-level voice and broadband plans and extensive promotional use of not charging a “fixed fee”; and

(vi) BT Italia, focused on business customers and ICT packages, also offers mobile telephony services as an MVNO with Vodafone. In 2010, it has shown a progressive weakening with a slow-down in investment and a reduced level of innovation.

At the end of 2010, fixed accesses in Italy numbered approximately 22.5 million, substantially in line with 2009. The growing competition in the access market has led to a gradual reduction in Telecom Italia’s market share of retail voice traffic volumes.

With respect to the broadband market, at 31 December, 2010 fixed-line broadband customers in Italy reached a total of approximately 13.1 million with an approximately 58.3% penetration of fixed accesses.

In 2010, growth in fixed-line broadband suffered a slight decline compared to the growth of the preceding years due to a generalised preference of operators to increase the penetration of flat-rate plans (dual/triple play) with greater value-added. Broadband penetration is driven by the increasing demand for speed and for activation of new “over IP” services (Voice over IP, Content, Social Networking Services, Online Gaming, IP Centrex, etc.).
There was further decline in revenues from the Data transmission services segment which is the main component of the Top customers market. This market is characterised by the re-designing and upgrading of internet accesses with high or very high data transmission capacities and by medium and large sized private data networks and has felt the effects of competition, experiencing a fall in average prices although market shares of operators are substantially unchanged.

**Competition in Mobile Telecommunications**

The mobile market, while increasingly saturated and mature in its traditional component of voice services nevertheless continues to experience growth in the number of mobile lines, driven by the growth in multiSIM/multidevice customers and in “non-human” (machine to machine) lines (at 31 December, 2010, mobile lines in Italy numbered around 94 million, a growth of 4% over 2009 and with a penetration rate of approximately 155% of the population).

Although there has been a progressive contraction in revenues from the traditional service, data and value-added services have recorded significant growth.

This is the situation of mobile broadband which in the past few years has been, and increasingly will be in the future, the main strategic and commercial opportunity for the mobile telecommunications industry, which may be able to offset the erosion in some of the traditional components of revenues such as voice and messaging.

In 2010, in Italy, there was significant growth in mobile broadband customers, both large and small screen and at the end of the year they numbered in total more than 15 million, with a penetration rate of about 16% of mobile lines.

Alongside innovative services which are established and growing, such as mobile broadband, there are various other market areas with significant medium term growth potential, such as: mobile advertising, mobile content (e.g. social networking), mobile payment and location based services.

The competitive environment in the Italian mobile telecommunications market is led by Telecom Italia (through its brand Telecom Italia Mobile - TIM) and by the following operators who operate their own networks Each of these other operators are focused on different segments of the market or have different strategies:

(i) Vodafone, joint market-leader with TIM, positioned as a global player with a strategy as an innovative operator, very attentive to the customer, with a strong brand and customer loyalty based on the “community” concept;

(ii) Wind, focused on the cost conscious segment with a portfolio of simple plans and on customer loyalty based on the “community” concept;

(iii) H3G, a mobile-only operator focused on high value customers, on advanced VAS services and terminals with competitive pricing (for example, microbrowsing, mobile broadband and mobile content), present in the microbusiness segment (professionals and SOHO, small office-home office, who use the basic and connectivity solutions) and substantially absent from the TOP segment; and

(iv) alongside these operators there are a number of virtual operators (for example Poste Mobile) which to date constitute only a small part of the market.

Telecom Italia’s market share of total mobile lines was around 33% at 31 December, 2010, down compared to 31 December, 2009 (34.2%).
Competition in the Brazilian Market

In December 2010, TIM was awarded eight lots of GSM frequencies for an amount of 65.5 million Brazilian reais with a premium averaging 32% of the auction base price. The contract was signed on 30 May, 2011 and was published in the public journal on 1 June, 2011. These frequencies will improve the coverage and the service quality of the TIM service. The total of 165 GSM and 3G lots auctioned were sold for a total value of 2.7 billion Brazilian reais with an average premium on the auction base price of 31%.

Competition in the Argentine Market

The telecommunications market in Argentina and Paraguay continues to feature strong demand for new services and higher access speeds, in an environment which is highly competitive in the fixed and mobile businesses.

Competition is mainly focused on internet, data and mobile services, including residential, corporate and government accounts while fixed telephony is characterised by market maturity. In particular, in the Argentina mobile business, Personal is one of the three operators which offer services at the national level, competing with Claro (America Móvil group) and Movistar (Telefónica group). In Paraguay, Núcleo operates in a market which continues to be characterised by a high level of competitiveness based on aggressive pricing and promotion and also on the launch of product and service innovation.

In the broadband business, the Argentinean Business Unit, under the Arnet brand, competes both with the ADSL competitor Speedy (Telefónica group) and with Fibertel (Clarín group) which provides broadband access services by cable-modem.

During 2010 the Argentinean Business Unit consolidated its market share position in the fixed services with a slight increase in the market share in mobile services.

The regulatory framework

The EU regulatory framework

Business undertaken by Telecom Italia in the EU is subject to the EU framework on telecommunications regulation which includes directives, recommendations and opinions. As such, as a member of the EU, Italy is required to implement directives issued by the EU. Regulations adopted at the EU level also have general application and are binding and directly applicable on EU member states. Recommendations, on the other hand, are not legally binding although politically important.

The European Commission began opening the telecommunications market to competition with the adoption of directives in the late 1980s and early 1990s. These liberalisation measures culminated in Italy, as well as in all the main member States of the EU, with the opening of competition in 1998 of public voice telephony and public network infrastructure.

The 1998 framework was reviewed when growing convergence between telecoms, broadcasting and information technology meant the rules had to be adapted. A new EU Regulatory Framework was adopted in 2002, covering all forms of fixed and wireless telecoms, data transmission and broadcasting and made up of a package of legal instruments, the most relevant of which are five directives concerning the following topics: the common regulatory framework; access and interconnection; the authorisation regime; the universal service and users’ rights; privacy and data protection.

A recommendation adopted in February 2003, on relevant product and service markets susceptible to ex ante regulation, complemented the set of legal instruments relevant for the scope of the electronic communications market regulation. In December 2007, the European Commission amended this first recommendation on relevant markets, reducing the previous 18 markets susceptible to ex-ante regulation to seven. The seven markets are: at Retail level: access at a fixed location (market 1); at wholesale level: call
origination at a fixed location (market 2); call termination at a fixed location (market 3); wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location (market 4); wholesale broadband access (market 5); wholesale terminating segments of leased lines (market 6) and voice call termination on mobile networks (market 7).

The EU regulatory framework requires that market analyses be carried out by the National Regulatory Authorities (NRAs, in Italy AGCom) before regulation is imposed and that appropriate obligations are imposed on individual operators determined as having SMP according to specific EU guidelines. A company is deemed to have SMP if, either individually or jointly with others, it enjoys a position equivalent to dominance, that is to say a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers. One of the criteria adopted to identify SMP, according to the EU Guidelines, is the operator’s market share exceeding 50%.

The market analyses carried out by NRAs are subject to the scrutiny of the EU Commission which, to a certain extent, can challenge the NRAs findings, having a “veto power” about market definition and identification of SMP operators but not about the choice of remedies.

The EU legal framework was further updated in November 2007 when the Commission adopted review proposals of the five directives defining the regulatory principles for the sector (i.e. the Framework, Access, Authorisation, Universal Service and E-Privacy directives), with the aim to define the new European regulatory framework.

New EU telecoms rules officially became EU law following their publication in the Official Journal of the European Union of 18 December, 2009. The Reform Package was composed of the “Better Regulation Directive” (Directive 2009/140/EC, amending the “Framework”, “Access” and “Authorisation” directives) and the “Citizens’ Rights Directive” (Directive 2009/136/EC amending the “Universal Service” and “E-Privacy” directives and the Regulation 2006/2004 on Consumer Protection Cooperation) to be transposed into national laws of the 27 EU Member States by 25 May, 2011 and by the Regulation – which was directly applicable - establishing the new European Telecoms Authority called “Body of European Regulators for Electronic Communications (BEREC)”. To date, a government bill is currently before Parliament (‘Legge Comunitaria 2010’) that will, once adopted, mandate the government to transpose the EU 2009 regulatory framework into Italian law by a legislative decree.

**Telecommunication Regulatory Framework in Italy**

The legal basis for the electronic communications sector in Italy is as follows:

(i) Law 36 of 22 February, 2001, regarding protection from exposure to electric, magnetic and electromagnetic fields and Prime Ministerial Decree of 8 July, 2003, which established “Exposure limits, attention values and quality goals to protect the population against electric, magnetic and electromagnetic fields generated at frequencies between 100 KHz and 300 GHz”;

(ii) the “Electronic Communications Code” (ECC), Legislative Decree 259 of 1 August, 2003, which incorporated into national law the EU directives of the “99 Review” with regard to electronic communications networks and services (the EU directives on “Access”, “Authorisation”, “Framework” and “Universal Service”);

(iii) “Data Protection Code” (Legislative Decree No. 196/2003), last amended by Law 166 of 20 November, 2009;

(iv) the “Consolidation Act on Radio-Television” (Legislative Decree 177 of 31 July, 2005) which contains the principles for convergence between radio-television and other sectors of interpersonal communications;

(v) Legislative Decree 206 of 6 September, 2005 (Consumer Code);
(vi) Legislative Decree 262 of 3 October, 2006, which contained “Urgent measures with regard to tax and financial matters” and which, with reference to the ECC, partially altered the law on sanctions by introducing further examples of administrative offenses, a generalised increase in the fines for each sanction and the elimination of the institution of the partial cash settlements of fines;

(vii) Decree Law 7 of 31 January, 2007, (converted into law, with modifications, by Article 1 of Law 40, dated 2 April, 2007) containing urgent measures for the protection of consumers, promotion of competition, development of economic activities which, for the electronic communications sector, abolished top-up charges and prohibited the expiry of phone traffic on prepaid phone cards;

(viii) Legislative Decree 109 of 30 May, 2008, for the incorporation into national law of the EU Directive 2006/24/EC on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks and amending Directive 2002/58/EC; and

(ix) Law 69 of 18 June, 2009, containing in Article 1 “Broadband” measures for the administrative simplification of the procedures for the installation and development of optical fiber networks.

Furthermore, the ECC confirmed the responsibilities attributed under previous legislation to the Ministry of Communications and AGCom:

(i) the Ministry is responsible for State functions and services in respect of postal services, telecommunications, multimedia networks, informatics, telematics, radio and television broadcasts and innovative technologies applied to the communications sector. The functions of the Ministry of Communications and its resources were transferred to the Ministry of Economic Development in May 2008;

(ii) AGCom is an independent regulatory authority and guarantor. It must report on its operations to the Italian Parliament, which established its powers, defined its bylaws and elected its members. AGCom has the dual responsibility of ensuring that there is fair competition among the operators on the market and protecting consumers.

**TELECOMMUNICATION REGULATION IN ITALY**

In July 2008, Telecom Italia proposed to AGCom certain undertakings relating to its access network (Undertakings) that would integrate and strengthen the existing obligations of non-discrimination between Telecom Italia’s own retail operations and other operators in the provision of wholesale access network services imposed on Telecom Italia by AGCom since 2002.

AGCom approved the Telecom Italia Undertakings which are divided into 14 main groups and pursue four main goals:

(i) to offer additional guarantees of equal treatment between Telecom Italia’s commercial functions and other electronic communications operators (Operators) that purchase wholesale access services from Telecom Italia;

(ii) to provide benefits to Operators and final users, through the qualitative development and improvement of the fixed access network and of related services;

(iii) to make the evolution of Telecom Italia’s fixed access network more transparent for the Operators; and

(iv) to ensure the maintenance of competitive conditions in the migration towards new generation networks.
Following the AGCom approval of the Undertakings, a number of sanction proceedings imposed on Telecom Italia were suspended and are expected to be closed when the actual fulfilment of the Undertakings is assessed.

At the beginning of 2008 Telecom Italia created the Open Access department, a separate business unit focusing its activities on the Undertakings’ implementation. In order to ensure equal treatment for its own retail operations and those of the Operators (“internal-external equal treatment”) Telecom Italia took actions focused on three main areas:

(i) technical-organisational: solutions for the improvement of internal processes for delivery and assurance that SMP services have been adopted;

(ii) cultural-behavioural: a Code of Conduct has been adopted and intensive training activities have been carried out in order to spread the principles of internal-external equal treatment; and

(iii) economic-regulatory: the drafting of service contracts and transfer charge to implement equality of economic treatment.

The implementation of the Undertakings, their complexity and their impact on the stakeholders’ system, have required the creation of a governance system. In particular, the following bodies have been created: an independent body (the Supervisory Board) and the NRA Undertakings’ Monitoring Group for the monitoring of the work in progress (GMI) and the Office of Telecommunications Adjudicator Italia (OTA Italia), whose mission is to prevent and resolve disputes between Operators and the Next Generation Network Committee submitting proposed solutions on technical, organisational and economic issues for the transition to the Next Generation Network.

Two years after the formalisation of the Undertakings, the results reached are positive, both in terms of formal and substantial fulfilment. As planned, Telecom Italia had fully implemented, as of 31 March, 2010, the technical Undertakings concerning the new delivery process for SMP services, additional procedures for the management of co-location services, new procedures for the management of wholesale users and a performance monitoring system for SMP services.

In particular:

(i) the Operational Separation Model of the Access Network adopted by Telecom Italia, notified to the European Commission, is considered in Europe an advanced regulatory model and an alternative to the Access Network Functional Separation adopted by British Telecom (Open Reach);

(ii) at the end of the year, 35 Operators had joined in the New Delivery Process (NDP) for Bitstream, Local Loop Unbundling (LLU), Wholesale Line Rental (WLR) and Collocation Services. Other Operators will join the NDP during 2011, according to a schedule agreed with Telecom Italia;

(iii) AGCom is leading a public consultation on the guidelines to be applied in implementing the Group of Undertakings (GoU) n. 8, intended to verify the treatment of equality, both technical and economic. In particular, the GoU n. 8 imposes:

(A) Internal Agreements, with the evidence of technical and economic conditions internally applied to the Commercial Functions of Telecom Italia for using SMP Access Services; AGCom guidelines state that, generally, Commercial Functions of Telecom Italia must use SMP Access Services under the same conditions applied to other Operators and published on the Reference Offers; and

(B) The Accounting Separation integration with the introduction of (i) the “transfer prices mechanism” for the SMP Access Services used by Commercial Functions of Telecom Italia and (ii) separated accounts for the SMP Access Services (provided, according to the
accounting model of equivalence defined by AGCom, by the entity Equivalent Open Access).

Telecom Italia believes that the GoU n. 8 will be fully implemented during 2011, if AGCom publishes within a reasonable time its final decision;

(iv) the promotion of an “Equivalence Culture”, introduced through personnel formation programs, produced positive results according to the surveys on OLOs Customer Satisfaction;

(v) more transparency has been ensured to the OLOs by adding more information on “Technical Plans for the Access Network Quality” and on “Technical Plans for the NGA Deployment”, and by implementing other measures to ensure greater efficiency (and effectiveness) to the OLOs in the planning and development of their network and their services;

(vi) to reduce and to prevent the phenomenon of the “services not requested”, several actions have been put in place on the different market segments and on the different services.

Telecom Italia is waiting the AGCom decision with the formal evaluation of the results produced by the Undertakings. AGCom’s positive evaluation is necessary for the cancellation of the economic sanctions still pending on Telecom Italia.

Market analyses

During 2006 and 2007, AGCom concluded the first round of analyses of the relevant markets of electronic communications, as identified by the EC 2003 recommendation, and designated Telecom Italia as SMP Operator in all wholesale (fixed (physical) access and (virtual) broadband access, fixed and mobile call termination, fixed call origination, transit services, terminating and trunk segments of leased lines) and retail markets (residential and non-residential fixed access, voice traffic, leased lines). As a result of these findings AGCom introduced regulatory measures depending on the specific retail or wholesale market failure identified: access to network, carrier selection and pre-selection, transparency and non discrimination, including publication of reference offer, information for end users, advance notification to AGCom of new retail tariffs or change of existing ones, price control including cost orientation, price/network cap and price tests, cost accounting and accounting separation.

Since December 2007, AGCom has been carrying out the second round of relevant market analyses to determine whether to maintain, amend or withdraw the obligations on Telecom Italia in force. In addition, markets not included in the revised recommendation (with remedies in place) have been re-assessed in order to justify either the withdrawal or the keeping of regulation. AGCom has, therefore, reviewed all the 18 markets in its second round of market analyses. In 2008-2009, AGCom concluded the market analyses of the wholesale mobile markets (call termination, access and call origination) while, with respect to international roaming the EU regulation has been applied and AGCom did not review this market. Market analyses proceedings, for the fixed markets, were completed in 2010.

With Decision 670/10/CONS of December, 2010, AGCom started the third round of market analyses with the review of the mobile termination market in order to define the relevant market, identify SMP Operators and define regulatory obligations on SMP Operators. In particular, with the Decision 60/11/CONS AGCom has defined the new “Bottom-Up Long-Run Incremental Cost” (BU-LRIC) model to be applied for the setting of the new mobile termination charges. The results of this cost model will lead to significant reductions in call termination prices as provided for by AGCom’s draft Decision 254/11/CONS under consultation until 22 June, 2011.

The major developments in 2010 and in the first half of 2011 regarding markets in the electronic communications sector are described below.
**Retail-fixed markets**

As a result of the first round of fixed retail market analyses concluded in 2006, AGCom imposed on Telecom Italia as SMP operator, regulatory obligations, including a price cap mechanism and price control.

In particular, the retail fixed regulated markets were as follows: access to the public telephone network provided at a fixed location for residential and business customers (markets 1 and 2); local, national and fixed-mobile services markets—retention component only—for residential and non-residential customers (markets 3 and 5, removed from the revised 2007 Recommendation); international telephone services, for residential and non-residential customers, provided at a fixed location (markets 4 and 6, removed from the revised 2007 Recommendation); leased lines market (market 7, removed from the revised 2007 recommendation).

At the end of 2009, AGCom concluded the second round analyses of the international calls market and of the minimum set leased lines market and deregulated both such retail markets withdrawing all ex ante obligations for Telecom Italia from 2010.

In 2010 AGCom concluded the second round analyses of the national retail fixed voice services. AGCom decided on the withdrawal of all the regulatory obligations after six months from the publication of its final decision. In the transitional six month period (until 12 January, 2011), AGCom maintained the obligation of prior notification of new tariffs. However Telecom Italia remains subject to an ex-post evaluation of the retail offers. Since 12 January, 2011 Telecom Italia has been permitted to fix retail tariffs without prior notification or approval.

With reference to the price test methodology, with Decision 499/10/CONS of 13 September, 2010, AGCom set new rules for the assessment of Telecom Italia’s retail offers, including non standard offers (public tender and personalised top business offers) and bundles (multiple-play offers). The new methodology is based on the application of a replicability test developed on the basis of the following key principles: reference to the most efficient technology and network architecture that could be used by OLOs to replicate Telecom Italia’s offers and, hence, to a mix of wholesale inputs (LLU, WLR, bitstream etc.); possible use of avoidable or long run incremental costs for the evaluation of network and downstream OLO’s costs and, for bundle offers, application of the price test on the whole bundle taking into account the overall cost of provisioning without considering whether each component of the bundle may be replicated by alternative operators.

During 2009, AGCom also concluded the second round analyses of the retail and wholesale access markets, where it found lack of competition and designated Telecom Italia as SMP. In December 2009, AGCom issued Decision 731/09/CONS setting out the remedies to be imposed on Telecom Italia, including the Telecom Italia Undertakings.

As to the retail access market, AGCom reduced regulatory constraints removing, from 2010, the price cap mechanism used for controlling residential and business subscriber monthly fees, which are now subject only to a price test (see above for details) to ensure replicability by an efficient OLO. At the same time, AGCom maintained the obligation to notify prices and conditions 30 days in advance of the commercial launch (instead of the previous 60 days), but a clause of “tacit consent” at the end of the notice period has been introduced. As for bundling services, the previous prohibition has been withdrawn as a consequence of the increased demand for Telecom Italia’s WLR offer.

AGCom retained Telecom Italia’s obligation to provide WLR service, only in the areas where disaggregated access services are not offered, with a price calculated according to the network cap method, for the period from 1 May, 2010 to 31 December, 2012, based on a BU LRIC model, (see “- Wholesale fixed markets” below for details), instead of the previous retail-minus regime.

As of 1 July, 2011 Telecom Italia will apply a re-pricing of both the subscriber monthly fee and of the national retail prices. In particular, as to retail access, the increase for the residential clients will be 0.48
€/month while with regard to traffic, for both residential and business customers, the elimination of the “Hour and Half hour free” has been provided.

**Wholesale fixed markets**

The first round of market analyses for fixed wholesale markets was concluded in 2006. In particular, the markets were as follows: Call origination (market 8); Call termination (market 9); Transit services (market 10, removed from the revised 2007 Recommendation); Unbundled access (including shared access) to metallic loops and sub-loops for the purpose of providing broadband and voice services (market 11); BroadBand access (market 12); Terminating segments of leased lines (market 13) and Trunk segments of leased lines (market 14 removed from the revised Recommendation).

As a result of this market analysis, AGCom imposed on Telecom Italia, as SMP operator, regulatory measures including price control in the form of a network cap (except for the wholesale broadband access market).

The network cap mechanism has been applied to calculate the prices of wholesale call origination, termination and transit services and of unbundled network-access services (i.e. Local Loop Unbundling and Shared Access). This mechanism has also applied to circuits, with the aim of ensuring that cost orientation is used to calculate the prices of the termination and long-distance circuit segments.

Following the conclusion of the second round of market analyses of the wholesale access market, in December 2009, AGCom confirmed the current regulatory system relative to the wholesale access obligations to the copper infrastructure (unbundling and bitstream), whereas, with regard to the determination of prices, it reintroduced for the period 1 May, 2010 to 31 December, 2012 a network cap mechanism, based on a BU-LRIC model. For the period from 1 January, 2010 to 30 April, 2010, AGCom set prices of LLU and co-location services and wholesale broadband services at the same level as 2009 values.

In light of adoption of the LRIC model, in November 2010, AGCom defined new wholesale rates for the period from May 2010 to December 2012 for the following wholesale services: unbundling, bitstream and WLR. In particular, for the LLU service, AGCom set the following monthly fees: €8.70/month as of 1 May, 2010; €9.02/month as of 1 January, 2011; and €9.28/month as of 1 January, 2012. Those rates remain subject to final verification by AGCom of their compliance with the improvement of the following indicators measuring the quality of the network: refusal percentage of OLOs’ wholesale requests due to problems related to access network, and fulfillment of TI quality plans and faults percentage with technician intervention on field. In particular, with reference to 2011, AGCom stated that the network quality improvements based on the above indicators proposed by Telecom Italia were compliant and as a consequence, price increases have been confirmed.

In November 2010, within the proceeding on the wholesale access market, AGCom started to introduce first obligations for the access to NGAN infrastructures and, in particular, introduced the access obligation to ducts and dark fiber at “fair and reasonable” prices under AGCom supervision and the bitstream access on “Fiber To The x” (FTTx), announcing the launch of a dedicated proceeding on NGAN regulation. On 20 September, 2010, the EC adopted a recommendation on NGAN regulation. A new regulatory model was proposed where NRAs are asked to examine differences in conditions of competition in different geographical areas in order to determine whether the definition of sub-national geographical markets or the imposition of differentiated remedies are warranted. AGCom launched two public consultations in January 2011 and then in May 2011, as integration of the previous one, on regulation of access to the next generation network. The public consultations show, on one hand, the introduction of a different regulatory framework for access to NGAN in comparison with the one highlighted on the wholesale access market. In this new proceeding, AGCom proposes to introduce not only new measures but also to expand/modify obligations already imposed on Telecom Italia. On the other hand, a positive aspect of this new framework is the introduction of the principle of geographical segmentation of the remedies among competitive and non-
competitive areas. The end of the AGCom proceeding on NGAN services is expected by the end of July 2011 although implementing measures will not be published before the second half of 2011.

With respect to migration between operators, AGCom has revised fixed-line customer migration rules, substantially reducing times of the process where the donating operator verifies the recipient’s migration request (so called “Phase 2”) which has been reduced to five days as of March 2010. Moreover, in cases of unrequested migration, the user will have the right to re-establish, free of charge, the previous configuration within five working days. Finally, in order to prevent activation of services not requested by retail customers, fixed-line operators introduced an individual security code. The code is provided to the customer when the client signs the contract for the access service.

With reference to fixed call termination for alternative network operators, in May 2008, AGCom adopted a decision setting the new cost accounting model BU-LRIC and a gradual drop from 2007 to 2010 which led to symmetric termination rates with Telecom Italia’s SGT level beginning in July 2010 (at the maximum level of €0.057). In July 2008, AGCom designated additional network operators as having SMP in the wholesale market for fixed call termination, imposing on the bigger infrastructure-based alternative operators access and non discrimination and price control obligations.

AGCom concluded the second round of market analyses in April 2010. The decision postponed the development of the BU-LRIC model, recommended by the European Commission for the definition of termination charges, to a further succeeding proceeding in order to set charges for the year 2012 onwards.

AGCom provided new wholesale tariffs for the year 2010 and for the year 2011 stating that the prices should be defined at an efficient cost level on the basis of cost accounting data. All the prices provided for call origination are equal to the ones for call termination. AGCom also confirmed its previous decision to impose infrastructure-based alternative operators’ fixed terminal rates (FTR) equal to Telecom Italia’s termination charge for the SGT level as of 1 July, 2010. The European Commission criticised the decision of AGCom, noting, among other things, that the symmetry could be possibly achieved at Telecom Italia’s local level (SGU), by applying lower fixed termination rates for the alternative operators. For that reason, Telecom Italia has filed an extraordinary appeal to the President of the Italian Republic against the decision of AGCom which established the wholesale tariffs. Telecom Italia’s appeal is expected to be heard by the “TAR” during the summer of 2011. On 28 April, 2011, AGCom adopted its final decision (No. 229/11/CONS) on fixed interconnection charge for the period 2011-2013. In particular, as regards the FTRs of both Telecom Italia and alternative network operators (OLOs) that have SMP, AGCom set 2011 prices at the same level as 2010, therefore maintaining OLOs’ asymmetric prices equal to Telecom Italia’s termination charge for the SGT level. As for 2012, prices are to be determined during 2011 and OLO’s FTR is to be set at Telecom Italia’s local level price. With regard to IP interconnection, fully symmetric FTRs between TI and OLOs are to be determined during 2011 based on a new pure BU-LRIC model (not yet published). Finally, as for 2013, AGCom has required using IP interconnection only and symmetric FTRs will be based on the BU-LRIC model (see above). When commenting on AGCom’s draft decision, the European Commission questioned whether setting OLOs’ FTRs in 2011 at Telecom Italia’s single transit level reflects the cost of an efficient operator. It said that this “... leads to higher and asymmetric rates for MNOs in 2011, not reflecting the case of an efficient operator contrary to what is foreseen in the Termination Rates Recommendation.”. AGCom did not, however, amend its approach despite the European Commission’s comments on this point. Therefore, during 2011 Telecom Italia continues to pay a rate to terminate traffic on OLOs’ network which is equal to almost twice the rate paid by OLOs for terminating its traffic on Telecom Italia’s network.

With respect to transit services, in April 2010, AGCom identified the two following markets: (i) local conveyance and transit market (it includes the single transit service involving only one switch and the transit service between two or more switches located in the same telephone district and the transit services provided jointly with the originating or terminating service) and (ii) national conveyance and transit market (it includes transit services between two or more switches located in different telephone districts, also when provided jointly with the originating or terminating service). While the regulation for existing obligations
has been withdrawn for the national conveyance and transit service market, AGCom has maintained the regulation for the local conveyance and transit market.

With respect to the wholesale markets for trunk segments of leased lines and for terminating segments of leased lines, AGCom in January 2010, concluded the market for trunk services was competitive and removed all the ex ante obligations. As to the terminating services market, AGCom defined the following two separate markets: (i) circuits provided between a Telecom Italia node and end user’s premises (market A); and (ii) circuits provided between a Telecom Italia node and a mobile operator’s base station (market B). AGCom decided to deregulate market B, removing existing ex ante obligations from 31 December, 2010. AGCom decided to maintain SMP regulation for Telecom Italia in Market A keeping in place regulation under a network cap for the years 2010-2012. The starting values are the prices of Telecom Italia Reference Offers for the year 2009.

**Mobile markets**

AGCom concluded the second round of analyses of the mobile markets in the years 2008-2009.

AGCom confirmed, in February 2009, that the wholesale market for access and call origination on mobile networks does not warrant ex ante regulation.

With respect to the wholesale market for voice call termination on mobile networks, AGCom’s decision adopted in November 2008, provided a four year gradual decline of tariffs setting the Maximum Termination Rate (MTR) for each SMP mobile network operator and elimination of the current asymmetry with the third entrant in 2011 (5.3 eurocents/min) and with the last entrant in 2012 (4.5 eurocents/min).

Subsequently, AGCom developed a new cost model for MTRs - taking into account the EU recommendation of May 2009 on the regulation of termination rates – which has been used in the third round of market review, currently underway, in order to update the values of the current glide path (multiyear mechanism of price control) set for mobile termination rates. In May 2011, with the Decision 254/11/CONS, AGCom launched a public consultation on new mobile termination rate glide path regulation for the period 1 January, 2012 to 1 January, 2015. In particular, AGCom has proposed to review the 2012 prices and to set the glide path with a MTR target for all mobile network operators (MNOs) on 1 January, 2015 at 0.98 eurocents/min. Moreover, according to AGCom, asymmetry in favour of H3G should be maintained until 2013 (this approach by AGCom would be justified by costs outside the control of the operator). The draft decision which is under public consultation until 22 June, 2011 has been notified to the European Commission. The final AGCom decision is expected by the end of July 2011.

**International roaming**

The EC Regulation on international roaming, approved by the European Parliament and the Council in June 2007, introduced the following measures for roaming calls within the EU (extended to European Economic Area countries), for a three year period:

(i) an average wholesale price cap for outgoing calls; and

(ii) a price cap for maximum retail prices for outgoing and incoming calls (Euro-tariff).

In June 2009, the EU Parliament and Council adopted a new regulation which provided for further progressive reduction of prices for voice call (retail and wholesale) and sets maximum prices for SMS (at retail and wholesale level) and data (at wholesale level), to be applied within the 27 Member States as of July 2009. The new regulation also provided for stricter transparency obligations on data (retail) such as the introduction of a cut off limit, from March 2010, in order to prevent “bill shock”. Since July, 2010, customers have the cut-off limit by default (prior to July, 2010 it was done on an “opt-in” basis).
The new rules apply until the summer of 2012. The EU Commission is in the process of reviewing the regulation and launched a public consultation (concluded on 11 February, 2011) to gather information from the market with regards to alternative solutions to continuing with the current regulation. The European Commission has concluded the assessment phase of these alternatives and a proposal for a new regulation is expected by 10 July, 2011. The new roaming regulation should be adopted by the European Parliament and European Commission by June 2012.

**Mobile messaging and data services**

The EU regulations for international roaming have exerted regulatory pressure on SMS and data (as to prices and transparency measures) even at a national level. In May 2009, AGCom and AGCM conducted a joint investigation on voice, SMS, MMS and mobile data services, following which operators, on a voluntary basis, introduced at least one offer with per second billing on voice and SMS tariff aligned with the Euro-SMS tariff. Moreover, following the above joint investigation and a public consultation concerning harmonisation measures with the principles of the EU Regulation on International Roaming and consumer protection, AGCom adopted regulations which have been implemented at the end of 2010. These regulations provide for:

(i) free exchange of existing tariff to convert to the offer which provides for a maximum price of an SMS in line with that provided by the European Union for international roaming; and

(ii) the introduction of alerts to certain thresholds of consumption and the introduction of spending limits beyond which roaming can continue only with the explicit consent of the customer.

On 17 December, 2010 Telecom Italia filed an extraordinary appeal with the President of the Republic with a request for cancellation, after suspension, of these regulations. The implementation of the provisions have significant impact on the systems in that it involves the introduction of mechanisms for real-time control of traffic. In February 2011, the Italian Administrative Court rejected the suspension request of the AGCom decision and the final decision is currently pending on appeal.

**Spectrum issues**

In October 2008, AGCom issued a decision dealing with the procedure for the re-assignment and extension of the use of 900 MHz (the so-called refarming, i.e. the possibility that the 900 and 1800 MHz frequency band can be re-organised and re-used for the development of 3G mobile systems – 3G/IMT 2000-UMTS – or of other possible technologies, equivalent and compatible according to the relevant applicable regulation) and the re-assignment of the 3 blocks of 2x5 MHz in the 2100 MHz band, returned by an UMTS operator who never entered the market (IPSE 2000). In particular:

(i) 900 MHz frequency band. The existing GSM operators can acquire the assignment of a whole number of adjacent nationwide blocks of 5 MHz up to a maximum of 25 MHz for the 900 MHz and 1800 MHz band, with no more than 10 in the 900 MHz band.

In February 2009, the Ministry of Economic Development approved the plan submitted by Telecom Italia, Vodafone and Wind for the re-assignment of the 900 MHz band. The plan provides for two phases. The first phase, ended in November 2009, related to the re-organisation of the 900 MHz band. Following the conclusion of this phase, the Ministry of Economic Development released the new rights of use of such frequencies. The second phase to run between September 2011 and December 2013 will concern the release of one 5 MHz block to be assigned to the 3G only mobile operators. This block should be used for 3G technologies with the introduction of roaming obligations.

After the approval, in July 2009, of the EC directive - repealing the GSM Directive of 1987-published in the EU Official Journal on 16 October, 2009, the authorisation to reform was granted by the Ministry. In this regard, Telecom Italia, together with Vodafone and Wind, commenced (with
the approval of the Ministry for Economic Development), in February 2009, a plan for the rationalisation of the current use of 900 MHz frequencies.

(ii) 2100 MHz frequency band. In June 2009, the Ministry of Economic Development announced it has awarded three blocks of 2 x 5 MHz in the 2100 MHz (3G) band to TIM, Vodafone and Wind. Also H3G was registered in the auction, but at the end it did not present any offer. As a result, Telecom Italia paid €88,782,000, Vodafone €90,210,000 and Wind €88,781,500 for their blocks.

Regarding the so-called “digital dividend” i.e. the allocation of a portion of the broadcasting frequency band to other telecommunication services, AGCom has published guidelines for the frequency national plan which, according to AGCom, should foster the releasing of the digital dividend band as required by the European Commission Recommendation 2009/848/EC of 28 October, 2009. This band is currently allocated to a large number of local broadcasters (about 600). On 7 December, 2010 the government approved the 2011 Budget Law. According to this law, AGCom is to initiate procedures for the assignment of the frequencies in the 790-862 MHz and in other available frequency bands (i.e. the 1800 MHz and the 2,6 GHz bands) to mobile broadband services. The Italian government estimates that proceeds should be in the range of 2,400 million euros. The procedure for the assignment of the frequencies provides that the amount offered by the winning bidder should be made available to the government by 30 September, 2011. Frequencies in the 790-862 MHz band should be freed by the broadcasters by 31 December, 2012.


On 10 June, 2011, AGCom published a Decision (n. 282/11/CONS) dealing with the rules and the procedures for the assignment by auction of the following frequencies:

(i) 790-862 MHz: 2x30 MHz will be assigned, equal to total 60 MHz;

(ii) 1800 MHz frequencies available: 2x15 MHz will be assigned, equal to total 30 MHz;

(iii) 2 GHz frequencies available: 15 MHz (unpaired spectrum TDD) will be assigned, within the band 2010-2025 MHz; and

(iv) 2500-2690 MHz frequencies available: 2x60 MHz (paired spectrum FDD), adding further 30 MHz (unpaired spectrum TDD), for a total max. 150MHz.

The rights of use will expire on 31 December, 2029 and are renewable.

The Ministry of Economic Development will prepare the tender documents for the auction procedure in accordance with AGCom principles and rules.

**Numbering plan**

In July 2008, AGCom issued a decision following its review of the national numbering plan for the telecommunication sector. The main modifications concerned new rules of network internal services numbering, introducing specific blocks for premium services mainly related to SMS/MMS data services, the introduction of new premium services numbering and of clearer numbering-premium services categories association, the revision of price thresholds of premium services and the updating of nomadic voice communication services, fixed-mobile convergent services and mobile virtual network operators numbering. In addition, the pan-European new social services numbering (i.e. 116XYZ codes) was introduced.
In March 2010, AGCom launched a public consultation (concluded in April 2010) on its proposal to amend the National Numbering Plan. The most important issue concerned the possibility to assign rights of use of numbers to mobile virtual operators.

AGCom decided in December 2010, that the assignment of rights of use of mobile numbering is to be extended to MVOs. In addition, considering the possible new numbering resources needed, if in the future MVO numbers in Italy should significantly increase, AGCom’s decision has imposed, by 2012, the modification of existing end users mobile number codes and Mobile Number Portability routing number codes length from 3 digits to 4 digits with relevant impacts and costs on infrastructured network operators.

**Quality of services of broadband internet access at fixed location**

In November 2008, AGCom issued a decision stating that operators have to provide information about the service level of internet access services at a fixed location:

(i) the operators must declare certain minimum standards of quality of service (including the minimum speed of connection) and other information about the characteristics of such access. The subscribers can rescind their contract if the quality of their connection is worse than the minimum standards which the operator has undertaken; and

(ii) the operators must make statistical measures at regional level (for example speed data transmission; rate of failure in data transmission; rate of packet loss). Presently measurements have been taken in six regions (Toscana, Veneto, Puglia, Sicilia, Sardegna and Marche) and gradually will be extended to all 20 Italian regions.

In the autumn of 2010 Telecom Italia launched a tool with which customers can measure the quality of their broadband connections.

The decision also introduces a super-parties agency that verifies the operator’s measures.

**Quality of services of broadband internet access at mobile location**

In February 2011, AGCom launched a working group that will give AGCom helpful suggestions on how to regulate the quality of services of mobile broadband access lines.

**Universal Service**

The Universal Service is a minimum set of services of a certain quality, which must be made available to all customers, regardless of their geographical location and, taking account of specific national conditions, offered at a reasonable price. To date Telecom Italia is the only operator charged with the obligation (the Universal Service Obligation or USO) of providing the Universal Service throughout Italy.

The net cost of providing the Universal Service is calculated as the difference between the company’s net cost when it is subject to the obligations of providing the Universal Service and the net cost of the same operation if the obligation did not exist. It is AGCom’s responsibility to verify the net cost. A fund set up by the Ministry of Communications is used to finance the net cost. Companies in the sector contribute to it, including Telecom Italia.

In March 2008, AGCom published a Decision introducing a new method of calculating the net cost. Retrospective from 2004, it affects credits related to the Universal Service net cost for the years 2004, 2005 and 2006 which have been re-calculated and submitted to AGCom under the new terms. Telecom Italia has communicated universal service net cost for the years 2007, 2008 and 2009.

At the beginning of 2010 the State Council rejected an appeal of one mobile operator, on financing the Universal Service Obligation net cost for the years 1999, 2000, 2002 and 2003. More specifically, this
operator took the position that the mechanism for sharing the cost should not be applied to mobile network operators, as the degree of substitutability between telephony services offered on fixed and mobile network was not sufficient to include such services in the same market. The State Council decided that the above resolutions did not sufficiently state the reasons why mobile operators were required to contribute to the net cost. Further, the State Council found the analysis of substitutability between fixed and mobile telephony services lacking because it focused only on potentially profitable areas, deciding on the contrary that the analysis should be national. Accordingly, the AGCom has reopened proceedings to renew the orders taking into account the factors criticised by the Court.

The proceedings were reopened by the AGCom in May 2010. Telecom Italia participated in the proceedings and presented a paper supporting the analyses with data demonstrating that in the years 1999 – 2003 there was market competitiveness for fixed and mobile telephony and a presence of “some degree of substitutability Fixed- Mobile for the period under observation”.

In January 2011 AGCom published public consultations about renewal of proceedings relating to the applicability of the sharing of the net cost of Universal Service for the years 1999, 2000, 2002 and 2003. In the public consultations AGCom confirmed the same level of contributions defined before the beginning of proceedings. In February 2011 Telecom Italia presented a further paper with analysis and data demonstrating that in the years 1999 – 2003 there was market competitiveness for fixed and mobile telephony and a presence of “some degree of substitutability Fixed- Mobile for the period under observation”. Currently, Telecom Italia is waiting for the AGCom’s decision about the contribution of mobile operators to the USO.

**Public Telephony**

In April 2010 AGCom confirmed that distribution criteria on the national territory of public telephones was no longer consistent with current social needs, and AGCom removed any “quantitative” obligations for Telecom Italia. As a result, Telecom Italia will be authorised to remove up to 30,000 public telephones per year after consultation with local municipalities and interested citizens. During 2010, about 7,500 public telephones were removed in line with this decision.

**Accounting separation and fixed network cost accounting**

Operators having SMP are required to have an accounting system showing their costs in a transparent manner. Such operators must provide AGCom annually with both descriptions and reporting of their cost accounting system to verify compliance with the provisions of the electronic telecommunications regulatory framework. Moreover, operators of fixed public networks and mobile networks with SMP must keep a separate accounting system distinguishing between the activities in each of the relevant wholesale and retail markets defined by AGCom according to market analyses carried out periodically.

The “rules” on regulatory accounting were updated in accordance with EC Recommendation of September 2005 on “Cost Accounting and Accounting Separation”, under the regulatory framework for electronic communications in order to comply with the “new” sector regulation, organised by “relevant markets”.

Further innovations are going to be defined in the NRA’s decisions regarding the market analysis process. The allowed regulatory rate of return on capital employed was set by the NRA, with Decision 578/10/CONS in December 2010, at 10,2% nominal pre-tax.

During the first half of 2011, the independent auditors appointed by AGCom to review Telecom Italia’s accounting separation of the fixed network services for the years 2008 and 2009 completed its audit and delivered the requested audit reports to AGCom.

The regulatory asset base 2008 includes Telecom Italia’s goodwill. Reports of the auditors for the year 2008 were published by AGCom in May 2011. Telecom Italia published the 2008 regulatory accounts at the end of June 2011, on its website.
The audited regulatory accounting reports and the methodology for the years 2005, 2006 and 2007 are public and available also on the website of Telecom Italia.

Regulatory accounting reporting for the year 2010, will be delivered to NRA in 2011 in accordance with the law and with NRA’s determinations.

Public consultation issued by the NRA on new accounting rules regarding internal transfer charges is concluded and the final decision by AGCom is expected shortly.

At present Telecom Italia is fully compliant with its regulatory accounting obligations.

**Accounting separation and mobile network cost accounting**

In connection with AGCom’s second round analyses of the “market for the termination of voice calls on individual mobile networks”, AGCom required SMP operators to produce economic and quantitative data related to regulatory accounting methodologies for the setting of new network cap values.

During the year 2010:

(i) in order to provide evidence of the costs underlying mobile termination services, accounts at historical costs for the year 2009 were delivered in July 2010;

(ii) auditing activities (by an independent auditor appointed by AGCom) related to the regulatory accounts of the mobile network for the year 2008 began in September and ended in January 2011; and

(iii) consultation regarding main assumptions of Mobile LRIC model ended in November 2010.

During the year 2011:

(i) auditing activities regarding accounts at historical costs for the year 2009 ended in April 2011;

(ii) regulatory process regarding accounts at historical costs for the year 2010 started in February, according to the new Decision no. 60/11/CONS that modifies Decision 667/08/CONS;

(iii) with Decision no. 254/11/CONS AGCom started the third round of analysis about the MTR’s, and Telecom Italia presented its positioning papers in June 2011. Within this Decision, AGCom statued the new glide path for MTR’s (from 2012 to 2015).

**AGCom fee for 2010**

On 19 January, 2011, AGCom commenced an audit of Telecom Italia’s compliance with the payment of AGCom’s fees for the years 2006, 2007, 2008, 2009 and 2010. The AGCom audit on the annual contribution to AGCom is part of a general audit covering all companies in the TLC industry. On 1 March, 2011, AGCom released its findings with the Decision 99/11/CONS claiming that Telecom Italia did not properly fulfil its obligation to pay the contribution in the 2006-2010 period. On 23 April, 2011, Telecom Italia filed with TAR, the action for the annulment of Decision 99/11/CONS and the deadline for the payment order has been suspended until the public hearing date fixed by TAR for 13 December, 2011.

In November 2010, AGCom issued the Decision 599/11/CONS on the payment of its fee for the year 2011, (1.8 ‰ of 2009 revenues of the communications sector) to be paid by 30 April, 2011. Telecom Italia paid a €24,214,615.97 fee.

On 3 May, 2011, Telecom Italia presented at the Regional Administrative Court of Lazio an extraordinary request for the annulment of Decision 599/10/CONS where also the raising of the contribution rate from 1.5‰ of 2010 contribution fee to 1.8 ‰ has been "questioned".
Broadband and digital divide

Law 69 of 18 June, 2009 introduced economic and legal measures to promote the expansion of broadband. In particular, this legislation provides a series of exceptions and corrections to the existing legislation to remove some legal obstacles and operationally facilitate the building of networks.

The process of simplification to promote the development of broadband in Italy continued with the approval of Law 73/10 in May 2010 which introduced:

(i) a simplified method for installing some particular mobile network devices; and

(ii) simplified rules for building a network.

In July 2010 a set of general rules called “Segnalazione Certificata di Inizio Attività” (SCIA) was introduced, which will allow activity immediately. The application of these general rules to the installation of network equipment for BroadBand could further reduce administrative constraints required for setting up networks.

SCIA has been utilised for setting up mobile networks.

PRIVACY AND DATA PROTECTION

Telecom Italia must comply with Italy’s data protection code (Legislative Decree No. 196/2003), which came into force on 1 January, 2004.

The code is divided into three parts: (1) general data protection principles; (2) additional measures that apply to organisations in certain areas, including telecommunications; and (3) sanctions and remedies.

The code applies to all processing within Italy and also affects organisations not based in Italy that use equipment located in Italy, such as computer-based systems.

According to the code, personal data shall be processed lawfully and fairly, kept accurate and up to date and must not be excessive or kept for longer than necessary. Therefore, information systems shall be configured by minimising the use of personal data.

The data subject (any natural or legal person that is the subject of the personal data) shall receive a preliminary information on data processing purposes and modalities. Consent of the data subject is necessary to process personal data, except for specific cases (i.e. obligations imposed by law or by a contract with the data subject). Furthermore, the data subject has the right to access his/her personal data and to obtain information on the purposes and methods of the processing.

Italy’s Privacy Provisions Related to Specific Processing Operations of the Electronic Communications Sector

The above mentioned code has implemented the provisions contained in the E-Communications Privacy Directive of the European Union.

With respect to data retention, communications service providers (CSPs) are permitted to retain traffic data for a six-month period in order to deal with disputes over billing and subscriber services. CSPs are also required to retain telephone and telematic traffic data for the purpose of detecting and preventing crime. In the course of 2008, data retention terms were significantly reduced. At present, data retention terms for crime prevention and prosecution are: 24 months for telephony traffic (fixed and mobile); 12 months for telematic traffic; and 30 days for unsuccessful call attempts.

Traffic data must be kept and controlled in compliance with general provisions issued by the Italian Privacy Authority (Garante), which requires TLC operators to adopt strict security measures.
Customer profiling in the electronic communications sector is regulated by a provision adopted by the Italian Privacy Authority on 25 June, 2009. CSPs must obtain the consent of the data subject for profiling based on individual and detailed personal data, while prior approval of the Italian Privacy Authority is necessary to process aggregated personal data without the data subject’s consent.

With respect to direct marketing activities, the data protection code allows the processing of personal data taken from directories of subscribers, in order to carry out operator-assisted telephone calls for commercial purposes, in respect of any entities that have not exercised their right to object, by having the respective telephone numbers entered in a public “opt-out register”, which came into force on 1 February, 2011.

Antitrust in Italy

Legislation on competition

Telecom Italia is subject to Italian competition law.

Law 287 of 10 October, 1990 (“Provisions for protecting competition and the market”) established the Autorità Garante della Concorrenza e del Mercato, or “Antitrust Authority”.

The Antitrust Authority is responsible for:

(i) applying Law 287 of 1990 and supervising the following matters: (a) restrictive agreements; (b) abuses of a dominant position; and (c) concentrations of enterprises;

(ii) applying, whenever the necessary conditions are met, the corresponding provisions of European Union law (i.e., Articles 101 and 102 of the Treaty on the Functioning of the European Union);

(iii) applying Legislative Decree 206 of 2005 with regard to unfair commercial practices; and

(iv) monitoring conflicts of interest in the case of individuals holding government positions.

In addition, Articles 14-bis and 14-ter of Law 287 of 1990 (introduced by Law 248/06) now provide that the Antitrust Authority may (i) adopt interim measures; and (ii) make commitments binding upon the proposing parties in order to dispel the identified anticompetitive concerns and end the investigation without any finding of a violation.

Antitrust Proceeding A426

On 13 May, 2010, following a complaint lodged by Fastweb, the Antitrust Authority started an investigation into an alleged abuse of dominant position by Telecom Italia. According to Fastweb, Telecom Italia had discriminated against its competitors to the benefit of its own retail operations by withholding essential information and services at the wholesale level. Such conduct allegedly prevented its competitors from submitting competitive technical and economic bids in the tender procedures for the award of contracts for the provision of fixed telephony services and IP connectivity. The tender procedures were launched, respectively, by Consip, a company owned by the Italian Treasury that operates on behalf of the State as manager of governmental bodies’ purchases, and Enel, the largest Italian electricity group controlled by the Italian Treasury, in March 2010.

Fastweb had previously filed a similar complaint with AGCom, which dismissed the case on 26 May, 2010. AGCom found, among other things, that in the context of public tenders Telecom Italia is not required to meet specific disclosure obligations exceeding the general obligation to disclose the technical and economic conditions for access and interconnection, established by sector-specific regulation.
The Antitrust Authority’s investigation is at an early stage. Given the complexity and length of the proceedings before the Italian Antitrust Authority, it is not possible to forecast the outcome of the proceeding and/or their economic consequences for Telecom Italia.

### Antitrust Proceeding A428

On 23 June, 2010, prompted by complaints filed by Wind and Fastweb, the Antitrust Authority commenced an investigation in order to ascertain whether two separate conducts by Telecom Italia amounted to abuses of its dominant position. According to Wind, Telecom Italia carried out a boycott strategy vis-à-vis its competitors, by opposing unjustified refusals to their requests for activation of wholesale services to individual clients. Fastweb and Wind also claim that Telecom Italia is pursuing an allegedly discriminatory discount policy, by offering strong discounts only to customers located in areas where competitors can access the network’s local loop through wholesale unbundling services or, in any case, by offering in those areas retail prices so low that cannot be matched by competitors purchasing Telecom Italia’s wholesale services. Wind and Fastweb have referred to the tender launched by the Florence municipality and awarded to Telecom Italia in 2009 as an example of this strategy. On 1 February, 2011, AGCom closed its investigation on the economic terms of Telecom Italia’s offer with regards to traffic services, after verifying that it could be matched by its competitors. On 18 April, 2011 Fastweb challenged AGCom’s decision before the Administrative Court for Lazio.

The Antitrust Authority’s investigation is at an early stage. Given the complexity and length of the proceedings before the Italian Antitrust Authority, it is not possible to forecast the outcome of the proceedings and/or their economic consequences for Telecom Italia.

### Telecommunication Regulatory framework in Brazil

The activities of the Telecom Italia Group in Brazil are subject to the General Law on Telecommunications (Lei Geral de Telecomunicações – LGT) of 1997 - the legislative benchmark for the sector – and a comprehensive regulatory framework for the provision of telecommunications services promulgated by the Regulatory Agency for Telecommunications - Agência Nacional de Telecomunicações (ANATEL).

ANATEL has authority to propose and to issue regulations that are legally binding on telecommunications service providers. Any proposed regulation or action by ANATEL is subject to a period of public comment, which may include public hearings, and may be challenged in Brazilian courts.

Since the launch of GSM mobile services in 2002, four main players operate in the mobile market (Claro, Vivo, Oi and TIM) and compete nationwide. Third generation services deployment started in 2008.

### Authorisations

ANATEL conducted the privatisation of the former public monopoly and gradually opened the sector to competition, in addition to fostering universal access to basic telecom services. According to the General Telecommunications Law and regulations issued by ANATEL, licenses to provide telecommunications services are granted either under the public regime, by means of a Concession or a Permission, or under the private regime, by means of an Authorisation. Only certain fixed-line service providers are currently operating under the public regime (Telefónica, Embratel and Oi, commonly referred to as “Concessionaires”). All the other telecommunications services providers in Brazil are currently operating under the private regime, including all the mobile and data service providers.

In August 2009, ANATEL gave its approval for the acquisition of the fixed line operator Intelig, which operates as a national and international long distance operator in Brazil and provide local fixed service in a number of regions in Brazil. According to the regulations, Tim Brasil and Intelig are obliged to resolve the overlapping of the fixed service authorisations within 18 months from the acquisition (i.e. by the end of June 2011) keeping only one authorisation per class of service.
The authorisations for fixed and mobile services give the Telecom Italia Group of companies (which operate under the brand names TIM and Intelig) coverage of the entire Brazilian territory and include fixed, mobile, long distance and multimedia services.

**Interconnection rules**

Telecommunication operators must publish a public interconnection offer on both economic and technical conditions and are subject to the “General Interconnection Regulatory Framework” promulgated by ANATEL in 2005.

The free negotiation process for mobile interconnection charges has been extended and will proceed until a “cost based” reference interconnection value is set by ANATEL. Under a specific resolution, ANATEL developed a new model to determine reference costs for the use of mobile networks by providers who have Significant Market Power. These values will be used in arbitration cases involving termination rates by ANATEL.

In 2005, ANATEL issued a ruling for “Accounting Separation and Cost Accounting”, introducing the obligation of presenting the Accounting Separation and Allocation Document (Documento de Separação e Alocação de Contas – “DSAC”) by the licence holders and groups holding significant market power in the offering of fixed and/or mobile network interconnection and wholesale leased lines (Exploração Industrial De Linha Dedicada – “EILD”). Starting from 2006 (for fixed operators) and 2008 (for mobile operators), operators (TIM included) are delivering the requested information to ANATEL. The effective application of cost oriented interconnection charges is expected in 2012.

**Main regulatory developments**

(i) **National Broadband Plan**: In May 2010, the Brazilian government approved a National Broadband Programme to extend national broadband coverage by 2014. The plan includes the reactivation of Telebras, which is responsible for managing and operating a national fibre network, and a new framework aimed at reducing the wholesale connectivity price and consequently allowing a more affordable price of “entry level” broadband residential connections.

Other measures included in the plan are represented by fiscal incentives to induce the operators to offer broadband access to low income families, public investments in research and financial support to national industries.

On 31 January, 2011, Telebrás consulted on the minimum requirements for providers of broadband services to access its network. Telebrás identified three main components of its wholesale offer: physical network interconnection to reach the Telebrás IP gateway, IP gateway port, and transport capacity to the internet.

(ii) **Refarming**: In August 2010, ANATEL approved a resolution for the destination of the 2.5 GHz spectrum to mobile services after 2013. Destination of this spectrum in rural areas will prioritise Multichannel Multipoint Distribution Service (MMDS) operators and in urban areas will prioritise mobile operators.

(iii) **MVNOs**: In November, 2010, ANATEL approved a resolution establishing the rules to permit the exploration of mobile services by means of a virtual network, based on commercial agreements between established operators and virtual operators. TIM was the first mobile operator to negotiate a contract with a virtual authorised operator and is a pioneer in the discussion of the theme with the regulator.

(iv) **Frequencies**: In December 2010 the auction for the assignment of a new portion of spectrum in the 2.1GHz, H band, reserved to 3G services, and other left over frequencies in the 900 MHz and 1800
MHz bands not assigned in previous auctions. 11 out of the 13 lots available in the H band were awarded to Nextel (which has traditionally offered trunking services in Brazil).

TIM, Vivo and Claro won blocks of spectrum in the 1700/1800 MHz band. Tim Brasil, in particular, won individual blocks of frequencies in 8 service areas, strengthening its presence in the North, Santa Catarina, Minas Gerais and Parana regions.

(v) On 11 February, 2011, ANATEL consulted on proposed amendments to the current regulation on fixed interconnection charging. ANATEL proposes, amongst other measures, to:

(A) withdraw asymmetry of FTRs currently enjoyed by non SMP operators (these operators are allowed a 20% mark up over SMP operators’ FTRs), and

(B) apply local interconnection rates in case of a traffic unbalance of at least 75% of traffic exchanged amongst public switched telecommunications service operators (the current threshold is 50%). Below that threshold a system of bill and keep applies.

The timing for final adoption of the revised regulation is undefined.

(vi) **Leased Lines**: Up to 18 March, 2011, ANATEL is consulting interested parties on a proposal to review existing wholesale leased lines regulation. The aim of the proposal is to improve wholesale leased lines supply and ultimately foster competition in fixed retail markets by imposing:

(A) more stringent obligations on operators with significant market power to make available and provision leased lines to third party operators (including service level agreements –SLAs– and penalties for non compliance); and

(B) improved enforcement mechanisms.

The timing for final adoption of the revised regulation is undefined.

**Telecommunication Regulatory framework in Argentina**

Telecom Argentina and Telecom Personal operate in a regulated industry. Regulation not only covers rates and service conditions, but also the terms on which various licensing and technical requirements are imposed.

The activities of Telecom Argentina and Telecom Personal are supervised and controlled by the CNC (“Comisión Nacional de Comunicaciones”, a governmental agency under the supervision of the SECOM (“Secretaría de Comunicaciones”), within the Ministry of Federal Planning, Public Investments & Services. The SECOM has the authority to develop, enforce and implement policies which are applicable to telecommunications services, to review the applicable legal regulatory framework, to approve major technical plans and to resolve administrative appeals filed against CNC resolutions.

The principal features of the regulatory framework in Argentina have been created by:

(i) the Privatisation Regulations, including the List of Conditions and the Transfer Agreement;

(ii) the Licenses granted to Telecom Argentina and its subsidiaries;

(iii) the Rate Agreements; and

(iv) various governmental decrees, including Decree No. 764/00, establishing the regulatory framework for licenses, interconnection, universal service and radio spectrum management.
Important laws to be considered:

(i)  *Public Emergency Law.* As a consequence of the severe and ongoing deterioration of Argentina’s economic situation, on 6 January, 2002 the Argentinean government enacted the Public Emergency Law No. 25,561 and other applicable regulations. It introduced measures that have had, and may continue to have, a significant impact on the operations of Telecom Argentina, particularly on fixed telephony regulated rates (end of “Convertibility US$ 1 = $Arg 1” and freezing rates); and

(ii)  *Buy Argentine Act.* In December 2001, the Argentinean government passed Public Law No. 25,551 (the “Compre Trabajo Argentino”). The Act requires Telecom Argentina to give priority to national goods and services for the basic telecommunications services in any procurement related to the rendering of basic telecommunications services.

*Regulatory Authorities abroad*

Núcleo, Telecom Personal’s Paraguayan controlled company, is supervised by CONATEL (“Comisión Nacional de Telecomunicaciones”), the National Communications Commission of Paraguay.

Telecom Argentina USA, Telecom’s subsidiary, is supervised by the Federal Communications Commission (FCC).

Springville SA, Telecom Personal’s Uruguayan controlled company, is supervised by URSEC (“Unidad regulatora de servicios de comuniciones”).

*Licenses granted*

Telecom Argentina has been granted the following non-expiring licenses to provide the following services in Argentina: Local fixed telephony; Public telephony; Domestic and international long-distance telephony; Domestic and international point-to-point link services; Domestic and international telex services; Value added services, data transmission, videoconferencing and broadcasting signal transport services; and Internet access.

Telecom Personal, dedicated to the mobile, has been granted a non-exclusive, non-expiring license to provide mobile telecommunication services in the northern region of Argentina and data transmission and value added services throughout the country. In addition, Telecom Personal owns licenses to provide mobile radio communication services in the Federal District and Greater Buenos Aires areas, as well as a non-expiring license to provide PCS services throughout the country and it is registered to provide national and international long-distance telephone services.

Núcleo, in Paraguay, has been granted a renewable five-year period license to provide mobile telecommunication services in Paraguay as well as PCS services and Internet access in certain areas of that country.

Springville S.A was acquired in April 2009, by Telecom Personal S.A.. It offers mobile telephony services under the model name MVNO or Mobile Virtual Network Operator in Uruguay

*Revocation of the License*

Telecom Argentina’s license is revocable in the case of non-compliance with certain obligations, such as:

(i)  an interruption of all or a substantial portion of service;

(ii)  a modification of corporate purpose or change of domicile to a jurisdiction outside Argentina;

(iii)  a sale or transfer of the license to third parties without prior approval of the relevant Argentinean regulatory bodies;
(iv) any sale, encumbrance or transfer of assets which has the effect of reducing services supplied without the prior approval of the relevant Argentinean regulatory bodies;

(v) a reduction of ownership of Nortel in the capital stock of Telecom Argentina to less than 51%, or the reduction of ownership of Sofora in the Capital Stock with voting power of Nortel to less than 51%, in either case without prior approval of the relevant Argentinean regulatory bodies;

(vi) any transfer of shares resulting in a direct or indirect loss of control in Telecom Argentina without prior approval of the relevant Argentinean regulatory bodies; and

(vii) a bankruptcy of Telecom Argentina.

**Liberalisation of the Argentinean Telecommunications Industry**

In March 1998, the Argentinean government issued Decree No. 264/98, introducing a plan for the liberalisation of the Argentinean telecommunications industry. The plan provided for the issuance of a reduced number of competitive licenses and established the liberalisation of basic telephony and international long-distance services during the time between 8 October and 8 November, 1999. The Plan also liberalised pay telephone services and telephone service in rural areas, during 1998.

Some provisions of this Decree and related resolutions were modified by Decree No. 764/00. This Decree established a new general regulation of licenses, interconnection, Universal Services and radio- frequencies spectrum control, provided that each licensed company was allowed to launch its services in November 2000 when the full liberalisation of the telecommunications market began.

This Decree established a new Regulation of Licenses based on a single nationwide license for the provision of all telecommunication services to the public, including fixed-line, wireless, national and international services. Also, it established a new Interconnection Regulation that includes the obligation to give transparent networks interconnection and to publish a R.I.O. (Reference Interconnection Offer) with the infrastructure elements and services that the dominant operator is required to provide. The interconnection commercial conditions are defined by free agreement between parts, but cost for basic interconnection elements are established in this regulation.

The Decree 764/00 provides for the obligation to implement Number Portability, local loop unbundling; these regulations are not yet implemented. Particularly, Number Portability will be implemented for mobile services only, by the end of 2011.

Since the end of the exclusivity period the Argentinean government has granted a number of licenses to, among others, independent fixed line service providers, mobile and cable operators, cooperative operators, as well as individual licensees, some of which are affiliated with major service providers outside Argentina. As of 31 December, 2010, more than 500 licenses for local and/or long distance services, payphones and Value Added Services had been granted.

The main licensees providing local and/or fixed long-distance telephone service are Telmex, Global Crossing, Comsat, IPlan, Telephone2, Telefónica (in the Northern Region), Telecom Argentina (in the Southern Region), among others.

**The pesification and freezing of rates for fixed telephony- Contract renegotiation**

The “Price Cap” regime was a regulation method applied in order to calculate changes in Telecom Argentina’s basic services rates, based on changes in the U.S. Consumer Price Index (U.S. C.P.I.) and an efficiency factor. However, in October 2001 a preliminary injunction against Telecom Argentina prohibited Telecom Argentina from applying rate increases by reference to the U.S. C.P.I.
After the economic crisis in 2001 a Public Emergency Law No. 25,561, explicitly prohibited rate adjustments. The pesification and freeze of regulated rates still remains in force and therefore the price cap regime is suspended and it is unknown if and when it will come back into effect or be replaced by other rate regulation procedures.

In accordance with the Public Emergency Law, in January 2002, rates for basic telephone services and long distance services were converted to Argentine pesos and fixed at an exchange rate of ARS$1.00=US$1.00. The rates Telecom Argentina may charge in the future will be determined by negotiation between Telecom Argentina and the Argentinean government. The Public Emergency Law has been subsequently extended through 31 December, 2011.

On 6 March, 2006, Telecom Argentina executed a Letter of Understanding with the Argentinean government pursuant to which Telecom Argentina will be permitted to raise the termination charge for international incoming calls, the extension of the time bands for peak-hour rates applied to local and domestic long distance calls, and incorporate certain modifications to the current regulatory framework.

The Letter of Understanding signed in 2006 contemplated the signing and effectiveness of the Minutes of Agreement of the Renegotiation upon the fulfilment of certain necessary administrative steps. As of the date hereof, such fulfilment has yet to occur. Although Telecom Argentina’s management believes that the contract renegotiation process will be satisfactorily completed they are unable to predict the outcome of the negotiations that are continuing with regard to further rate increases and the rate scheme which will be applied in the future. Also, they are unable to predict whether the Argentine government, as a result of the current rate renegotiations, will impose additional conditions or requirements.

Last relevant regulatory events

Universal Service (“SU”) Regulation. Regulations published on 4 April, 2008, approved a new Universal Service regime. As with the previous one, the regulations require telecommunications service providers to contribute 1% of their revenues to the SU Fund and this regulation keeps the “pay or play” mechanism for compliance with the mandatory monthly contribution to the SU Fund or, to supply the SU Services.

Regulations established that the SECOM will review SU initial programs which were established under the previous regulation, guaranteeing the continuity of SU programs already being administered and implementing programs that had been under review. Also, the SECOM will create future SU programmes while the telecommunications providers appointed to participate in such programmes will be selected by competitive bidding.

New SU contribution methodology. In November 2010 the SECOM issued a regulation with a new deposit methodology for the contributions to the SU Fund. This resolution also defines that the operator has to deposit in the SU Fund the amount owed from July 2007 or supply SU services under SECOM audit.

In January 2011, the SC established the procedures that allow licensees to present investments projects for development of its own network in areas of SU, to be subsidised with the amount of the contribution to SU for the previous period, January 2001 to June 2007.

(i) **SU in Telecom Argentina.** Telecom Argentina supplies SU programmes instead of paying contributions and is waiting resolution from the authority to have the programmes approved.

(ii) **SU in Telecom Personal.** From January 2001 till June 2007, Telecom Personal has been considering a budget of 85,000,000 Argentine pesos for contribution to the SU fund and has now presented an Infrastructure program under 2011 provision. From July 2007 up to October 2010 Telecom Personal has deposited the corresponding contributions (amounting to 112,000,000 Argentine pesos) into a SU Fiduciary Fund. From November 2011 it is depositing a 5,000,000 Argentine pesos a month contribution.
Spectrum. Telecom Personal understands that Telefónica Moviles S.A. has completed the return of frequency bands (850 MHz and 1.900MHz.) exceeding its 50 MHz. spectrum cap. These bands are now available to be reassigned by the SECOM. Telecom Personal has presented successive requests to the SECOM demonstrating its interest in participating in the reassignment process of this spectrum bands and the auction is planned for 31 August, 2011.

Broadcasting Regulatory Framework in Italy

*Consolidated Act on Broadcasting (Legislative Decree 177, July 31, 2005) and Legislative Decree 44, March 15, 2010.*


*Decree 44* introduced changes in the audiovisual legislation in the areas of advertising and product placement, promotion of European works, short extracts rights, protection of minors, and extends regulation to non linear audiovisual services.

AGCom is implementing the new rules through regulation, including adjustment of authorisation titles already released prior to the new rules.

With respect to advertising on linear services (TV channels) the rules on the positioning of advertisements have been relaxed, providing more freedom in the way advertising is inserted in TV schedules.

With respect to time limits for advertising, the Decree has substantially confirmed the hourly and daily limits for free to air TV channels, while it has reduced hourly limits for pay-TV channels which will have to gradually reduce advertising from 18% in a given hour applying in 2010 to 12% in 2012.

The Decree also allows for product placement, in line with the rules set by the AVMS Directive, which limits this opportunity to screening of movies, fiction, sports programmes and entertainment. The implementation of the rules is taking place through self-regulation.

Protection of minors has been reinforced, in particular as regards pay-tv services and on demand services. All audiovisual media service providers will have to adopt a “Classification System” of contents directed at protecting minors as well as specific technical measures in terms of parental control.

The rules on promotion of European works have been renewed and this has resulted in an update of the regulatory framework on transmission and investment quotas. Telecom Italia Media will maintain the exemptions it obtained under the previous regulatory framework, in particular as regards quotas on programs for minors and on recent Italian movies for its main channel La7 and apply for exemption for its new channel La7D.

The Decree also amends the rule on secondary rights for independent producers. A new regulatory scheme has been approved, which sets limited obligations towards independent producers and requires broadcasters to issue Conduct Rules towards independent producers by the 4 July, 2011.

In line with the AVMS Directive, Decree 44 extends regulation to non linear audiovisual services. An audiovisual media service provider is identified as one having the editorial responsibility of the contents provided in the catalogue. On the basis of the new regulation which became effective in January 2011, Video On Demand (*VOD*) service providers whose income is over €100,000 will have to apply for a general authorisation.

Finally, AGCOM has recently launched a Public Consultation on the renewal of regulation for digital terrestrial broadcasting activities (both as regards network operators and content providers).
With respect to digital terrestrial television, the plan for the implementation of Logical Channel Numbering (LCN) was implemented during 2010.

On the basis of the relevant criteria, Telecom Italia Media’s generalist national channels - La7 and MTV – have been given numbers 7 and 8, respectively, in the LCN.

Telecom Italia Media and MTV Italia have also obtained numbers for their only digital channels (La7D and MTV+), shifted channels, HD channels and catch up tv services, on demand and interactive services.

Two main local broadcasters have appealed the awarding of a one digit LCN to Telecom Italia Media and MTV, who have opposed such appeal in order to preserve the assignment of number 7 and 8, since the presence of their TV channels in the first ten numbers of the LNC is a significant commercial advantage pending the easiest access to the first 9 channels from customers. The discussion will take place in July 2011.

Switch off timetable

The complete switch off of analogue TV and conversion will take place by 31 December, 2012.

In 2009, complete switch off took place in the following Italian Regions: Sardegna, West Piemonte, Valle d’Aosta, Trentino Alto Adige, Lazio and Campania.

In the second half of 2010 complete switch off took place in East Piemonte, Lombardia, Emilia Romagna, Veneto, Friuli Venezia Giulia.

By the end of 2010 almost 70% of the Italian population had digital TV service.

The Regions Liguria, Toscana, Umbria, Marche, Abruzzo and Molise are expected to switch off in 2011, while Puglia, Basilicata, Calabria and Sicilia in 2012.

Digitalisation of broadcasting networks and frequencies

In response to the EU infringement procedure 2005/5086 against Italy, the Government approved in June 2008, Law No. 101, which abolishes the special licensing regime for digital terrestrial network operators and introduces the authorisation regime in line with the Code of Electronic Communications and the EU Directives.

As a consequence, the licenses granted have been converted to general authorisations lasting 20 years.

The European Commission has positively evaluated the changes introduced with law 101/08, but has asked that more spectrum resources should be assigned to new entrants (the Digital Dividend). In response to these further requests, AGCom has established the criteria for the complete digital conversion of the television terrestrial networks.

AGCom has established the National Plan of Assignment of the Frequencies (PNAF) which will provide for 21 national DVB-T (Digital Video Broadcasting- Terrestrial) networks with 80% coverage of national territory and 4 DVB-H (Digital Video Broadcasting- Handheld) national Networks. Out of the 21 National DVB-T networks, 8 are to be used for the conversion of existing analogue networks, 8 for existing digital networks, and 5 will constitute the Digital Dividend to be assigned on the basis of competitive bidding procedures.

The Ministry of Economic Development – Communication Department – has assigned to the Telecom Italia Media Group only 3 DVB-T Networks (out of the 4 Networks managed by the Group). The Telecom Italia Media Group has appealed against this assignment in order to safeguard its interests.
As regards the Digital Dividend, AGCom issued a decision on the criteria to be adopted in the tenders for the assignment of the Digital Dividend. The Digital Dividend is to be assigned in three different tenders, one consisting of 3 Networks/Muxes (Tender A) and the other of 2 Networks/Muxes (Tender B), plus a third tender for a DVB-H/DVB-T2 Network (Tender C). The decision confirmed the consultation document which presented a number of critical issues on which Telecom Italia Media had asked for changes. In particular, Telecom Italia Media has, in Telecom Italia’s view, been mistakenly treated as an incumbent operator in the market for digital terrestrial networks. As a consequence Telecom Italia Media will be able to participate only in tender B (2 DVB-T Networks) together with Rai and Mediaset and in Lotto C (1 DVB-H/DVB-T2) Network, while it cannot participate in Tender A, which is being reserved to new entrants and minor operators, including Sky Italia, following the decision of the European Commission on 20 July, 2010 to allow Sky Italia to participate in such tender.

The Telecom Italia Media Group has appealed against the above decision and against the EU Decision, with particular reference to the erroneous treatment of Telecom Italia Media as an incumbent operator.

**PNAF and digital dividend for mobile services**

AGCom issued a decision approving the National Plan of Assignment of the Frequencies necessary for the assignment of frequencies in the digital switch off areas as well as for the DVB-T Digital Dividend.

This decision also provides a Digital Dividend for mobile service in the band 790-862 MHz after analogue broadcasting is switched off. The Italian Budget Law establishes that a tender for such frequencies should take place by September 2011 in order to guarantee the right of usage after such switch off. After a Public Consultation, AGCom has published on 10 June, 2011 the procedures and rules for spectrum assignment in bandwidth 800. The next step will be the issue of the tender by the Ministry of Economic Development which are taking steps to guarantee such tender by 2011.

**Market 18 (co-location services)**

RAI and Mediaset, identified as holding a joint dominance in the analogue broadcasting market, have published a Reference Offer for co-location services of transmitters on analogue sites, as established by the AGCom decision of April 2008, on “market 18”. The Reference Offers could establish a benchmark for co-location prices for digital sites.

AGCom, in March 2009, launched a new market analysis of the market for transmission networks. Following a public consultation, which was concluded in October 2010, AGCom published its analysis on 19 February, 2011. The analysis concluded that the market for National digital DVB-T Networks is competitive and does not need to be regulated ex-ante. The Decision confirms the obligations previously set for a Reference Offer for co-location services of transmitters on analogue sites until complete switch off will take place (31 December, 2012).

**Litigation**

The main legal, arbitration and tax proceedings involving the Telecom Italia Group as of the date of this EMTN Programme Prospectus are presented below.

With respect to certain of the legal, regulatory and tax proceedings described below considered to have a probable adverse outcome, the Telecom Italia Group has made provisions in the amount of 170 million euros at 31 March, 2011 (173 million euros at 31 December, 2010).
(a) Potential liabilities

TELECOM ITALIA SPARKLE

On 23 February, 2010, the Guardia di Finanza (Finance Police), authorised by the Rome Public Prosecutor’s Office, served Telecom Italia Sparkle with:

(i) an order setting 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 administrator” pursuant to Legislative Decree No. 231/2001; and

(ii) a warrant to seize approximately 298 million euros as an interim measure.

The Prosecutor accused certain former directors and former and current employees of Telecom Italia Sparkle of cross border criminal conspiracy, tax evasion, international money laundering, reinvestment of profits from criminal activities and registration of assets under false names. The charges of cross border criminal conspiracy, international money laundering and reinvestment of profits from criminal activities are also possible offences that may entail administrative liability for an organisation, pursuant to Legislative Decree No. 231/2001.

Telecom Italia Sparkle therefore put in place a series of initiatives involving, in particular:

(i) the precautionary suspension of employees involved in the proceedings, and the termination of the employment of those employees on remand;

(ii) appointment of an independent professional (Professor Paolo Ferro-Luzzi) to, among other things, verify that the organisational tools specified in Legislative Decree No. 231/2001 have been adopted and actually implemented, and to verify Telecom Italia Sparkle’s consequent commitment to implementing any improvements recommended by such professional consultant;

(iii) the issue of a guarantee for approximately 72 million euros payable to the Judicial Authorities involved in the event of confiscation, pursuant to article 19 of Legislative Decree No. 231/2000, of this sum as the profits of the alleged offences, with an irrevocable judgement;

(iv) the issue of a guarantee for approximately 123 million euros payable to the Tax Authorities, representing the difference between the amount already subject to precautionary seizure, as VAT deducted in tax years 2005, 2006 and 2007 (approximately 298 million euros) and the estimated maximum sum that might be payable by Telecom Italia Sparkle to settle its tax affairs in the event of assessment or settlement procedures agreed with the Agenzie delle Entrate (tax authority); and

(v) the adoption of a series of internal measures that incorporated the final suggestions formulated by Professor Ferro-Luzzi on the governance of Telecom Italia Sparkle, its organisation and control arrangements, operations, and the “Model 231”.

In light of these initiatives, and after revocation of the request to appoint a legal administrator by the Rome Prosecutor’s Office, the judge in the preliminary investigation (the GIP) declared that there are “no grounds to proceed”.

In May 2010 the Guardia di Finanza communicated a “note of findings” to Telecom Italia, stating:

(i) that the VAT on the services attributable to the fraud mentioned above, deducted in the 2005, 2006 and 2007 tax years, totalling approximately 298 million euros, was not deductible;
that the costs of the aforementioned operations was not deductible for the purposes of corporation tax and regional tax (IRES and IRAP), with an estimated total expense of approximately 429 million euros, plus fines and interest.

Subsequently, in July 2010, the Lazio regional office of the Agenzia delle Entrate, taking note of the findings raised by the Guardia di Finanza, served three notices of assessment on Telecom Italia Sparkle, notifying the company of the non-deductibility of VAT totalling approximately 298 million euros, as mentioned above, plus interest and fines.

In July 2010, Telecom Italia Sparkle paid a proportion of the fines (25% of the sum imposed), the whole of the VAT considered to be non-deductible, plus the interest, for a total of 418 million euros. After the payment, the bank guarantee for approximately 123 million euros which had been issued in favour of the tax authorities, lapsed.

Moreover, in August 2010, Telecom Italia Sparkle’s application for the preventive seizure ordered by the Rome Prosecutor’s Office in February 2010 to be revoked was granted. In consequence, the assets seized were released, apart from a sum of 10 million euros which remains under seizure for guarantees connected to the criminal proceedings currently underway.

Finally, granting the application made in August 2010 by the Rome Prosecutor’s Office, the judge in the preliminary investigation ordered the immediate trial of the defendants currently subject to precautionary measures. In particular, the application requested the immediate trial of the former chief executive officer and two former employees.

In relation to this trial, Telecom Italia Sparkle made an application to bring a civil action against all the defendants. The Court ruled this application inadmissible in its hearing on 18 December, 2010, since it considered such an action incompatible with Telecom Italia Sparkle’s position as a subject of investigation pursuant to Legislative Decree No. 231/2001.

Given the complexity of the case, and the fact that the investigations are continuing, and that in consequence it is not yet possible to have full knowledge of all the acts of the proceedings, at present Telecom Italia Sparkle cannot formulate definitive predictions of their outcome, without prejudice to the defence that Telecom Italia Sparkle will pursue with the maximum vigour to demonstrate its non-involvement in the matters at issue. Regarding the effects of a conviction under Legislative Decree No. 231/2001, in addition to the administrative fines (which would be relatively small) and any interdiction, the profits of the crime would be confiscated, and in the current formulation of the charge by the public prosecutors and without prejudice to the defence considerations that will be developed in relation to this, would total approximately 72 million euros (a sum already guaranteed by the bond mentioned above and already set aside in the 2009 consolidated financial statements).

So far as the residual fiscal risk is concerned, the Agenzia delle Entrate has not, to date, issued notices of assessment in relation to the allegation of the Guardia di Finanza relating to direct taxation. In this respect, Telecom Italia Sparkle, on the basis of the opinion of its professional advisors, believes that if such a notice of assessment were to be issued, there is a low risk of an unfavourable outcome. As a result, no provision to cover the fiscal risk for direct taxation has been made.


In December 2008 Telecom Italia received notification of the application for its committal for trial for the administrative offence specified in articles 21 and 25, subsections 2 and 4, of Legislative Decree No. 231/2001 in relation to certain former employees and former collaborators of Telecom Italia charged, among other things, with offences involving corruption of public officials, with the object of acquiring information from confidential files.
Before the preliminary hearing, Telecom Italia submitted a motion for the application of plea bargaining, pursuant to article 63 of Legislative Decree No. 231/2001, after having made provision, as employer, for financial reparation to be offered to those employees and former employees on whom illegal dossiers were compiled and whose names appeared on the request for committal for trial (incurring total costs of 1.8 million euros for this purpose) and after having reached a settlement with the government departments (the only parties taking civil action against Telecom Italia) of all claims for compensation related to the facts that are the object of the criminal proceedings (against payment of the sum of 750 thousands). In a judgement pronounced on 28 May, 2010, the judge accepted that the fine of 400 thousands euros that Telecom Italia had agreed to pay were adequate. After this judgement, Telecom Italia is no longer a defendant in the criminal trial. At the same time, the judge approved the motion for settlement of the proceedings presented by many other defendants, including former employees of the Group.

In a judgement on the same date, the charges of unlawful appropriation of the assets of Telecom Italia and its subsidiary Telecom Italia Latam, which had been admitted to the trial as civil parties precisely in relation to these offences, were declared to be without foundation. Both companies are challenging this judgement, and have appealed to the Court of Cassation. Pending finalisation of this judgment, Telecom Italia continues to benefit from the conservative seizure of the assets of one of the defendants, worth over 15 million euros.

Thus at the end of the preliminary hearing phase, subsidiaries Telecom Italia Latam and Telecom Italia Audit and Compliance Services remained civil parties in the trial for damages deriving from actions other than unlawful appropriation, while Telecom Italia remained part of the criminal proceedings as the entity with civil liability, pursuant to article 2049 of the Italian Civil Code, for the actions of the three ex-employee defendants committed for trial. In this capacity, Telecom Italia has been served with conservative seizure orders for approximately 6 million euros in favour of the civil parties in the proceedings against the ex-employee defendants; all of these orders were, however, subsequently revoked by the Milan Review Court, with an order dated September 2010. Challenging this last judgement, appeal is pending with the Court of Cassation filed by the civil parties.

The trial phase of the proceedings opened in September 2010 before the Milan Court of Assizes. In the first hearings, certain of the civil parties asked that their involvement be extended to include the crimes of conspiracy and corruption. The judge for the preliminary hearing did not allow them to become civil parties in the proceedings relating to these charges, while Telecom Italia has submitted a request to become a civil party to the proceedings relating to all the alleged crimes of those defendants named in the order that they be committed to trial, including the crimes of corruption and conspiracy.

In the hearing on 26 January, 2011, the Court granted the motions to become a civil party submitted by Telecom Italia and by the other civil parties.

On 18 May, 2011, the Milan Court of Assizes granted the application made by the Public Prosecutor to admit to the trial documentation, as body of evidence of the crime, all the documentation on the dossiers that the Preliminary Investigating Magistrate had decided could not be destroyed, since the unlawful provenance of the material was uncertain.

In relation to the details of the requests for Telecom Italia to pay/indemnify third parties, it should be noted that, given the current state and on the basis of the estimation factors available, it is likely that Telecom Italia could lose such proceedings; only in relation to a single case, given the estimation factors available and the progress of the current proceedings, a positive outcome is unlikely and hence provision has been made for a moderate sum in the risk fund.

**FASTWEB**

Through judgement no. 750/2011, the Milan Appeal Court declared its lack of jurisdiction, in favour of that of the Milan Court, to decide the action brought by Fastweb in October 2007, for the presumed abusive nature of the Telecom Italia winback strategy in the domestic and non-domestic fixed line telephone service supply markets and in the broadband access retail services, with a request for damages totalling
approximately 1,070 million euros. The action was based on the order of 16 May, 2006 by the Milan Appeal Court, granting an urgent appeal by Fastweb that prevented Telecom Italia from continuing certain allegedly abusive behaviour. Fastweb later gave timely summary of the judgement before the Milan Civil Court.

In June 2010, at the Milan Court, Fastweb claimed damages of approximately 65 million euros (Fastweb also submitted a subordinate claim, quantifying the damages at 87 million euros) for presumed acts of unfair competition and misleading advertising as part of the “Impresa Semplice” advertising campaign, for the offer of integrated services to small and medium-sized enterprises. The judgement referred to a preceding opinion issued by the Jury of the IAP (Istituto di Autodisciplina Pubblicitaria), the advertising regulatory body, at the behest of Fastweb and other Operators, that this advertising campaign was indeed misleading. Telecom Italia, after rectifying some minor points raised by its competitors in these proceedings, entered an appearance contesting the claims of the other party, and submitted a counterclaim.

In January 2011, with its appointment of an arbitrator, Fastweb requested compensation for presumed damages totalling 146 million euros suffered after the alleged non-compliance with the provisions contained in the contract for the supply of the “unbundling of the LLU”. In particular, Fastweb complained that, in the period from July 2008 to June 2010, Telecom Italia might have refused, unlawfully, to execute approximately 30,000 requests to migrate customers to the Fastweb network. When the Board of Arbitration has been convened, Telecom Italia will present its defence, refuting the claims of the other party.

VODAFONE

The case brought by Vodafone before the Milan Court of Appeal in July 2006, for compensation for damages (initially quantified as approximately 525 million euros, and subsequently adjusted to 759 million euros) is still in progress. The case involves a presumed abuse of dominant position by Telecom Italia, which allegedly exploited its position in the fixed telephony markets to strengthen its position in the closely connected mobile communication services market, which tended to exclude and hence damage its competitor. According to Vodafone, Telecom Italia’s abusive behaviour concerned its domestic and business customers, and is allegedly unlawful as a violation of the law on the protection of personal data.

Telecom Italia filed an appearance, contesting Vodafone’s claims and the inadmissibility of counterclaims.

FEDERAZIONE ANTI PIRATERIA AUDIOVISIVA

In June 2010, antipiracy group Federazione Anti Pirateria Audiovisiva (FAPAV) issued proceedings against Telecom Italia in the Rome Court for compensation of the presumed damages (quantified at 320 million euros) resulting from its non-prevention of the illicit downloading of films by its customers accessing certain websites. According to the claimant, Telecom Italia did not adopt the necessary technical and administrative measures to prevent the illegal use of its network. FAPAV also asked that the Telecom Italia provide the Judicial Authorities with information that identifies the customers involved in the alleged unlawful activities.

These proceedings follow a precautionary procedure at the end of which the Rome Court excluded both the liability of Telecom Italia for the information it carries, and the obligation to suspend the internet access service of which Telecom Italia is merely a supplier. The Court limited itself to ordering Telecom Italia to supply all the information in its possession on the alleged unlawful activity, apart from information that identifies the subjects involved.

Telecom Italia, which has already complied with the order, entered an appearance in this case, asking that the claims of the other party be rejected in their entirety. The Italian association of authors and publishers, SIAE, joined these proceedings to support FAPAV’s argument.

EUTELIA and VOICEPLUS

In June 2009, Eutelia and Voiceplus asked that alleged acts of abuse by Telecom Italia of its dominant position in the premium services market (based on the offer of the services provided through so-called Non
Geographic Numbers) be investigated. The complainants quantified their damages at a total of approximately 730 million euros.

The case follows a precautionary procedure in which the Milan Appeal Court prohibited certain behaviours relating to the management of Telecom Italia’s financial relations with Eutelia and Voiceplus concerning the Non Geographic Numbers for which, for regulatory reasons, Telecom Italia manages the revenues from the end customers on behalf of these OLOs.

Telecom Italia filed an appearance, asking that the demand for compensation be rejected in its entirety.

After the pause in the legal proceedings, pursuant to article 43 of the Legge Fallimentare (bankruptcy law) made after the Extraordinary Administration Procedure to which Eutelia was subjected after the declaration of insolvency, Eutelia filed an appeal for proceedings to be resumed.

**TELEUNIT**

With a writ of summons issued before the Milan Appeal Court in October 2009, Teleunit asked for alleged acts of abuse by Telecom Italia of its dominant position in the premium services market to be investigated. The complainant quantified its damages at a total of approximately 362 million euros.

Telecom Italia filed an appearance, contesting the claims of the other party.

**POSTE**

There are some pending actions brought by Ing. C. Olivetti & C. S.p.A. (now Telecom Italia) against Poste, the Italian postal service, concerning non-payment by Poste of services rendered under a series of contracts to supply IT goods and services. The judgements issued in the lower court established an outcome that was partially favourable to the ex-Olivetti, and have been appealed by Poste in individual rehearings.

In this respect, while a judgement of the Rome Appeal Court confirmed one of the outstanding payables to Telecom Italia, another judgement of the same Court declared void one of the disputed contracts. After this judgement, Poste issued a writ for the return of approximately 58 million euros, opposed by Telecom Italia, given that the judgement of the Court of Cassation considering amendment of the above judgement is still pending.

In its opposition and appeal for suspension of execution, Telecom Italia argued that it had not been ordered to pay specific restitution at that time, and hence there was no valid right to execute the judgement. Accepting this argument, the Rome Court suspended execution.

**Dispute for adjustments on concession charges for the years 1994-1998**

Some disputes in cases filed in recent years by Telecom Italia are still pending. These relate to the Company’s request that the Ministry of Communications pay adjustments to the amounts paid in charges for concessions in the years 1994-1998.

**Antitrust Proceeding A426 – start of preliminary phase**

On 13 May, 2010, AGCM, in response to a complaint by Fastweb, started a preliminary investigation of possible abuse by Telecom Italia of its dominant position. According to Fastweb, Telecom Italia behaved in an excluding way in the public tenders held in 2010 by Consip and Enel for the award of contracts for fixed telephony services and IP connectivity. In particular, according to the complainant, Telecom Italia provided none of the information of a technical-economic nature that was allegedly essential for the preparation of bids by its competitors, and provided some network services to its commercial divisions at conditions that were better than those applied to most other operators.
Fastweb complained of similar behaviour to AGCom which, in a note of 26 May, 2010, rejected its claims in their entirety, finding that Telecom Italia is not obliged to provide information or network services in the tender process other than those required by the industry regulations. Since the investigation is at a preliminary stage, a proper assessment of the alleged behaviour is premature.

**Antitrust Proceeding A428 – start of preliminary phase**

On 23 June, 2010, AGCM, in response to a report by Fastweb, started a preliminary investigation of two possible abuses by Telecom Italia of its dominant position. Firstly, according to Wind, Telecom Italia allegedly instituted a “technical boycott”, hindering or delaying the activation of services, by means of unjustified and spurious refusals (so-called KOs). Moreover, according to both complainants, Telecom Italia allegedly applied a discriminatory price policy, offering high discounts on the price of access services to final customers only in those geographic areas of the country in which access services disaggregated from the local network are available, and hence where other operators can offer greater competition. To substantiate their allegation, the OLOs have indicated, among other things, the invitation to tender by the Florence municipal authority awarded to Telecom Italia in 2009. In relation to this invitation to tender, AGCom, after verifying the replicability of the financial conditions of the traffic services, notified Telecom Italia on 1 February, 2011 that it had archived the allegations raised at the start. On 18 April, 2011 Fastweb challenged this ruling before the Lazio regional administrative court. Since the investigation is still at a preliminary stage, a proper assessment of the alleged behaviour is premature.

**National tax disputes**

On 25 March, 2011, the Agenzia delle Entrate in Milan served, to both Telecom Italia S.p.A and its subsidiary Olivetti Multiservices S.p.A., two notices of payment relating to property payments made in March 2006 to the Raissa and Spazio Industriale Funds. Concerning the above, for the alleged non-payment of mortgage and cadastral taxes these companies were, consequently, requested to pay approximately 10 million euros, including taxes and interest. It should be noted that similar notices were served in the month of December 2010 related to property payments made in December 2005 to the same funds. The alleged sum amounted to approximately 61 million euros.

As regards the payment notices served in December 2010, the companies, also supported by authoritative professional opinions, believed they had complied in full with the tax regulations and that, therefore, the Authorities' allegations should be considered totally without foundation. For this reason the companies challenged the notices presenting an appeal to the Milan Provincial Tax Commission. At the companies' request, the latter also granted the suspension of their enforceability. Furthermore, the companies have already presented application for self-protection and suspension to the relevant offices of the Agenzia delle Entrate.

Considering that the two new payment notices are of the same nature as those served in December 2010 and challenged by the companies, the same assessment expressed above is confirmed; therefore the companies will proceed to challenge these latest notices and ask the Provincial Tax Commission to suspend them and will present the Agenzia delle Entrate with application for self-protection and suspension.

**ARGENTINA**

The various administrative proceedings in which the Telecom Italia Group was involved in Argentina are substantially closed, following the issuance on 13 October, 2010 by the Secretaría de Política Económica (a subdivision of Argentina’s Ministry of the Economy and Public Finance) of a resolution which approved the increase of the stake held by Telecom Italia Group in Sofora from 50% to 58% of its share capital.

Similarly, on the basis of the above and in accordance with the agreements executed by the Telecom Italia Group and the Werthein group on 5 August, 2010, the various judicial proceedings in which the two parties were involved have already been closed by the relevant Argentinean courts.
GERMANY – AOL arbitration

In November 2008, AOL LLC and AOL Europe Sàrl (AOL) notified Telecom Italia Deutschland Holding GmbH (TIDE) and Telecom Italia of a request for arbitration before the International Chamber of Commerce (ICC) in Paris, in relation to the agreement for TIDE’s acquisition of the broadband assets of the AOL Time Warner group, signed in September 2006 and implemented in February 2007. The purpose of the request for arbitration was to obtain:

(i) a declaratory ruling that the contracts for the supply of services to a specific category of customers (the so-called Bring-Your-Own-Access (BYOA) are not to be considered to have been sold to Telecom Italia and TIDE; and

(ii) an order for the defendants to ensure that HanseNet, the German subsidiary of TIDE at that time, returns to AOL the amount allegedly received from the BYOA customers, totalling approximately 2 million euros.

In February 2009, Telecom Italia and TIDE filed their defences and counterclaims, requesting that AOL, after confirmation that the BYOA customers had to be assigned by AOL, transfer such BYOA customers to them, where this is still possible, and in any event, pay any amount improperly collected by AOL as revenues from such customers, or pay compensation for the damages suffered.

The Arbitration Panel issued a partial award in November 2010, in which it declared that it had jurisdictions to decide on the request for arbitration and considered that Telecom Italia and TIDE were not entitled to the transfer of the BYOA customer category, since they did not belong to the access business transferred in 2007.

The Panel reserved its right to issue one or more subsequent awards on the matters still unresolved concerning not only AOL’s request for compensation, but also the counterclaims filed by Telecom Italia and TIDE, granting time to the parties to file their defences on these aspects.

GERMANY – Telefonica Arbitration

On 4 May, 2011 Telefonica Germany Customer Services Gmbh (TEFG) – a German company within the Telefonica group – served Telecom Italia and Telecom Italia Deutschland Holding GmbH (TIDE) with a request for arbitration before the International Chamber of Commerce (ICC) in Paris, seeking a declaratory relief related to an indemnification obligation of Telecom Italia and TIDE pursuant to the share purchase agreement for the sale of Handsnet to Telefonica group, executed in December 2009. On 4 July, 2011 Telecom Italia and TIDE filed their defences, asking for dismissal of the TEFG request as groundless.

GREECE – DELAN


In July 2006, Tim Hellas (whose name had changed in the meantime to Wind Hellas) informed Tim International about the issuance of an arbitration award in the Delan case that ordered Wind Hellas to compensate Delan for damages for an amount of approximately 52 million euros including interest. Wind Hellas challenged the arbitration award seeking its nullity before the Athens Court of Appeal and, in October 2007, informed Tim International that such Court had declared the nullity of the arbitration award.
In March 2008, Wind Hellas informed Tim International that Delan (under the new name Alpha Digital Television) had challenged the decision of the Court of Appeal before the Greek Supreme Court, claiming the failure to perform the notification.

Tim International, in accordance with the provisions of the SPA, decided to take over the defence of Wind Hellas before the Supreme Court. In September 2008, the Greek Supreme Court rejected the objection made by Delan and confirmed that the arbitration award was null and void.

During 2009, Carothers Ltd. (Carothers), the company acting as successor of Delan, started legal proceedings both precautionary and on the merits against Wind Hellas before the Greek courts, on grounds similar to those raised in the arbitration case. Wind Hellas in turn served Telecom Italia International with an impleader to appear, as guarantor, allegedly on the basis of the indemnification obligations contained in the SPA. This impleader was also extended to the precautionary proceedings, in which Carothers seeks an attachment of the assets of Wind Hellas. In such precautionary phase of the proceedings, Telecom Italia International challenged the impleader served by Wind Hellas and in August 2010 the Athens Court of the first instance declared the request by Wind Hellas inadmissible. On 1 June, 2011 hearings were held in relation to pleadings in the proceedings started by Carothers Ltd against Wind Hellas, as well as the proceedings started by Wind Hellas against Telecom Italia International on the basis of the alleged indemnification obligations contained in the SPA.

During 2010 Wind Hellas also served Telecom Italia International with an impleader to appear as a third party in another legal proceedings commenced in 2006 by Wind Hellas against what was at the time Delan (now Carothers), challenging the validity of the arbitration clause in relation to the Delan arbitration, as well as to verify the absence of liability for the damages of Wind Hellas.

International tax disputes

On 22 March, 2011 TIM Celular received notification of tax assessment issued by the Brazilian Federal Tax Administration, totalling 1,265 million Brazilian reais (approximately 550 million euros, including fines and interest, as the result of the conclusion of tax verification for the years 2006, 2007, 2008 and 2009 for the companies TIM Nordeste Telecomunicações S.A. and TIM Nordeste S.A (previously called Maxitel), companies which were gradually incorporated in TIM Celular with the aim of rationalising company structure in Brazil.

The assessment notice includes various adjustments; the main allegations can be summarised as follows: (i) refusal to recognise that the amortisation of the goodwill relative to the acquisition of Tele Nordeste Celular Participações S.A. (TNC) is tax deductible, goodwill which was originally posted by Bitel Participações S.A. (Bitel); (ii) the undue exclusion of the goodwill previously amortised by Bitel, IB2B and TNC; (iii) the refusal to recognise the tax effects of the merger between TIM Nordeste Telecomunicações S.A. and Maxitel S.A.

The adjustments included in the assessment notice were challenged by TIM Celular, in administrative proceedings, with the presentation of its first objections on 20 April, 2011. The management of TIM Celular, as confirmed by the opinion of two legal advisers, does not consider it probable that TIM Celular be subject to relevant negative consequences, in relation to the above.

(b) Other information

Dispute concerning the concession charge for 1998

Telecom Italia has issued proceedings against the Presidenza del Consiglio dei Ministri (the office of the Prime Minister) before the Rome Court for compensation of the damage caused by the Italian State through appeal judgement no. 7506/09 by the Consiglio di Stato (Council of State) that, in the view of Telecom Italia, violates the principles of current European community law.
The case was also brought in the light of community jurisprudence that recognises the right to assert the responsibility of the State in relation to violation of rights recognised in community law and injured by a judgement that has become definitive, in respect of which no other remedy may be applied. The aforementioned appeal judgement definitively denied the right of Telecom Italia to restitution of the concession charge for 1998 (totalling 386 million euros for Telecom Italia and 143 million euros for Tim, plus interest), already rejected by the Lazio regional administrative court despite the favourable and binding opinion of the European Court of Justice on 23 February, 2008 concerning the conflict between EC Directive 97/13 on general authorisations and individual licences in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The compensation claimed has been quantified as approximately 529 million euros, plus legal interest and revaluation.

The Avvocatura di Stato filed an appearance and submitted a counterclaim for the same sum. In the meantime, on 15 January, 2011, Telecom Italia notified the Consiglio di Stato of its appeal for revocation of the judgement of the Consiglio di Stato itself, object of the proceedings.

**Mobile telephony: investigation of irregular SIM cards**

The audit of prepaid SIM cards incorrectly associated to customer ID documents that started in 2005-2008 continued in the first three months of 2011. This initiative involved all the SIM cards identified as not properly documented by the internal audit of Telecom Italia in the so called “Greenfield Project” carried out with the support of Deloitte Financial Advisory Services (the findings of this audit were illustrated in the Appendix to the Company Report on Corporate Governance and share ownership 2010) and not rectified by January 2009. With reference to the activations over the 2005-2008 period, the amount of SIM cards still to be reclaimed at 1 January, 2011, 723,000 lines, was reduced to around 647,000 lines. It should also be noted that the Milan Public Prosecutor's Office is continuing its investigation, both into the SIM cards with incorrect user registrations, already examined in the Greenfield Project and the scenario raised by Deloitte in its report, of the irregular postponement of the natural expiry date (13 months after the last top-up or other chargeable post-sales action) of approximately 2,500,000 prepaid SIM cards.

The Deloitte report was acquired by the Milan Procurator's Office, which at the time assumed a case of aggravated fraud against persons unknown. A search order was subsequently issued against Telecom Italia on 3 February, 2011, following which certain of Telecom Italia’s offices were searched.

Subsequently indirect sources communicated that the former chief executive officer, Riccardo Ruggiero, and the former manager of the Domestic Mobile Services Department, Luca Luciani, would likewise have been subject to searches as part of the same criminal proceedings and would be currently investigated for aggravated fraud or obstructing the public surveillance authorities in their duties, ex art. 2638 Italian Civil Code (this last scheduled offence, at least theoretically, for the purposes of responsibility foreseen under legislative decree no. 231/2001). Telecom Italia, building on the commitment of the present management in terms of the reclamation of the irregular SIM cards, is giving the Judicial Authorities its full collaboration; at the same time carrying out internal verification necessary to understand the scenario at the basis of the investigation. Telecom Italia will carefully follow, as it has always done, the course of the investigation and start any action to protect itself, in the face of possible assessment of individual responsibility of third parties or employees.
TELECOM ITALIA GROUP — SUMMARY OF SELECTED FINANCIAL INFORMATION AND
STATISTICAL OPERATING DATA

Financial Information prepared in accordance with IFRS as of and for the Years Ended 31 December,
2010 and 2009

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 31 December, 2010 and 2009, which have been extracted or
derived from the audited Consolidated Financial Statements of the Telecom Italia Group included in the
2010 Telecom Italia Annual Report (which is incorporated by reference).

The financial information described below should be read in conjunction with the 2010 Telecom Italia
Annual Report.

Amounts presented in this section are prepared in accordance with International Financial Reporting
Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European
Union (IFRS).
Separate Consolidated Income Statement Data:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues(1)</td>
<td>27,571</td>
<td>26,894</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5,813</td>
<td>5,493</td>
</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td>4,127</td>
<td>3,339</td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>3,579</td>
<td>2,218</td>
</tr>
<tr>
<td>Profit (loss) from Discontinued operations/Non-current assets held for sale</td>
<td>(7)</td>
<td>(622)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>3,572</td>
<td>1,596</td>
</tr>
<tr>
<td>• Profit attributable to owners of the Parent(2)</td>
<td>3,121</td>
<td>1,581</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>4,583</td>
<td>4,543</td>
</tr>
</tbody>
</table>

Financial Ratios:

- Operating profit/Revenues (ROS) .............................................. 21.1% 20.4%

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) ....................................... 70,150 69,964

Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number) ............................................... - 2,168

Basic and Diluted earnings per Share (EPS)(3):

- Ordinary Share ................................................................. 0.16 0.08
- Savings Share ................................................................. 0.17 0.09

Of which:

- From continuing operations:
  - Ordinary Share ................................................................. 0.16 0.11
  - Savings Share ................................................................. 0.17 0.12

- From Discontinued operations/Non-current assets held for sale:
  - Ordinary Share ................................................................. - (0.03)
  - Savings Share ................................................................. - (0.03)

Dividends:

- per Ordinary Share ................................................................. 0.058 (4) 0.0500
- per Savings Share ................................................................. 0.069 (4) 0.0610
As of 31 December, 2010
(millions of euros, except employees)

Consolidated Statement of Financial Position Data:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>89,131</td>
<td>86,267</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Equity attributable to owners of the Parent</td>
<td>28,819</td>
<td>25,952</td>
</tr>
<tr>
<td>• Non-controlling interests</td>
<td>3,791</td>
<td>1,168</td>
</tr>
<tr>
<td>Total Equity</td>
<td>32,610</td>
<td>27,120</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>56,521</td>
<td>59,147</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>89,131</td>
<td>86,267</td>
</tr>
<tr>
<td>Share capital(5)</td>
<td>10,600</td>
<td>10,585</td>
</tr>
<tr>
<td>Net Financial Debt carrying amount(6)</td>
<td>32,087</td>
<td>34,747</td>
</tr>
<tr>
<td>Adjusted Net Financial Debt(6)</td>
<td>31,468</td>
<td>33,949</td>
</tr>
</tbody>
</table>

Employees, number in the Group at year-end, including personnel with temporary work contracts:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at year-end)</td>
<td>84,200</td>
<td>71,384</td>
</tr>
<tr>
<td>• Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (number at year-end)</td>
<td>-</td>
<td>2,205</td>
</tr>
</tbody>
</table>

Statistical Data:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-line network connections Business Unit Domestic at year-end</td>
<td>17,609</td>
<td>18,525</td>
</tr>
<tr>
<td>Physical accesses (Consumer and Business) Business Unit Domestic at year-end</td>
<td>15,351</td>
<td>16,097</td>
</tr>
<tr>
<td>Fixed-line network connections Business Unit Argentina at year-end</td>
<td>4,107</td>
<td>4,060</td>
</tr>
<tr>
<td>Mobile lines at year-end</td>
<td>100,244</td>
<td>71,958</td>
</tr>
<tr>
<td>Mobile lines Business Unit Domestic at year-end</td>
<td>31,018</td>
<td>30,856</td>
</tr>
<tr>
<td>Mobile lines Business Unit Brazil at year-end</td>
<td>51,015</td>
<td>41,102</td>
</tr>
<tr>
<td>Mobile lines Business Unit Argentina at year-end</td>
<td>18,211</td>
<td>16,281</td>
</tr>
<tr>
<td>BroadBand accesses Business Unit Domestic at year-end</td>
<td>9,058</td>
<td>8,741</td>
</tr>
<tr>
<td>Of which retail BroadBand accesses</td>
<td>7,175</td>
<td>7,000</td>
</tr>
<tr>
<td>BroadBand accesses Business Unit Argentina at year-end</td>
<td>1,380</td>
<td>1,214</td>
</tr>
</tbody>
</table>

(1) Starting from the year 2010, following a detailed review of the indirect taxes paid by the Group in the different fiscal jurisdictions, certain taxes paid in Brazil have been reclassified from “Other operating expenses” to “Revenues” and “Other income” as deductions. Specifically, these reclassifications, which also have been made in connection with the adoption of IFRS by the Tim Brasil group, bring the Telecom Italia Group’s accounting presentation in line with other major telecommunications operators. This will ensure greater comparability and a better understanding of the economic and financial information presented.

The amounts which have been reclassified are the followings:
<table>
<thead>
<tr>
<th>Year ended 31 December.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>2010 (millions of euros)</td>
</tr>
<tr>
<td>Taxes on revenues and on other income of the companies in Brazil (PIS and COFINS)</td>
</tr>
</tbody>
</table>

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

(3) 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 13,239,883,276 for the year ended 31 December, 2010 and 13,220,792,908 for the year ended 31 December, 2009;
- Savings Shares was 6,026,120,661 for the years ended 31 December, 2010 and 2009.

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.

(4) Telecom Italia’s dividend coupons for the year ended 31 December, 2010, were clipped on 18 April, 2011, and were payable from 21 April, 2011.

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

(6) Starting from the first half of 2009, in order to present a more realistic analysis of net financial debt, a new performance measure has been introduced, in addition to the usual indicator (renamed “Net financial debt carrying amount”), denominated “Adjusted net financial debt” which excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities. Net Financial Debt is one of the alternative performance measures presented in addition to the conventional financial performance measures established by IFRS for purposes of a better understanding of the trend of operations and the financial condition of the Telecom Italia Group. Specifically, 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. Net Financial Debt is also used in presentations to investors and analysts. Adjusted Net Financial Debt as of 31 December, 2010 and 31 December, 2009 is calculated as follows
### Financial Information prepared in accordance with IFRS as of and for the three months ended 31 March, 2011 and 2010

The summary selected financial data set forth below are consolidated financial data of the Telecom Italia Group as follows:

(i) with respect to the separate consolidated income statement information, the unaudited financial data for the three month periods ended 31 March, 2011 and 2010; and

(ii) with respect to the statement of financial position information, the unaudited financial data as of 31 March, 2011 and the audited financial data as of 31 December, 2010.

In the opinion of the management of Telecom Italia, the unaudited interim consolidated financial data of the Telecom Italia Group reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Telecom Italia Group’s consolidated results of operations for the unaudited interim periods. Results for the three month period ended 31 March, 2011, are not necessarily indicative of results that may be expected for the entire year.

Furthermore in the three month period ended 31 March, 2011 there were no material events or transactions (e.g. business combinations, disposals, significant transactions with related parties, including intragroup transactions) which would have required specific disclosure in this EMTN Programme Prospectus.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions of euros)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>34,348</td>
<td>36,797</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>6,882</td>
<td>6,941</td>
</tr>
<tr>
<td>Financial liabilities relating to Discontinued operations/Non-current assets held for sale</td>
<td>-</td>
<td>659</td>
</tr>
<tr>
<td><strong>GROSS FINANCIAL DEBT (A)</strong></td>
<td><strong>41,230</strong></td>
<td><strong>44,397</strong></td>
</tr>
<tr>
<td>Securities, financial receivables and other non-current financial assets (B)</td>
<td>(1,863)</td>
<td>(1,119)</td>
</tr>
<tr>
<td>Current financial assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Securities other than investments</td>
<td>(1,316)</td>
<td>(1,843)</td>
</tr>
<tr>
<td>— Financial receivables and other current financial assets</td>
<td>(438)</td>
<td>(1,103)</td>
</tr>
<tr>
<td>— Cash and cash equivalents</td>
<td>(5,526)</td>
<td>(5,504)</td>
</tr>
<tr>
<td>— Financial assets relating to Discontinued operations/Non-current assets held for sale</td>
<td>-</td>
<td>(81)</td>
</tr>
<tr>
<td><strong>Total current financial assets (C)</strong></td>
<td><strong>(7,280)</strong></td>
<td><strong>(8,531)</strong></td>
</tr>
<tr>
<td><strong>FINANCIAL ASSETS (D = B + C)</strong></td>
<td><strong>(9,143)</strong></td>
<td><strong>(9,650)</strong></td>
</tr>
<tr>
<td><strong>NET FINANCIAL DEBT CARRYING AMOUNT (A + D)</strong></td>
<td><strong>32,087</strong></td>
<td><strong>34,747</strong></td>
</tr>
<tr>
<td>Reversal of fair value measurement of derivatives and related financial liabilities/assets</td>
<td>(619)</td>
<td>(798)</td>
</tr>
<tr>
<td><strong>ADJUSTED NET FINANCIAL DEBT</strong></td>
<td><strong>31,468</strong></td>
<td><strong>33,949</strong></td>
</tr>
</tbody>
</table>
Three months ended 31 March, 2011 (Unaudited) | 2010 (Unaudited)
---|---
(millions of euros, except percentages, ratios, employees and per share amounts)

Separate Consolidated Income Statement Data:

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (1)</td>
<td>7,073</td>
<td>6,413</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,499</td>
<td>1,408</td>
</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td>1,042</td>
<td>961</td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>648</td>
<td>606</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>648</td>
<td>606</td>
</tr>
</tbody>
</table>

- Profit attributable to owners of the Parent (2) | 549 | 601 |

Investments:

- Capital expenditures | 901 | 1,042 |
- Financial | - | - |

Financial Ratios

- Operating profit/Revenues (ROS)(%) | 21.2% | 22.0% |

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) | 78,104 | 67,299 |
- Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number) | - | - |

Basic and Diluted earnings per Share (EPS)(3):

- Ordinary Share | 0.03 | 0.03 |
- Savings Share | 0.04 | 0.04 |

Of which:

- From continuing operations:
  - Ordinary Share | 0.03 | 0.03 |
  - Savings Share | 0.04 | 0.04 |

- From Discontinued operations/Non-current assets held for sale:
  - Ordinary Share | - | - |
  - Savings Share | - | - |
## Consolidated Statement of Financial Position Data:

<table>
<thead>
<tr>
<th></th>
<th>As of 31 March, 2011</th>
<th>As of 31 December, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>86,967</td>
<td>89,131</td>
</tr>
<tr>
<td><strong>Equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Equity attributable to owners of the Parent</td>
<td>29,413</td>
<td>28,819</td>
</tr>
<tr>
<td>— Non-controlling interests</td>
<td>3,562</td>
<td>3,791</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>32,975</td>
<td>32,610</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>53,992</td>
<td>56,521</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>86,967</td>
<td>89,131</td>
</tr>
<tr>
<td><strong>Share capital(4)</strong></td>
<td>10,600</td>
<td>10,600</td>
</tr>
<tr>
<td><strong>Net Financial Debt carrying amount (5)</strong></td>
<td>30,972</td>
<td>32,087</td>
</tr>
<tr>
<td><strong>Adjusted Net Financial Debt (5)</strong></td>
<td>30,622</td>
<td>31,468</td>
</tr>
</tbody>
</table>

**Employees, number in the Group at period-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 period-end) ........................................... 84,144 84,200

Employees relating to the consolidated companies considered a Discontinued operations/Non-current assets held for sale (number at period-end) .......................................................... - -
As of 31 March, 2011

Statistical Data:

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-line network connections Business Unit Domestic at period-end</td>
<td>17,367</td>
<td>17,609</td>
</tr>
<tr>
<td>Physical accesses (Consumer and Business) Business Unit Domestic at period-end</td>
<td>15,145</td>
<td>15,351</td>
</tr>
<tr>
<td>Mobile lines Business Unit Domestic at period-end</td>
<td>102,657</td>
<td>100,244</td>
</tr>
<tr>
<td>Mobile lines Business Unit Brazil at period-end</td>
<td>52,836</td>
<td>51,015</td>
</tr>
<tr>
<td>Mobile lines Business Unit Argentina at period-end</td>
<td>18,783</td>
<td>18,211</td>
</tr>
<tr>
<td>BroadBand accesses Business Unit Domestic at period-end</td>
<td>9,131</td>
<td>9,058</td>
</tr>
<tr>
<td>Of which retail BroadBand accesses</td>
<td>7,194</td>
<td>7,175</td>
</tr>
<tr>
<td>BroadBand accesses Business Unit Argentina at period-end</td>
<td>1,407</td>
<td>1,380</td>
</tr>
</tbody>
</table>

(1) Starting from the first half of 2010, certain not material taxes paid in Brazil have been reclassified from “Other operating expenses” to “Revenues” and “Other income” as deductions. Specifically, these reclassifications bring the Telecom Italia Group’s accounting presentation in line with other major telecommunications operators. This will ensure greater comparability and a better understanding of the economic and financial information presented.

The amounts which have been reclassified are the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes on revenues and on other income of the companies in Brazil (PIS and COFINS)</td>
<td>(91)</td>
<td>(70)</td>
</tr>
</tbody>
</table>

(2) For the purposes of IFRS, “Parent”, as used in this EMTN Programme Prospectus, means Telecom Italia S.p.A.

(3) In accordance with IAS 33 (Earnings per share), basic earnings per Ordinary Share is calculated by dividing the Telecom Italia Group’s profit available to shareholders by the weighted average number of shares outstanding during the period, 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 13,257,920,702 for the three months ended 31 March, 2011 and 13,218,690,552 for the three months ended 31 March, 2010; and
- Savings Shares was 6,026,120,661 for the three months ended 31 March, 2011 and 2010.

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.

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

(5) Starting from the first half of 2009, in order to present a more realistic analysis of net financial debt, a new performance measure has been introduced, in addition to the usual indicator (renamed “Net financial debt carrying amount”), denominated “Adjusted net financial debt” which excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities. Net Financial Debt is one of the alternative performance measures presented in addition to the conventional financial performance measures established by IFRS for purposes of a better understanding of the trend of operations and the financial condition of the Telecom Italia Group. Specifically, 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. Net Financial Debt is also used in presentations to investors and analysts. Adjusted Net Financial Debt as of 31 March, 2011 and 31 December, 2010 is calculated as follows:
As of 31 March 2011 (Unaudited)  |  As of 31 December 2010
---|---
(millions of euros) | 
Non-current financial liabilities | 32,948 | 34,348
Current financial liabilities | 6,640 | 6,882
Financial liabilities relating to Discontinued operations/Non-current assets held for sale | - | -
**GROSS FINANCIAL DEBT (A)** | **39,588** | **41,230**
Securities, financial receivables and other non-current financial assets (B) | (1,433) | (1,863)

**Current financial assets:**
- Securities other than investments | (1,310) | (1,316)
- Financial receivables and other current financial assets | (386) | (438)
- Cash and cash equivalents | (5,487) | (5,526)
- Financial assets relating to Discontinued operations/Non-current assets held for sale | - | -
**Total current financial assets (C)** | **(7,183)** | **(7,280)**
**FINANCIAL ASSETS (D = B + C)** | **(8,616)** | **(9,143)**
**NET FINANCIAL DEBT CARRYING AMOUNT (A + D)** | **30,972** | **32,087**

*Reversal of fair value measurement of derivatives and related financial liabilities/assets*

- (350) | (619)

**ADJUSTED NET FINANCIAL DEBT** | **30,622** | **31,468**
DIRECTORS, EXECUTIVE OFFICERS AND STATUTORY AUDITORS

Directors

The ordinary shareholders’ meeting held on 12 April, 2011 appointed the new Board of Directors of Telecom Italia, composed of 15 directors who will remain in office for three years until the approval of the financial statements for the year ended 31 December, 2013.

On 13 April, 2011, the new Telecom Italia board of directors appointed Franco Bernabé as Chairman and Chief Executive Officer, Aldo Minucci as Deputy Chairman and Marco Patuano as Chief Operating Officer and Managing Director, in each case, of Telecom Italia.

On 6 June, 2011, Director Ferdinando Beccalli-Falco resigned from the Board of Directors of Telecom Italia, in the light of new duties conferred upon him at GE group.

Consequently, the board of directors of Telecom Italia is now composed as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franco Bernabé</td>
<td>63</td>
<td>Chairman and Chief Executive Officer</td>
<td>2011</td>
</tr>
<tr>
<td>Aldo Minucci</td>
<td>65</td>
<td>Deputy Chairman</td>
<td>2011</td>
</tr>
<tr>
<td>Marco Patuano</td>
<td>47</td>
<td>Chief Operating Officer and Managing Director</td>
<td>2011</td>
</tr>
<tr>
<td>César Alierta Izuel</td>
<td>66</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Tarak Ben Ammar</td>
<td>62</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Elio Cosimo Catania (1)</td>
<td>65</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Jean Paul Fitoussi (1)</td>
<td>68</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Gabriele Galateri di Genola</td>
<td>64</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Julio Linares López</td>
<td>65</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Gaetano Micciché</td>
<td>60</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Renato Pagliaro</td>
<td>54</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Francesco Profumo (1)</td>
<td>58</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Mauro Sentinelli (1)</td>
<td>64</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Luigi Zingales (1)</td>
<td>48</td>
<td>Director</td>
<td>2011</td>
</tr>
</tbody>
</table>

(1) Independent Directors.
Description of Directors’ Outside Interests (in companies that (i) are listed and included in the FTSE/MIB index, (ii) operate prevalently in the financial sector on a public basis (and are entered in the lists referred to in Articles 106 and 107 of 1 September, 1993, Legislative Decree n. 385) or (iii) engage in banking or insurance).

Tarak Ben Ammar: Tarak Ben Ammar is Independent Director of Mediobanca S.p.A.

Elio Catania: Elio Catania is a member of the Management Board of Banca Intesa Sanpaolo S.p.A.

Jean Paul Fitoussi: Jean Paul Fitoussi is a member of the Supervisory Board of Banca Intesa San Paolo S.p.A.


Gaetano Miccichè: Gaetano Miccichè is general manager of Intesa Sanpaolo S.p.A. and Chief Executive Officer of Banca IMI S.p.A.


Renato Pagliaro: Renato Pagliaro is Chairman of Mediobanca S.p.A. and Director of Pirelli & C. S.p.A.

Executive Officers

As of the date of this EMTN Programme Prospectus, the executive officers of Telecom Italia and their respective positions were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franco Bernabé</td>
<td>63</td>
<td>Chairman and Chief Executive Officer</td>
<td>2011</td>
</tr>
<tr>
<td>Marco Patuano</td>
<td>47</td>
<td>Chief Operating Officer and Managing Director</td>
<td>2011</td>
</tr>
<tr>
<td>Franco Bertone</td>
<td>58</td>
<td>Director General Ejecutivo (CEO) Telecom Argentina</td>
<td>2009</td>
</tr>
<tr>
<td>Franco Brescia</td>
<td>49</td>
<td>Head of Public and Regulatory Affairs</td>
<td>2011</td>
</tr>
<tr>
<td>Stefano Ciurli</td>
<td>49</td>
<td>Head of Supply Chain and Real Estate</td>
<td>2009</td>
</tr>
<tr>
<td>Antonino Cusimano</td>
<td>46</td>
<td>Head of Legal Affairs</td>
<td>2011</td>
</tr>
<tr>
<td>Luca Luciani</td>
<td>43</td>
<td>Director Chairman of Tim Brasil</td>
<td>2009</td>
</tr>
<tr>
<td>Andrea Mangoni</td>
<td>47</td>
<td>Head of Administration, Finance and Control &amp; International Development</td>
<td>2011</td>
</tr>
<tr>
<td>Antonio Migliardi</td>
<td>52</td>
<td>Head of Human Resources and Organisation</td>
<td>2011</td>
</tr>
<tr>
<td>Roberto Opilio</td>
<td>53</td>
<td>Head of Technology</td>
<td>2011</td>
</tr>
<tr>
<td>Luca Rossetto</td>
<td>49</td>
<td>Head of Consumer</td>
<td>2011</td>
</tr>
<tr>
<td>Alessandro Talotta</td>
<td>44</td>
<td>Head of National Wholesale Services</td>
<td>2011</td>
</tr>
</tbody>
</table>
The following table lists the members of the Telecom Italia Board of Statutory Auditors, including the Alternate Auditors, with their respective positions and years of appointment. The current Telecom Italia Board of Statutory Auditors was appointed in the shareholders’ meeting held on 8 April, 2009, and will remain in office until approval of the 2011 annual financial statements.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrico Maria Bignami</td>
<td>Chairman</td>
<td>2009</td>
</tr>
<tr>
<td>Gianluca Ponzellini</td>
<td>Acting Auditor</td>
<td>2009</td>
</tr>
<tr>
<td>Lorenzo Pozza (1)</td>
<td>Acting Auditor</td>
<td>2009</td>
</tr>
<tr>
<td>Salvatore Spiniello</td>
<td>Acting Auditor</td>
<td>2009</td>
</tr>
<tr>
<td>Ferdinando Superti Furga</td>
<td>Acting Auditor</td>
<td>2009</td>
</tr>
<tr>
<td>Silvano Corbella (1)</td>
<td>Alternate Auditor</td>
<td>2009</td>
</tr>
<tr>
<td>Maurizio Lauri (1)</td>
<td>Alternate Auditor</td>
<td>2009</td>
</tr>
<tr>
<td>Vittorio Giacomo Mariani</td>
<td>Alternate Auditor</td>
<td>2009</td>
</tr>
<tr>
<td>Ugo Rock</td>
<td>Alternate Auditor</td>
<td>2009</td>
</tr>
</tbody>
</table>

(1) Elected by minority shareholders.

The positions held by the members of the Board of Statutory Auditors in other listed companies are shown below:

Enrico Maria Bignami: Chairman of the Board of Auditors of Biancamano S.p.A.
Gianluca Ponzellini: Chairman of the Board of Auditors of Banca IMI S.p.A. and De Longhi S.p.A.; member of the Supervisory Board of Intesa Sanpaolo S.p.A.
Lorenzo Pozza: Chairman of the Board of Auditors of Gas Plus S.p.A.; member of the Board of Auditors of Terna S.p.A.
Salvatore Spiniello: Chairman of the Board of Auditors of Telecom Italia Media S.p.A.; Director of Fondiaria SAI S.p.A.
Ferdinando Superti Furga: Chairman of the Board of Auditors of Arnoldo Mondadori S.p.A. and Saras S.p.A.

According to Italian law, the Board of Statutory Auditors verifies compliance with the law and the Bylaws and verifies adherence to the best administration principles, the adequacy and reliability of corporate structures, internal audit procedures and accounting system, and the adequacy of instructions given by the Company to its subsidiaries. The Board of Statutory Auditors must receive timely disclosures, at least on a quarterly basis, from the Board of Directors about the company’s business and significant transactions performed by the company and its subsidiaries, including related parties transactions. The Board of Statutory Auditors must inform the CONSOB of any irregularity they detect in the course of their duties and are required to attend Shareholders’ Meetings, Board of Directors meetings and Executive Committee meetings.

In order to make available the broad range of information needed by the Board of Auditors to perform its control function effectively, the Company adopted the Procedure for Information to Directors and Auditors.

Legislative Decree no. 39/2010, implementing directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, introduced the obligation on listed Italian companies to establish Internal Control and Audit Committees. In companies such as Telecom Italia that adopt the Italian “traditional” administration and control system, this Committee is identified as the Board of Statutory Auditors. Pursuant to this law the Board of Statutory Auditors is charged with monitoring: (i) the financial reporting process; (ii) the effectiveness of the internal control, internal audit and risk management systems; (iii) the statutory audit
of the annual and consolidated accounts; and (iv) the independence of the statutory auditor or independent audit firm, particularly insofar as non-audit services are concerned.

In addition, according to Rule 10A-3 under the 1934 Act and NYSE listing standards, the Board of Statutory Auditors has been identified to act as Telecom Italia’s Audit Committee. The Board of Statutory Auditors meets the requirements of the general exemption contained in Rule 10A-3(c)(3):

(i) the Board of Statutory Auditors is established pursuant to applicable Italian law and Telecom Italia’s Bylaws;

(ii) under Italian legal requirements, the Board of Statutory Auditors is separate from the Board of Directors;

(iii) the Board of Statutory Auditors is not elected by the management of the Company and no executive officer is a member of the Board of Auditors;

(iv) all of the members of the Board of Statutory Auditors meet specific independence requirements from the Company and its Group, the management and the auditing firm, as set forth by Italian legal provisions;

(v) the Board of Statutory Auditors, in accordance with and to the extent permitted by Italian law, is responsible for the appointment, retention (via proposal to the shareholders’ meeting) and oversight of the work of the Company’s external auditors engaged for the purpose of issuing the audit report on the annual financial statements;

(vi) the Board of Statutory Auditors is authorised to engage independent counsel and other advisers, as it deems appropriate; and

(vii) the Board of Statutory Auditors has adopted a complaints procedure in accordance with Rule 10A-3 of the 1934 Act.

In view of its responsibilities under Italian Law and the obligations deriving from US law, the Board of Auditors adopted a complaint procedure for receiving, retaining and treating the “reports” it receives. Such reports can be of the following kinds:

(i) statements of violations submitted by shareholders concerning matters deemed to be improper;

(ii) complaints by any person, thus including non-shareholders, concerning alleged irregularities, improper facts or, more generally, any problem or issue deemed to merit investigation by the control body;

(iii) complaints specifically regarding accounting, internal accounting controls, or auditing matters; and

(iv) confidential, possibly anonymous submissions of “concerns” by employees of the Company or the Group regarding questionable accounting or auditing matters.

Potential Conflicts of Interest

The shareholder’s meeting held on 12 April, 2011, which appointed the Board of Directors, also authorised such directors to pursue the activities indicated in their respective curriculum vitae, and at all events be unfettered by the prohibition on competition, so far as is permitted by Article 2390 of the Civil Code.

Some of the Directors and Statutory Auditors of Telecom Italia, besides their roles in Telecom Italia, perform management and/or supervisory duties in other companies and/or institutions (see “Directors”, “Description of Directors’ Outside Interests” and “Board of Statutory Auditors”). Consequently, it cannot be
excluded that potential conflicts of interests may arise in the future, should said companies and/or institutions enter into commercial or other types of transactions with Telecom Italia which are not at arms’ length and within the ordinary course of business and/or are capable of significantly influencing the profits and losses, assets and liabilities and financial situation of Telecom Italia or the Telecom Italia Group.
DESCRIPTION OF TI FINANCE

The legal and commercial name of the company is Telecom Italia Finance.

TI Finance was incorporated on 2 June, 2000 for an unlimited duration in the Grand-Duchy of Luxembourg as a société anonyme, governed by the Luxembourg law of 10 August, 1915 on commercial companies, as amended, and is a 99.9999%-owned subsidiary of Telecom Italia. Olivetti Holding BV and Telecom Italia Finance Ireland Limited are 100%-owned by TI Finance and are the only subsidiaries of TI Finance. One of TI Finance’s principal purposes as a subsidiary of Telecom Italia is to raise funds for the Telecom Italia Group. TI Finance is registered with the Registre de Commerce et des Sociétés of Luxembourg under B-76.448. TI Finance’s Articles of Incorporation were published in the Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations n. 773 on 21 October, 2000. The Articles of Incorporation have been modified several times. The latest modifications to the Articles of Incorporation of TI Finance were made on 17 November, 2008 and were published in the Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations n. 2899 on 4 December, 2008.

TI Finance’s registered office and postal address is 12 rue Eugène Ruppert, L-2453 Luxembourg, and its telephone number is +352 45 60601.

Capitalisation

The subscribed share capital of TI Finance is €542,090,241, consisting of 55,428,450 ordinary shares, nominal value €9.78 per share; all of the shares have been issued and are fully paid-up.

Business

The corporate object of TI Finance, as set forth in Article 3 of its Articles of Incorporation, is to provide financial assistance to Telecom Italia, as well as to companies in which Telecom Italia has a direct or indirect interest. Such assistance includes the providing of loans and the granting of guarantees or securities of any kind or in any form. The object of TI Finance is further to provide domiciliation and administration services to companies forming part of the Telecom Italia Group and to exercise any activity in relation thereto as provided in the law of 31 May, 1999 on the domiciliation of companies, as amended. TI Finance may acquire and hold interests in Luxembourg and/or in foreign undertakings, as well as the administration, development and management of such holdings. TI Finance may also use its funds to invest in real estate and in intellectual property rights of any kind or in any form. TI Finance may participate in the creation and development of any other companies and entities and provide them with financial assistance of any kind or in any form. TI Finance may borrow of any kind or in any form and issue bonds or notes. TI Finance may carry out any commercial, industrial or financial operation which it may deem useful in the development and accomplishment of its purposes.

TI Finance’s activities are not dependent on patents, licences, commercial contracts or new manufacturing processes. TI Finance concludes financial contracts on its own behalf. No legal or arbitration proceedings have had a significant effect on TI Finance’s financial position in the recent past.

Board of Directors

The mandate of all Board members shall expire at the shareholders’ general meeting to be called to approve the TI Finance financial statements for the year ended 31 December, 2013. TI Finance complies with applicable Luxembourg corporate governance rules.
The following are the directors of TI Finance:

Mr. Andrea Balzarini, Chairman, resident in Milan, Italy – Manager

Mr. Adriano Trapletti, Managing Director, resident in Luxembourg – Manager

Mr. Jacques Loesch, Director, resident in Luxembourg – Lawyer

Ms. Francesca Petralia, Director, resident in Rome, Italy – Manager

Mr. Riccardo Taranto, Director, resident in Milan, Italy – Manager

Mr. Antonio Sica, Director, resident in Hesperange, Luxembourg. – Manager

The remuneration of the Directors is from time to time determined by the general meeting of shareholders of TI Finance. The Directors are not remunerated in their capacity as Directors. Apart from Mr. Trapletti, who owns one share, no Director has an interest in the share capital of TI Finance.

The business address of each of the Directors is c/o Telecom Italia Finance S.A., 12 rue Eugène Ruppert, L-2453, Luxembourg.

**Description of Directors’ Outside Interests**

Messrs Andrea Balzarini, Riccardo Taranto and Francesca Petralia are managers of Telecom Italia S.p.A. Moreover Messers. Adriano Trapletti and Antonio Sica are manager of TI Finance. Mr. Jacques Loesch is a lawyer at the law firm Linklaters LLP.

**Independent Auditor**

Telecom Italia Finance’s approved audit firm (“cabinet de révision agréé”) is PricewaterhouseCoopers S.à r.l.

**Potential Conflicts of Interest**

No potential conflicts of interests exist between (i) any duties to Telecom Italia Finance of the Telecom Italia Finance Directors and Independent Auditors and (ii) the private interests, and/or other duties, of such persons.

**Financial Year**

The financial year of TI Finance is the calendar year.

**Financial Information**

The first statutory financial statements of TI Finance to be externally audited were those for the year ended 31 December, 2000. TI Finance is required to prepare and publish 6 months interim financial statements under the Luxembourg law dated 11 January, 2008, implementing the Directive 2004/109/EC of the European Parliament and of the Council of 15 December, 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

Pursuant to Luxembourg law, TI Finance is currently exempt from preparing consolidated annual accounts under article 313 of the Law dated 10 August, 1915, as amended. TI Finance’s accounts are included in the consolidated annual accounts of the Telecom Italia Group, which are available at the registered office of Telecom Italia, located in Piazza degli Affari 2, 20123 Milan.
The financial statements are available at the offices of the Luxembourg Paying Agent (Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg).

Since the date of its incorporation, TI Finance has not paid any dividend nor made any distributions.

**Recent Developments**

From 1 January, 2011 to date, TI Finance has purchased in the market 187.45 million euros in nominal amount of its €1,000,000,000 7.25% Notes maturing in April 2012. The repurchased Notes have been cancelled on 16 June, 2011. Due to the cancellation, the principal amount of debt outstanding as of the date of this EMTN Programme Prospectus with regards to these notes is €812,545,000.

On 20 April, 2011 the €1,883,885,000 7.50% Notes matured and were repaid.

The preceding description describes all events material to an evaluation of TI Finance’s solvency.
### SELECTED FINANCIAL INFORMATION OF TI FINANCE FOR THE YEARS ENDED 31 DECEMBER, 2010(1) AND 2009

#### Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of 31 December, 2010 (euro)</th>
<th>As of 31 December, 2009 (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>43,255</td>
<td>41,603</td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Equity investments</td>
<td>1,395,041,524</td>
<td>44,510</td>
</tr>
<tr>
<td>— Receivables from parent company</td>
<td>1,735,934,688</td>
<td>3,246,990,832</td>
</tr>
<tr>
<td>— Securities with the parent company</td>
<td>3,900,000,000</td>
<td>5,546,526,000</td>
</tr>
<tr>
<td>— Other securities</td>
<td>151,785,641</td>
<td>156,861,180</td>
</tr>
<tr>
<td>— Other receivables</td>
<td>10,053,405</td>
<td>11,385,848</td>
</tr>
<tr>
<td><strong>Total A)</strong></td>
<td>7,192,858,513</td>
<td>8,961,849,973</td>
</tr>
<tr>
<td><strong>B) Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Receivables from affiliated companies</td>
<td>725,364,687</td>
<td>1,676,031,526</td>
</tr>
<tr>
<td>— Other receivables</td>
<td>675,373</td>
<td>324,075</td>
</tr>
<tr>
<td>Investments and other securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Investments in group companies</td>
<td>1,646,526,000</td>
<td>-</td>
</tr>
<tr>
<td>— Own securities</td>
<td>-</td>
<td>19,460,000</td>
</tr>
<tr>
<td>— Other securities</td>
<td>360,048,858</td>
<td>482,011,601</td>
</tr>
<tr>
<td>Cash and bank deposit</td>
<td>1,054,452,218</td>
<td>133,473,581</td>
</tr>
<tr>
<td><strong>Total B)</strong></td>
<td>3,787,067,136</td>
<td>2,311,300,783</td>
</tr>
<tr>
<td><strong>C) Accrued income and prepaid expenses</strong></td>
<td>307,480,342</td>
<td>324,398,183</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,287,405,991</td>
<td>11,597,548,939</td>
</tr>
</tbody>
</table>

(1) TI Finance’s selected financial data as of and for the year ended 31 December, 2010 have been extracted from Telecom Italia Finance’s audited financial statements for the year ended 31 December, 2010 prepared in accordance with Luxembourg GAAP, which have been approved by the shareholders of Telecom Italia Finance at its Annual Meeting of Shareholders held on 11 April, 2011.
<table>
<thead>
<tr>
<th>Shareholders’ Equity and Liabilities</th>
<th>As of 31 December, 2010</th>
<th>As of 31 December, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Shareholders’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscribed share capital</td>
<td>542,090,241</td>
<td>542,090,241</td>
</tr>
<tr>
<td>Reserves:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Legal reserve</td>
<td>4,812,716</td>
<td>1,584,401</td>
</tr>
<tr>
<td>— Other reserves</td>
<td>865,769,812</td>
<td>865,769,812</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>61,337,978</td>
<td>-</td>
</tr>
<tr>
<td>Net income (loss) for the year</td>
<td>127,013,636</td>
<td>64,566,292</td>
</tr>
<tr>
<td><strong>Total A)</strong></td>
<td>1,601,024,383</td>
<td>1,474,010,746</td>
</tr>
<tr>
<td><strong>B) Provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for taxation and tax risks</td>
<td>351,000</td>
<td>5,141,165</td>
</tr>
<tr>
<td>Other provisions</td>
<td>11,850,402</td>
<td>5,711,112</td>
</tr>
<tr>
<td><strong>Total B)</strong></td>
<td>12,201,402</td>
<td>10,852,277</td>
</tr>
<tr>
<td><strong>C) Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Long-term debt (&gt; 12 months)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>3,156,792,312</td>
<td>5,012,512,254</td>
</tr>
<tr>
<td>Due to affiliated companies</td>
<td>1,292,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Due to Third Parties</td>
<td>434,077,312</td>
<td>400,195,254</td>
</tr>
<tr>
<td>Other payables</td>
<td>4,559,173</td>
<td>5,122,768</td>
</tr>
<tr>
<td>— Short-term debt (&lt; 12 months)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>1,883,885,000</td>
<td>138,830,000</td>
</tr>
<tr>
<td>Due to affiliated companies</td>
<td>2,567,431,360</td>
<td>4,212,177,120</td>
</tr>
<tr>
<td>Due to Third Parties</td>
<td>172,053</td>
<td>188,050</td>
</tr>
<tr>
<td>Other payables</td>
<td>482,593</td>
<td>1,403,411</td>
</tr>
<tr>
<td><strong>Total C)</strong></td>
<td>9,339,399,803</td>
<td>9,770,428,857</td>
</tr>
<tr>
<td><strong>D) Accrued expenses and deferred income</strong></td>
<td>334,780,403</td>
<td>342,257,059</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,287,405,991</td>
<td>11,597,548,939</td>
</tr>
</tbody>
</table>
## Income Statements

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December, 2010</th>
<th>Year ended 31 December, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>6,227,219</td>
<td>6,243,560</td>
</tr>
<tr>
<td>Other Financial Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— from affiliated companies</td>
<td>396,187,500</td>
<td>396,170,566</td>
</tr>
<tr>
<td>— other</td>
<td>7,647,218</td>
<td>9,736,447</td>
</tr>
<tr>
<td><strong>Total Other Financial Income</strong></td>
<td>403,844,718</td>
<td>405,907,013</td>
</tr>
<tr>
<td>Other Interests and Financial Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— from affiliated companies</td>
<td>218,895,789</td>
<td>299,616,661</td>
</tr>
<tr>
<td>— other</td>
<td>110,349,031</td>
<td>86,542,957</td>
</tr>
<tr>
<td><strong>Total Other Interests and Financial Income</strong></td>
<td>329,244,820</td>
<td>386,159,618</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>77,873</td>
<td>564,270</td>
</tr>
<tr>
<td>Other Income</td>
<td>201,056</td>
<td>177,599</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>739,585,686</td>
<td>799,052,060</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December, 2010</th>
<th>Year ended 31 December, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Wages and salaries</td>
<td>674,444</td>
<td>767,214</td>
</tr>
<tr>
<td>b) Social security contributions</td>
<td>83,048</td>
<td>77,297</td>
</tr>
<tr>
<td><strong>Total Personnel expenses</strong></td>
<td>757,492</td>
<td>844,511</td>
</tr>
<tr>
<td>Amortisation of intangible and tangible assets</td>
<td>24,758</td>
<td>26,756</td>
</tr>
<tr>
<td>Other expenses</td>
<td>4,375,881</td>
<td>1,351,295</td>
</tr>
<tr>
<td><strong>Total Other expenses</strong></td>
<td>4,400,636</td>
<td>1,578,045</td>
</tr>
<tr>
<td>Write-Downs on non-current and current financial assets</td>
<td>14,027,613</td>
<td>85,202,726</td>
</tr>
<tr>
<td>Interests and other financial expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— on amount due to affiliated companies</td>
<td>82,965,698</td>
<td>122,023,567</td>
</tr>
<tr>
<td>— other financial expenses</td>
<td>496,358,478</td>
<td>514,819,963</td>
</tr>
<tr>
<td><strong>Total Interests and other financial expenses</strong></td>
<td>579,324,176</td>
<td>636,843,530</td>
</tr>
<tr>
<td>Extraordinary Expenses</td>
<td>7,734,294</td>
<td>4,742,905</td>
</tr>
<tr>
<td>Other taxes</td>
<td>6,327,836</td>
<td>5,474,045</td>
</tr>
<tr>
<td>Income for the year</td>
<td>127,013,636</td>
<td>64,566,292</td>
</tr>
</tbody>
</table>
TAXATION

The following summary contains a description of certain Italian, EU and Luxembourg tax consequences in respect of the purchase, ownership and disposal of the Notes. This summary is based on the laws in force in Italy, the EU and Luxembourg as of the date of this EMTN Programme Prospectus (as they are currently applied by the relevant tax authorities) and is subject to any changes in such laws occurring after such date, which changes could be made on a retroactive basis.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

In the near future, the Italian Government may introduce tax provisions amending certain aspects of the current tax treatment of the Notes, as summarised below.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Italian taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Italy, though it is not intended to be, nor should it be constructed to be, legal or tax advice. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes, including the application to their particular situation of the tax considerations discussed below.

In the near future, it may not be excluded that the tax treatment of financial income will be further modified, which may impact upon the tax regime of the Notes.

Tax treatment of Notes issued by Telecom Italia

Legislative Decree No. 239 of 1 April, 1996 (Decree No. 239), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (obbligazioni) or debentures similar to bonds (titoli similari alle obbligazioni) issued, inter alia, by Italian listed companies provided that the notes are issued for an original maturity of not less than 18 months.

Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the “risparmio gestito” regime – see under “Capital gains tax” below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a tax withheld at source, referred to as imposta sostitutiva, levied at the rate of 12.5%. If the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, imposta sostitutiva applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to
"imposta sostitutiva" but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the status of Noteholder, also to regional tax).

Under the current regime provided by Law Decree No. 351 of 25 September, 2001 (Decree No. 351) converted into law with amendments by Law No. 410 of 23 November, 2001, as clarified by the Italian Revenue Agency through Circular No. 47/E of 8 August, 2003, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 25 January, 1994 are subject neither to substitute tax nor to any other income tax at the level of the real estate investment fund, but a withholding or substitute tax of 20% will apply, in certain circumstances, to income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares (the Real Estate Investment Fund Tax).

Under the new regime, applicable with respect to income realised on or after 1 July, 2011, where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (a Fund) or a SICAV and the Notes are deposited with an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to "imposta sostitutiva", but must be included in the management results of the Fund or the SICAV. The Fund or SICAV will not be subject to taxation on such result, but a withholding or substitute tax of 12.5% will apply, in certain circumstances, to income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares (the Collective Investment Fund Tax).

Where an Italian resident Noteholder is a pension fund and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to "imposta sostitutiva", but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11% substitute tax.

Pursuant to Decree No. 239, "imposta sostitutiva" is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an Intermediary).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of "imposta sostitutiva", a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, "imposta sostitutiva" is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, an exemption from "imposta sostitutiva" applies provided that the non-Italian resident beneficial owner is either: (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated in a country which allows for a satisfactory exchange of information with the Republic of Italy, even if it does not possess the status of a taxpayer in its own country of residence.

"Imposta sostitutiva" will be applicable at the rate of 12.5% (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders which do not fall in any of the above mentioned categories.
Please note that, according to the Law No. 244 of 24 December, 2007 (Budget Law 2008), a Decree still to be issued will introduce a new ‘white list’ replacing the current ‘white list’ contained in Ministerial Decree 4 September, 1996.

In order to ensure gross payment, non-Italian resident Noteholders must (i) be the beneficial owners of the payments of interest, premium or other income, (ii) deposit the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (iii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from the imposta sostitutiva. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree of 12 December, 2001, as subsequently amended.

Early redemption

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 (eighteen) months are redeemed, in full or in part, prior to 18 (eighteen) months from their Issue Date or, at certain conditions, if repurchased by the Issuer (as specified by the Italian Revenue Agency (Agenzia delle Entrate) with Resolution No. 11 of 31 January 2011), the Issuer will be required to pay a tax equal to 20% of the interest and other amounts accrued up to the date of early redemption. Such payment will be made by the Issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the Notes.

Notes with an original maturity of less than 18 months

Interest payments relating to Notes issued with an original maturity of less than 18 months are subject to a withholding tax levied at the rate of 27% (or at the reduced rate provided for by the applicable double tax treaty, if any).

Where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are connected, (iv) an Italian commercial partnership, or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including where the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax.

Tax treatment of Notes issued by TI Finance

Decree No. 239 also provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (obbligazioni) or debentures similar to bonds (titoli similari alle obbligazioni) issued, inter alia, by non-Italian resident issuers.

Italian resident Noteholders

Pursuant to Decree No. 239, an imposta sostitutiva equal to (a) 12.5% in relation to Notes issued with an original maturity of not less than 18 months and (b) 27% in relation to Notes issued with an original maturity of less than 18 months, is applied on any payment of interest, premium and other income accrued during the relevant holding period in respect of the Notes issued by TI Finance if payments are made to (i) an Italian individual, (ii) an Italian non-commercial partnership, (iii) an Italian non-commercial private or public institution, or (iv) an Italian investor exempt from Italian corporate income taxation. If the Noteholders
described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva* but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the status of Noteholder, also to regional tax).

Where an Italian resident Noteholder is an Italian real estate investment fund to which the provisions of Law Decree No. 351, as subsequently amended, apply, a Fund, a SICAV or a pension fund and the Notes are issued for an original maturity of not less than 18 months, the applicable tax treatment is the one described above, under paragraph “Tax treatment of the Notes issued by Telecom Italia — Italian resident Noteholders” with regard to the same categories of Noteholders.

If the Notes are issued for an original maturity of less than 18 months, the 27% *imposta sostitutiva* is also applied to any payment of interest or premium relating to the Notes made to (i) Italian pension funds, (ii) Funds and (iii) SICAVs.

Without prejudice to the above provisions, in the event that Notes issued by TI Finance are redeemed prior to 18 months from their issue date, the Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20% of the interest and other amounts accrued up to the time of the early redemption.

**Non-Italian resident Noteholders**

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest, premium and other income relating to the Notes issued by TI Finance provided that, if such Notes are held in Italy, the non-Italian resident Noteholder declares itself to be non-Italian resident according to Italian tax regulations.

**Payments made by an Italian resident guarantor**

With respect to payments on the Notes made to certain Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to an advance withholding tax at a rate of 12.5% pursuant to Presidential Decree No. 600 of 29 September, 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, a final withholding tax may be applied at (i) 12.5% if the payment is made to non-Italian resident Noteholders other than those mentioned under (ii) or (ii) 27% if the payment is made to non-Italian resident Noteholders which are resident in States or territories having a preferential tax regime pursuant to Italian tax law. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

**Atypical securities**

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27%.

In the case of Notes issued by Telecom Italia, where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian
commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are connected, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, the withholding tax is a final withholding tax. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

If the Notes are issued by a non-Italian resident Issuer, the 27% withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership or (iii) a commercial private or public institution.

**Capital gains tax**

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income if realised by an Italian company or a similar commercial entity including the permanent establishment in Italy of foreign entities to which the Notes are connected or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to *imposta sostitutiva*, levied at the current rate of 12.5%. Noteholders may set off losses with gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.
Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called risparmio gestito regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5% substitute tax, to be paid by the managing authorised intermediary. Under the risparmio gestito regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the risparmio gestito regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Law Decree No. 351 as subsequently amended, apply will be subject neither to imposta sostitutiva nor to any other income tax at the level of the real estate investment fund, but the Real Estate Investment Fund Tax will apply, in certain circumstances, to income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares.

Any capital gains realised by an Italian Noteholder who is a Fund or a SICAV will not be subject to imposta sostitutiva, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund or SICAV, but income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares, may be subject to the Collective Investment Fund Tax.

Any capital gains realised by an Italian pension fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11% substitute tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Note is connected, from the sale or redemption of Notes traded on regulated markets are not subject to imposta sostitutiva.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Note is connected, from the sale or redemption of Notes not traded on regulated markets are not subject to imposta sostitutiva provided that the effective beneficiary: (i) is resident for income tax purposes in a country which allows for a satisfactory exchange of information with Italy; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence. Please note that, according to the Budget Law 2008, a Decree still to be issued will introduce a new ‘white list’ replacing the current ‘white list’ contained in Ministerial Decree 4 September, 1996.

If none of the conditions described above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets are subject to imposta sostitutiva at the current rate of 12.5%.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to imposta sostitutiva in Italy on any capital gains realised upon the sale or redemption of the Notes.

Gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by TI Finance (whether or not traded on regulated markets) are not subject to Italian taxation, provided that the Notes are held outside Italy.
**Possible future direct tax developments**

It should be noted that, for some of the above mentioned items of income, a unification of the currently applicable 27% and 12.5% withholding tax rates to a single rate up to 20% is envisaged by a bill of delegation law in process of being submitted to the Italian Parliament for approval in the near future.

**Inheritance and gift taxes**

The transfers of any valuable asset (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(i) transfers in favour of the spouse and of direct descendants or ascendants are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding €1,000,000 (per beneficiary);

(ii) transfers in favour of the brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6% on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(iii) transfers in favour of all other relatives up to the fourth degree or relatives-in-law up to the third degree, are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift; and

(iv) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

With respect to listed Notes, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (increased by the interest accrued meanwhile). With respect to unlisted Notes, the value for inheritance and gift tax purposes is determined by reference to the value of listed debt securities having similar features or based on other certain elements.

**Transfer tax**


Following the repeal of the Italian transfer tax, as from 31 December, 2007, contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of €168; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

**Tax monitoring**

Pursuant to Law Decree No. 167 of 28 June, 1990, ratified and converted by Law No. 227 of 4 August, 1990, as amended, individuals, non-commercial partnerships and non-commercial entities which are resident in Italy for tax purposes and, at the end of the year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the tax authorities. This obligation does not exist in cases where the overall value of the foreign investments or financial activities at the end of the year, and the overall value of the transactions carried out during the relevant year, does not exceed €10,000.
EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, subject to a procedure whereby on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April, 2005 (Decree No. 84). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State or in a dependent or associated territory under the relevant international agreements, Italian qualified paying agents (i.e. banks, SIMs, fiduciary companies, SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report details of the relevant payments and personal information on the individual beneficial owner to the Italian Tax Authorities. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, UCITS recognised in accordance with Directive 85/611/EEC.

Either payments of interest on the Notes or the realisation of the accrued interest through the sale of the Notes would generally constitute “payments of interest” under Article 6 of the Directive and, as far as Italy is concerned, Article 2 of Decree 84/2005. Accordingly, such payment of interest arising out of the debt securities would fall within the scope of the EU Savings Directive being the Notes issued after 1st March, 2001.

Luxembourg taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be constructed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisors as to the effect of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Tax Residency

A Noteholder will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.
Withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to individual Noteholders and to certain residual entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual Noteholders and to certain residual entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Luxembourg non-resident Noteholders

Under the Luxembourg laws dated 21 June, 2005 implementing the Council Directive 2003/48/EC of 3 June, 2003 on taxation of savings income (EU Savings Directive) and several agreements concluded between Luxembourg and certain dependent and associated territories of the European Union (EU), a Luxembourg based paying agent (within the meaning of the EU Savings Directive) is required since 1 July, 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity within the meaning of article 4.2 of the EU Savings Directive resident or established in another Member State (i.e., entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the EU Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, that are not UCITS recognised in accordance with the Council Directive 85/611/EEC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands and have not opted to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC), unless the beneficiary of the interest payments elects for the exchange of information procedure or for the tax certificate procedure. The same regime applies to payments to individuals or residual entities resident in certain EU dependent and associated territories.

Where withholding tax is applied, it is currently levied at a rate of 35%. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Luxembourg laws dated 21 June, 2005 would be subject to withholding tax of 35%. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Luxembourg resident Noteholders

A 10% withholding tax is levied on interest payments made by Luxembourg paying agents (defined in the same way as in the EU Savings Directive) to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with the Council Directive 85/611/EC or for the exchange of information regime) (the 10% Luxembourg Withholding Tax). Responsibility for the withholding of the 10% Luxembourg Withholding Tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Luxembourg law of 23 December, 2005, as amended, would at present be subject to 10% Luxembourg Withholding Tax.

Taxation of the Noteholders

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment, nor a permanent representative nor a fixed base of business in Luxembourg with which the holding of the Notes is connected are not liable to pay any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon the redemption, repurchase or exchange of the Notes, or realise capital gains on the sale of any Notes.
Taxation of Luxembourg residents

General

Luxembourg resident Noteholders, or non-resident Noteholders who have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, will not be liable to any Luxembourg income tax on repayment of principal.

Luxembourg resident individuals

Pursuant to the Luxembourg law of 23 December, 2005 as amended by the law of 17 July, 2008, Luxembourg resident individuals, acting in the course of the management of their private wealth, can opt to self-declare and pay a 10% tax (the 10% Tax) on interest payments made after 31 December, 2007 by paying agents (defined in the same way as in the EU Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area (other than an EU Member State) or in a state or territory which has concluded an international agreement directly related to the EU Savings Directive. The 10% Luxembourg Withholding Tax or the 10% Tax represents the final tax liability on interest received for Luxembourg resident individual Noteholders receiving the payment in the course of the management of his/her private wealth and can be reduced in consideration of foreign withholding tax, based on double tax treaties concluded by Luxembourg.

Luxembourg resident individual Noteholders receiving interest as business income must include interest income in their taxable basis. If applicable, the 10% Luxembourg Withholding Tax levied will be credited against their final income tax liability.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes owned in the framework of the management of their private wealth, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon redemption/sale of the Notes, the portion of the redemption/sales price corresponding to accrued but unpaid interest will be subject to the 10% Luxembourg Withholding Tax or to the 10% Tax if the Luxembourg resident individuals opt for the 10% Tax. The 10% Luxembourg Withholding Tax or the 10% Tax represents the final tax liability for Luxembourg resident individual Noteholders receiving the payment in the course of the management of their private wealth. Luxembourg resident individual Noteholders receiving the interest as business income must include the portion of the redemption/sales price corresponding to this interest in their taxable income. The 10% Luxembourg Withholding Tax levied will be credited against their final income tax liability.

Luxembourg resident companies

Luxembourg resident company (sociétés de capitaux) Noteholders or foreign entities of the same type which have a permanent establishment or a permanent representative in Luxembourg with which the holding of the Notes is connected, must include in their taxable income any interest income (including accrued but unpaid interest) and the difference between the sales price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or converted.

Luxembourg resident companies benefiting from a special tax regime

Luxembourg resident company Noteholders which are companies benefiting from a special tax regime (such as holding companies subject to the law of 11 May, 2007 on family estate management companies and undertakings for collective investment subject to the law of 17 December, 2010 (amending the law of 20 December, 2002) or specialised investment funds subject to the law of 13 February, 2007) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the subscription tax calculated on their share capital or net asset value.
Net wealth tax

Luxembourg net wealth tax will not be levied on a Noteholder, unless (i) such Noteholder is a fully taxable Luxembourg resident company or (ii) the Notes are attributable to an enterprise or part thereof which is carried on by a non-resident company in Luxembourg through a permanent establishment.

Other taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Notes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

No gift, estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes, or in the case of a gift, the gift is neither recorded in a Luxembourg notarial deed nor registered in Luxembourg.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate of inheritance for tax assessment purposes.
SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the Programme Agreement) dated 22 July, 2011, agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes”. In the Programme Agreement, the Issuers have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this EMTN Programme Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a Non-exempt
Offer), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the issuer has consented in writing to its use for the purpose of that Non-exempt offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.
Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each of the Dealers has represented and agreed and each further Dealer will be required to represent and agree, that it will not offer, sell, promote, advertise or deliver any Notes or distribute copies of this EMTN Programme Prospectus or of any other document relating to the Notes in Italy, except:

(i) to qualified investors (investitori qualificati), as referred to in Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the Financial Services Act), and defined in Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (Regulation No. 11971); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Moreover, each of the Dealers has represented and agreed and each further Dealer will be required to represent and agree, that any offer, sale, promotion, advertising or delivery of the Notes or distribution of copies of this EMTN Programme Prospectus or any other document relating to the Notes in Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September, 1993, as amended (the Banking Act);

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and

(c) in each case in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the FIEA) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations
in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this EMTN Programme Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor (in the case of Notes issued by TI Finance), the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor (in the case of Notes issued by TI Finance), the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

**Certain Dealers and/or their affiliates (including parent companies) may have engaged in various general financing and banking transactions with, and provided financial advisory services to, the Telecom Italia Group and/or its affiliates in the past and may do so again in the future.**
GENERAL INFORMATION

Authorisation

The establishment and update of the Programme and the giving of the Guarantee in respect of the Notes issued by TI Finance have been duly authorised by a resolution of the Board of Directors of Telecom Italia dated 10 October, 2003, 21 December, 2005 and 25 February, 2010.

The issue of each Tranche of Notes by Telecom Italia under the Programme will be required to be authorised by a resolution of the Board of Directors of Telecom Italia.

The establishment and update of the Programme and the issue of Notes under the Programme by TI Finance have been duly authorised by a resolution of the Board of Directors of TI Finance dated 16 December, 2003, 24 January, 2006 and 4 May, 2010.

Manager responsible for financial reporting

The manager responsible for preparing the corporate financial reports of Telecom Italia (Andrea Mangoni – Head of the Group Administration, Finance and Control & International Development Functions) declares, pursuant to paragraph 2 of art. 154-bis of the Consolidated Law on Financial Intermediation (Legislative Decree No. 58 of 24 February, 1998), that the accounting information contained in this EMTN Programme Prospectus corresponds to the documents results, book and accounting records.

Listing, admission to trading and approval

Application has been made to the CSSF in its capacity as competent authority under the Luxembourg Act dated 10 July, 2005 on prospectuses for securities to approve this document as two base prospectuses, the base prospectus of Telecom Italia and the base prospectus of TI Finance. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this EMTN Programme Prospectus to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg’s Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

For the period of 12 months following the date of this EMTN Programme Prospectus, copies of the following documents will be available from the registered office of each Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

(a) the constitutional documents (with an English translation thereof) of each of Telecom Italia and TI Finance;

(b) the 2010 Telecom Italia Annual Report and the 2009 Telecom Italia Annual Report;

(c) the audited unconsolidated financial statements of TI Finance in respect of the financial years ended 31 December, 2009 and 31 December, 2010;

(d) the Telecom Italia Group’s Quarterly Report at 31 March, 2011;

(e) the Programme Agreement, the Trust Deed, the Agency Agreement, the Guarantee and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(f) a copy of this EMTN Programme Prospectus, free of charge;
(g) in the case of each issue of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document) and the Final Terms relating to such Notes, which shall be available free of charge; and

(h) in the case of each issue of Notes which is neither admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, the Final Terms, which shall be available free of charge but only to a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer or the Paying Agent, as the case may be, as to its holding of Notes and identity.

In addition, copies of this EMTN Programme Prospectus, each of the Final Terms relating to Notes which are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange and each document incorporated by reference are available on the Luxembourg Stock Exchange’s website www.bourse.lu.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

Save as disclosed in the section “Description of Telecom Italia – Recent developments”, there has been no significant change in the financial or trading position of Telecom Italia since 31 March, 2011 and save as disclosed in the section “Description of TI Finance – Recent developments” there has been no significant change in the financial or trading position of TI Finance since 31 December, 2010. There has been no material adverse change in the financial position or prospects of each of the Issuers since 31 December, 2010.

Legal and Arbitration Proceedings

Save as disclosed in the section “Description of Telecom Italia — Litigation” on pages 141 to 150, neither Telecom Italia nor any of its subsidiaries (including TI Finance) is or has been involved in any governmental, legal or arbitration proceedings during the 12 months preceding the date of this EMTN Programme Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of Telecom Italia, TI Finance or the Telecom Italia Group.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Auditors

The consolidated financial statements of Telecom Italia for the financial year ended 31 December, 2009, prepared under IFRS, were audited, without qualification and in accordance with generally accepted auditing standards in Italy, by Reconta Ernst & Young S.p.A. at Via Po 32, 00198, Rome, Italy independent...
registered public accounting firm, as set forth in their reports thereon and included therein, and incorporated by reference elsewhere herein.

In accordance with Italian law and regulations, the three-year period 2007-2009 (after a first appointment for the years 2001, 2002 and 2003 and a second appointment for the years 2004, 2005 and 2006) audit engagement conferred to Reconta Ernst & Young S.p.A. by the Telecom Italia shareholders’ meeting on 16 April, 2007 came to an end with the issuance by Reconta Ernst & Young S.p.A. of its audit report on the financial statements of Telecom Italia for the year ended 31 December, 2009. Furthermore, such engagement was no longer renewable to Reconta Ernst & Young S.p.A. and as a result of this, the shareholders’ meeting held on 29 April, 2010, resolved to appoint PricewaterhouseCoopers S.p.A. as Telecom Italia’s primary independent auditors for the nine-year period 2010-2018. For US purposes the audit engagement conferred to Reconta Ernst & Young came to an end on 20 May, 2010 concurrently with the filing with the SEC of Telecom Italia’s Annual Report.

The consolidated financial statements of Telecom Italia for the financial year ended 31 December, 2010, prepared under IFRS, were audited, without qualification and in accordance with generally accepted auditing standards in Italy, by PricewaterhouseCoopers S.p.A. at Via Monte Rosa 91, 20149 Milan, Italy, independent registered public accounting firm, as set forth in their reports thereon and included therein, and incorporated by reference elsewhere herein.

PricewaterhouseCoopers S.p.A. is registered under No. 43 in the Special Register (Albo Speciale) maintained by CONSOB and set out at Article 161 of the Unified Text of the Rules for the Capital Markets (Testo Unico delle Disposizioni in materia di mercati finanziari) and under No. 119644 in the Register of Accountancy Auditors (Registro dei Revisori Contabili), in compliance with the provisions of the Legislative Decree of 27 January, 1992, No. 88. PricewaterhouseCoopers S.p.A. is also a member of ASSIREVI, the Italian association of auditing firms and it is registered at the Public Company Accounting Oversight Board (PCAOB) in the United States.

The TI Finance unconsolidated financial statements at 31 December, 2009 were audited, without qualification and in accordance with generally accepted auditing standards in Luxembourg by Ernst & Young S.A. (Luxembourg) at 7 Rue Gabriel Lippman Parc d'Activité Syrdall 2, L-5365 Munsbach, B.P.780, L-2017 Luxembourg, independent registered public accounting firm, as set forth in their reports thereon and included therein, and incorporated by reference elsewhere herein. For the avoidance of doubt, the cash flow statements for the twelve months ended 31 December, 2009 were audited by Ernst & Young S.A. (Luxembourg).

The Shareholders’ Meeting of TI Finance held on 28 April, 2010 resolved to appoint PricewaterhouseCoopers S.à r.l. (Luxembourg) as independent auditors ("réviseur d'entreprises agréé") for the nine year period 2010-2018. PricewaterhouseCoopers S.à r.l. (Luxembourg) is a member of the Institut des Réviseurs d'Entreprises and is on the public register kept by the Commission de Surveillance du Secteur Financier.

The TI Finance unconsolidated financial statements at 31 December, 2010 were audited, without qualification and in accordance with generally accepted auditing standards in Luxembourg by PricewaterhouseCoopers S.à r.l. (Luxembourg) at 400 route d’Esch, L-1471 Luxembourg, Luxembourg, independent auditors, as set forth in their reports thereon and included therein, and incorporated by reference elsewhere herein. For the avoidance of doubt, the cash flow statements for the 12 months ended 31 December, 2010 were audited by PricewaterhouseCoopers S.à r.l. (Luxembourg).

**Trustee’s Reliance on Certificates and Reports**

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors of either Issuer or, as the case may be, the Guarantor, or any other expert provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated
therein notwithstanding that any such certificate or report or any engagement letter or other document entered into by the Trustee and such auditors or such other expert in connection therewith contains any limit on the liability of such auditors or such other expert.

**Post-issuance Information**

The Issuers do not intend to provide any post-issuance information, except as may be required by applicable laws and regulations.
REGISTERED AND HEAD OFFICE OF TELECOM ITALIA S.p.A.
Piazza degli Affari, 2
20123 Milan
Italy

REGISTERED AND HEAD OFFICE OF TELECOM ITALIA FINANCE S.A.
12 rue Eugène Ruppert
L-2453 Luxembourg

TRUSTEE
Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

ISSUING AND PRINCIPAL PAYING AGENT
Deutsche Bank AG, London Branch
Winchester House,
1 Great Winchester Street,
London EC2N 2DB
England

LUXEMBOURG PAYING AGENT
Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer,
L-1115 Luxembourg

LEGAL ADVISERS
To the Issuers as to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
England

To the Issuers as to Luxembourg law

Linklaters LLP
35 avenue John F. Kennedy
B.P. 1107
L-1855 Luxembourg

To the Issuers as to Italian law

Labruna Mazziotti Segni
Piazza del Gesù, 46
00186 Rome
Italy

To the Issuers as to Italian tax law

Maisto e Associati
Piazza Filippo Meda, 5
20121 Milan
Italy

To the Dealers as to English and Italian law

Allen & Overy
Via Manzoni, 41
20121 Milan
Italy

Allen & Overy
Corso Vittorio Emanuele II, 284
00186 Rome
Italy
To the Trustee as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD
England

DEALERS

Banca IMI S.p.A.
Largo Mattioli 3
20121 Milan
Italy

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
England

BNP PARIBAS
10 Harewood Avenue
London NW1 6AA
England

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
London E14 5LB
England

Crédit Agricole Corporate & Investment Bank
9 quai du Président Paul Doumer
92920 Paris La Défense Cédex
France

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
England

Mediobanca - Banca di Credito Finanziario S.p.A.
Piazzetta Enrico Cuccia, 1
20121 Milan
Italy

Société Générale
29, boulevard Haussmann
75009 Paris
France

UniCredit Bank AG
Arabellastrasse 12
81925 Munich
Germany

LUXEMBOURG LISTING AGENT

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer,
L-1115 Luxembourg

AUDITORS

To Telecom Italia S.p.A.
PricewaterhouseCoopers S.p.A.
Via Monte Rosa
91 - 20149 Milan
Italy

To Telecom Italia Finance S.A.
PricewaterhouseCoopers S.à r.l.
400 route d'Esch
L-1471 Luxembourg
Luxembourg