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 Italy Finance S.A. (TI Finance and, together with Telecom Italia in its capacity as an issuer, the Issuers and each an Issuer) 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. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this EMTN Programme Prospectus or the quality or solvency of either Issuer in accordance with Article 7(7) of the Prospectus Act 2005. 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 including for the avoidance of doubt as amended by Decree Law No. 138 dated 13 August, 2011 converted with modifications into Law No. 148 dated 14 September, 2011 and by the relating implementing decrees) 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”.

TI 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, Receivers 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, Receiver and Couponholder against (A) any tax, assessment or governmental charge which is imposed on such Noteholder, Receiver 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 (the EU) and registered under Regulation (EC) No 1060/2009 on credit rating agencies (as amended) (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. Please also refer to “Credit ratings may not reflect all risks” in the “Risk Factors” section of this EMTN Programme Prospectus.

Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this EMTN Programme Prospectus.
The date of this EMTN Programme Prospectus is 26 June, 2012.
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 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 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 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.
- Telecom Italia’s leverage is such that any deterioration in cash flow can change the expectations of Telecom Italia 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.

Risks related to the telecommunications industry and financial markets

- Because Telecom Italia operates in a heavily regulated industry, regulatory decisions and changes in the regulatory environment could materially adversely affect its business.
- Strong competition in Italy may reduce Telecom Italia’s core market share for telecommunications services and may cause reductions in prices and margins thereby having a material adverse effect on its results of operations and financial condition.

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 and 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 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.

**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 24 February, 2012, Telecom Italia presented its updated 2012–2014 Plan, which confirms the following strategic priorities and objectives for the Telecom Italia Group over the next three years:

- reinforcement of cash flow generation via repositioning in markets with the best growth prospects, setting Telecom Italia back on a path to growth, continued improvement in operational efficiency, especially in its Italian domestic market, and a demand-driven approach to investments;
- steady and persistent deleveraging to reduce the Telecom Italia Group’s net financial debt, coupled with sustainable shareholder remuneration.

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:

- regulatory decisions and changes in the regulatory environment in Italy or in the other countries in which it operates;
- increasing number of competitors in its principal markets which could cause Telecom Italia to lose further market share;
- increasing and stronger market competition in its principal markets with a consequent decline in the prices of services;
- increasing competition from global and local OTT (Over The Top) players (operators offering content and services on the internet without owning a proprietary TLC network infrastructure);
Telecom Italia’s ability to strengthen its competitive position in Italy and in international markets, particularly in Brazil and Argentina;

Telecom Italia’s ability to develop and introduce new technologies which are attractive 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 economic crisis in the principal markets in which Telecom Italia operates;

Telecom Italia’s ability to refinance existing indebtedness when due in the capital and bank markets which remain volatile and subject to disruption;

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 recent years and continuing global economic weakness, associated with the Eurozone sovereign debt crisis, could further adversely affect Telecom Italia’s business and therefore have a negative impact on its operating results and financial condition.

The financial contagion which spread to Italy from the Eurozone debt crisis is leading to a new downturn in the Italian economy, after the slight recovery in 2010 and 2011 that followed the strong GDP decrease associated with the global economic crisis which began in late 2008. The Italian economy faces fiscal tightening (mix of spending cuts and tax increases), aimed at reinforcing the multi-year budget deficit reduction plan which is aimed at balancing the public sector finances by 2013. This fiscal policy should guarantee structural adjustments and sustainability in the long term, but is expected to impede growth in the near term. Moreover, tighter domestic credit conditions, deriving from the mounting Eurozone banking sector problems, are creating a difficult investment climate and adversely affecting consumer confidence, adding further reasons for lower economic growth estimates for the coming years.

The telecommunications industry is believed to be less affected by negative economic trends than other industries, since telecommunications services are seen as high productivity tools in the business segment, and they are also becoming an increasingly important element in household expenditure patterns. However, recessionary conditions have weighed, and may continue to weigh, heavily on the development prospects of Telecom Italia’s domestic market. In particular, the economic weakness may cause more cautious telecommunications spending in the business segment, following on from the overall contraction in expenditure (capital expenditures and operating costs) in industry sectors, while, on the consumer side, a drop of consumer spending might entail a further sharpening of the downward pressure on telecommunications services’ prices and a reduction in the demand for Telecom Italia’s products and services.
Outside of Italy and Europe, it is expected that the Argentine economy will continue growing in 2012, although at a slower pace than in prior years, when strong economic expansion was experienced. Private consumption is expected to remain the main driver of the economy; however the effects of reduced agricultural output, increasing external restraints and a more conservative fiscal approach could lead the economy to a somewhat lower but more balanced growth. Under these circumstances, inflation will continue to be a challenge. Finally, developments in the global economy will be a key factor to the economic performance, where commodities prices and the development of global financial markets are the main concerns. Brazil is characterised by expected stable growth, supported by high investment levels (foreign and domestic), increased consumer spending, decreasing inflation and a stable exchange rate. The overall economic equilibrium allows the Brazilian Central Bank to cut rates as a precautionary measure against contagion from the possible global recession. At the moment, although less buoyant than in the past, the macroeconomic condition appears sufficiently stable.

The continuing global economic weakness could further adversely affect Telecom Italia’s businesses in its principal markets (Italy, Brazil and Argentina) and therefore may have a negative impact on its operating results and financial condition.

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

Telecom Italia’s leverage is such that any deterioration in cash flow can change the expectations of the Telecom Italia 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 41,951 million euros at 31 December, 2011 compared with 41,230 million euros at 31 December, 2010 and its net financial debt was 30,819 million euros at 31 December, 2011 compared with 32,087 million euros as of 31 December, 2010.

Due to the competitive environment and 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 its credit quality. Ratios derived from these same separate income statement and statement of financial position measures are used by the rating agencies, such as Moody’s and Standard & Poor’s, which base their ratings on 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 expense, 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 also 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 Telecom Italia 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 Telecom Italia’s results of operations and financial condition.**

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 condition. Furthermore, Telecom Italia’s involvement in such proceedings and investigations may adversely affect its reputation.

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 its 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.

Telecom Italia has risk management practices 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 (Generali) (30.58%), Intesa Sanpaolo S.p.A. (Intesa Sanpaolo) (11.62%), Mediobanca S.p.A. (Mediobanca) (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.

On 29 February, 2012, Telefónica, Intesa Sanpaolo, Mediobanca, and Generali entered into a renewal agreement (the 2012 Shareholders Agreement) in which they agreed to enter into a new shareholders agreement for a period of three years on the same terms and conditions set out in the original Shareholders’ Agreement dated as of 28 April, 2007, as subsequently amended and supplemented.
The 2012 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:

- Telefónica, insofar as it holds at least 30% of Telco’s share capital, will be entitled to designate two candidates; and
- 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 2012 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 as a matter of fact 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 the Telecom Italia Group are direct competitors in certain countries outside of their respective domestic markets; nevertheless, the 2012 Shareholders’ Agreement provides that the Telecom Italia and Telefónica groups will be managed autonomously and independently. The 2012 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 companies of the Telecom Italia 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.

On 26 March, 2009, the European Court of Justice (the **ECJ**) declared that Italy, through the special powers, failed to comply with its obligations under the EC Treaty. According to the ECJ’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 in what situations 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 ECJ does not have any immediate or direct impact on Telecom Italia’s bylaws.
On 14 May, 2012 Law no. 56/2012 (which converted into Law the 15 March 2012 Legislative Decree No. 21 on the same subject) was published, containing “Regulations relating to the special powers on share ownership in the sectors of defence and national security, and regarding activities of strategic importance in the energy, transport and communication sectors”. The regulations provide that, at the moment the implementing decrees come into force identifying “the networks and systems, goods and relationships of strategic importance for the communications […] sector”, the statutory clauses on special powers will cease to have effect to be replaced by these regulations. In brief, the new regulations will provide:

- a power granted to the Italian Government to impose conditions and possibly to oppose the purchase, for any reason whatever, by non-EU citizens, of controlling shareholdings in companies which hold strategic assets identified as above in the Prime Ministerial decree referred to above. The right to purchase will in any case be permitted solely on condition of reciprocity in the purchaser’s home jurisdiction;

- a power of veto granted to the Italian Government (including through prescriptions or conditions) on any resolution, act or transaction which has the effect of modifying the ownership, control or availability of said strategic assets or changing their use, including resolutions of merger, demerger, transfer of registered office abroad, transfer of the company or business units which contain the strategic assets or their assignment by way of guarantee, amendment to company’s bylaws purpose, company dissolution or amendment in bylaws provisions relating limitations on voting rights.

The exercise of such powers, or the right or ability to exercise such powers, could make a change of control transaction with respect to Telecom Italia (whether by merger or otherwise) more difficult to achieve, if at all, or discourage certain bidders from making an offer relating to a change of control that could otherwise be beneficial to shareholders.

**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 telecommunication 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 its services 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 its markets, to enhance its financial performance and to satisfy regulatory requirements. Among other things, Telecom Italia could be required to:

- upgrade the functionality of its networks to permit increased customisation of services;

- increase coverage in some of its markets;

- expand and maintain customer service, network management and administrative systems; and

- upgrade older systems and networks to adapt them to new technologies.

Many of these tasks are not entirely under the control of Telecom Italia and may be affected by applicable regulation. If Telecom Italia fails to execute them successfully, its services and products may be less
attractive to new customers and it may lose existing customers to 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 in 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 weak economic conditions of the last several years have had an adverse impact on Telecom Italia’s business, particularly in Italy.

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. This is particularly the case in Telecom Italia’s domestic market where budget constraints and the need to reduce overall levels of indebtedness in response to the European sovereign debt crisis is expected to impede growth in the Italian economy in the short to medium term. 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. A loss of customers or a reduction in purchases by its 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 targets. Other factors that could influence customer demand include access to credit, consumer confidence and other macroeconomic factors.

Telecom Italia may also be adversely affected by political developments in the 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 in 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. In particular, in recent years the Argentine government has taken several actions to re-nationalise concessions and public services contracts that were privatised in the 1990’s, such as Aguas Argentinas S.A., Aerolineas Argentina S.A. and recently YPF S.A. In April 2012, Decree 530/12 from the National Executive Branch established the intervention in YPF S.A., Argentina’s largest company and the principal oil and gas producer. In addition, a bill was presented to the Argentine Congress declaring the public interest in the exploitation, production, transport and commercialisation of oil and gas and declaring the expropriation of 51% of the share capital of YPF S.A. Finally, such bill was approved by the Argentine congress in May 2012. There is no certainty about the consequences the expropriation of YPF S.A. will have on Argentina’s economy, on the confidence of local and international investors, on the business environment in Argentina or what response it will cause from other countries or international entities. Telecom Italia cannot provide any assurance that similar actions of the Argentine government will not be extended to other companies and/or other sectors in the future.

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 the only operator in Italy under this obligation.

As a member of 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 has been implemented in Italy pursuant to two Legislative Decrees dated 28 May 2012, respectively n. 69/2012 and 70/2012.

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

To date, the AGCom regulatory approach is focused on wholesale obligations while relaxing retail regulations.

The second round of market analysis was concluded during 2010 and AGCom started the third round of market analysis with the review of the mobile termination market in order to define the relevant market, identifying SMP Operators and setting regulatory obligations on SMP Operators. The final decision was published in November 2011 and established the new glide path for Mobile Termination Rates (MTRs) for the period from 1 July, 2012 to 1 July, 2013. The market analysis on the SMS termination rates is still in progress.

The regulatory framework of the Next Generation Access Network (NGAN) is not yet completely defined. With Decision 1/12/CONS dated 18 January, 2012, AGCom published its final decision which granted Telecom Italia’s main request regarding the lack of a precise obligation to provide fibre unbundling over Gigabit Passive Optical Network (GPON) architectures, despite the strong pressure from Alternative Network Operators (ANOs) to require that Telecom Italia do so. As an alternative to fibre unbundling, AGCom confirmed the obligation to provide the “end to end” service, although significantly mitigating its scale compared to the draft decision originally submitted for public consultation. In fact AGCom introduced a “fairness and proportionality” principle for the building blocks demands by ANOs. Such a principle shall be implemented according to the NGAN investment plans published by Telecom Italia. In February 2012, AGCom opened three proceedings for the completion of the NGAN rules aimed at introducing: (i) a cost model for the pricing of passive and active wholesale services and the definition of the competitive areas for the geographic price differentiation of bitstream services; (ii) the prospective enforcement of symmetric obligations on all operators, for the access to fibre vertical wiring and to building connection segments; (iii) potential regulatory amendments of the copper sub-loop unbundling service in light of the possible introduction of the vectoring technology on Fiber to the Cabinet -Very High- Speed Digital Subscriber Line (FTTCab-VDSL) accesses. As Next Generation Access will require significant investments, the regulatory approach regarding the obligations which could be imposed on Telecom Italia could have an adverse effect on the Telecom Italia Group’s cash flows and financial condition.

On 19 January, 2011, with respect to the annual contribution to the AGCom, AGCom commenced an audit of Telecom Italia’s compliance with the requirements relating to the payments for 2006, 2007, 2008, 2009 and 2010. The AGCom audit on the annual contribution to the Italian National Regulatory Authority (NRA) is part of a general audit of all companies in the industry. AGCom released its findings on 1 March, 2011, holding that Telecom Italia did not pay a portion of its contribution in the 2006-2010 period. Telecom Italia was therefore obliged by AGCom to pay an amount equal to 26.6 million euros. Telecom Italia appealed this decision with the Lazio Regional Administrative Court which suspended the terms of the payment until the ruling of the proceeding. The II Section of the Lazio Regional Administrative Court suspended the above mentioned ruling and referred to the ECJ a preliminary question, i.e. the assessment of AGCom’s national financing system consistency with the principles deriving from the EU sectorial Directives.

On 4 April 2012, the Italian Parliament approved the Government proposal which obliges Telecom Italia to separately offer its ancillary services (activation and maintenance) for the LLU lines. The law gives AGCom 120 days to identify how to grant the unbundled offer of these ancillary services and to allow other operators to directly manage these ancillary services through third parties instead of Telecom Italia. The European Commission has already requested clarifications to the Italian Government, raising some doubts about the
compliance of the law with the European Directives, since it limits AGCom’s powers and autonomy and introduce an ex lege enforcement of “atypical” obligations. The European Commission’s request of clarification represents, in fact, the preliminary stage of a possible infringement proceeding against Italy. The Italian AGCom decided not to open formal proceedings for the implementation of the law until the Italian Government gives its answers to the European Commission. As at today, the final outcome of the law is quite uncertain but Telecom Italia is confident that the result of the forthcoming AGCom proceeding is expected to be in line with the European regulatory principles.

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. As evidenced by the regulatory developments described above, regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. Changes in laws, regulation or government policy could adversely affect Telecom Italia’s business and competitiveness. In particular, Telecom Italia’s 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 Telecom Italia’s 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 authorisations granted by government authorities.**

Many of Telecom Italia’s activities require authorisations from governmental authorities. These authorisations specify the types of services permitted to be offered by the operating company holding such authorisation. The continued existence and terms of Telecom Italia's authorisations are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. Although authorisation renewal is not usually guaranteed, most authorisations do address the renewal process and terms. Authorisations as well as their renewal terms and conditions, however, may be affected by political and regulatory factors and therefore it is not always guaranteed that the renewal process will be completed successfully.

Many of these authorisations are revocable for public interest reasons. The rules of some of the regulatory authorities with jurisdiction over its operating companies require Telecom Italia to meet specified network build-out requirements and schedules. In particular, Telecom Italia’s existing authorisations typically require it 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 authorisation 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 reduce Telecom Italia’s core market share for telecommunications services and may cause 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 telecommunications 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 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. In addition, 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 enables lateral competition from IT, Media and Devices/Consumer Electronic players. 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 from local operators, each of which has increased the direct competition it faces in its Italian domestic fixed-line, mobile telephony and broadband businesses.

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

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

Although 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, and although it plans to 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 and its revenues may be negatively affected if it is unable to continue the introduction of new services, stimulating increased usage of its fixed and wireless networks.**

The level of maturity of the telecommunications markets (particularly in Telecom Italia’s core Italian market) and its rapidly changing competitive landscape (for example, the rise of global platform/ecosystems) have resulted in a continuous erosion in traditional service revenues for telecommunications operators.

In this context, Telecom Italia’s strategy has led to integration of its core offering portfolio with new services outside traditional telecommunications domains (e.g. Cloud Services, Digital Media, M2M services), which are able to generate new revenue streams and at the same time stimulate increased usage of its fixed and wireless networks.

A deep knowledge of customers’ needs and preferences, the ability to respond rapidly to their changes and a thorough understanding of industry verticals are particularly important for exploiting such opportunities.

Failing to exploit these business opportunities and to identify an appropriate role in the relative ecosystems may negatively affect Telecom Italia’s revenue generation.
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 acceptance of new technologies may render such services non-competitive, replace such services or reduce prices for such services. In addition, as the convergence of services accelerates, Telecom Italia makes and will have to make substantial additional investments in new technologies to remain competitive. The new technologies Telecom Italia chooses may prove to be commercially unsuccessful. Moreover, Telecom Italia may not receive the necessary authorisations 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. 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 mobile broadband business continues to grow.

The evolution of 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:

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

In addition, as Telecom Italia’s core domestic Italian market has become increasingly saturated there is a growing focus on customer retention. Such focus could result in increased expenses to retain customer loyalty or, if it 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 perform worse than expected, or if it is unable to retain its existing customers or stimulate increases in customer usage, its 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 integrate the mature, traditional voice services with broadband and value added services. Its ability to successfully implement this strategy may be affected if:

- Internet usage in Italy grows more slowly than anticipated, for reasons such as changes in Internet users’ preferences or lower than expected PC penetration rate growth;
- broadband penetration does not grow as it expects;
• 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
• 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’s business may be adversely affected if it fails to successfully implement its Information and Communications Technology (ICT) strategy.**

Telecom Italia intends to continue focusing on IT-TLC convergence by addressing the ICT market, offering network and infrastructure management, as well as application management.

Moreover as the use of cloud IT services matures and their adoption grows, Telecom Italia may take advantage of the new cloud opportunities especially in the Business customer segment providing a full range of services (from “core” Infrastructure to Software as a Service through partners’ ecosystem) integrated with a wide range of connectivity options and end-to-end SLAs.

Telecom Italia expects to experience increasing 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 revenues 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 has significantly expanded its operations outside of the Eurozone, particularly in Latin America.

Telecom Italia generally hedges its foreign exchange exposure, but does not cover translation risk relating to its foreign subsidiaries. Movements in exchange rates of the Euro relative to other currencies (in particular the Brazilian Real and Argentine Peso) may adversely affect its consolidated results. A rise in the value of the Euro relative to other currencies in certain countries in which it operates or has 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 hedges 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 change 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 its results of operations or cash flows.
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 (as amended) (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). 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). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. 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 (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) 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.
DOCUMENTS INCORPORATED BY REFERENCE

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, 2011 and 2010 of the Telecom Italia Group (the 2011 Telecom Italia Annual Report and the 2010 Telecom Italia Annual Report, respectively);
- the unaudited consolidated interim financial information as at and for the three months ended 31 March, 2012 of the Telecom Italia Group (the Telecom Italia Group’s Quarterly Report at 31 March, 2012); and
- the audited unconsolidated annual financial statements for each of the financial years ended 31 December, 2011 and 2010 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 and interim 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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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 Depositary*) 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 1 year 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.]1

[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.]2


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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 26 June, 2012 [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 26 June, 2012 [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 26 June, 2012 [[, 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):  
      (Applicable to Notes in definitive form.)  
      [     ] per [     ] Calculation Amount

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

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

(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 apply.)

(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/specify 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

[ ] per Calculation Amount
Redemption
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 00488410040.

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:

By: ____________________________  Duly authorised

[Signed on behalf of the Guarantor:

By: ____________________________  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 the legal name of the relevant credit rating agency entity(ies)].]

[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 the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[Insert the legal name of the relevant non-EU 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 legal name of the relevant EU-registered credit rating agency entity] in accordance with the CRA Regulation. [Insert the legal name of the relevant EU-registered credit rating agency entity] is established in the European Union and registered under the CRA Regulation. As such [insert the legal name of the relevant EU credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation]/[although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant non-EU credit rating agency entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant credit rating agency entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation). However, the application for registration under the CRA Regulation of [insert the legal name of the relevant EU credit rating agency entity that applied for registration], which is established in the European Union, disclosed the intention to endorse credit ratings of [insert the legal name of the relevant non-EU credit rating agency entity][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant EU credit rating agency entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in
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 [Not Applicable/give name(s) and number(s)]
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:

[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]

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: ] [Not applicable/give details]

[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:

[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 26 June, 2012 [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 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 26 June, 2012 [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 26 June, 2012 [and 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. 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: [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: [ ]

(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 apply.)

(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/specify 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 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]

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 Agreement: [ ]

(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 the legal name of the relevant credit rating agency entity(ies)].]

(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 the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such [insert the legal name of the relevant credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of the relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

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Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings [[have been][are expected to be]] endorsed by [insert the name of the relevant EU-registered credit rating agency] in accordance with the CRA Regulation. [Insert the legal name of the relevant EU-registered credit rating agency entity] is established in the European Union and registered under the CRA Regulation. As such [insert the legal name of the relevant EU credit rating agency entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is][has applied to be] certified in accordance with the CRA Regulation [and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation][although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant non-EU credit rating agency entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant credit rating agency entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [insert the legal name of the relevant EU credit rating agency entity that applied for registration], which is established in the European Union, disclosed the
intention to endorse credit ratings of [insert the legal name of the relevant non-EU credit rating agency entity][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [insert the legal name of the relevant EU credit rating agency entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA 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](http://www.telecomitalia.it) and [www.bourse.lu](http://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 Guarantee). 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;
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;

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

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

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**) is equal to or shorter than the Determination Period during which the Accrual Period ends, 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:

\[
\text{Day Count Fraction} = \frac{360 \times (Y₂ - Y₁) + [30 \times (M₂ - M₁)] + (D₂ - D₁)}{360}
\]

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:

\[
\text{Day Count Fraction} = \frac{360 \times (Y₂ - Y₁) + [30 \times (M₂ - M₁)] + (D₂ - D₁)}{360}
\]

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
"D2," 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 D2 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 were 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:

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

where:

**RP** means the Reference Price;

**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 superseded 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 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 holding 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 alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, 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 of Telecom Italia are at Piazza degli Affari 2, 20123 Milan, Italy. Its telephone number is +39-02-85951. Headquarters and secondary office are at Corso d’Italia 41, Rome, Italy.

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, 2012 were as follows.

Overview


5.6% of the ordinary share capital of Telecom Italia was contributed on the same date by Mediobanca and companies of the Generali group to Telco. The total investment held by Telco was therefore equal to 23.595% of Telecom Italia’s ordinary share capital.

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

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%.

On 22 December, 2009 Telco and Sintonia executed a purchase and sale agreement pursuant to which Sintonia acquired from Telco shares representing approximately 2.06% of Telecom Italia’s share capital and Telco voluntarily reduced its share capital by acquiring and cancelling Sintonia’s Telco shares and Sintonia left the shareholder group which controls Telco.

On 29 February, 2012, Telefónica, Intesa Sanpaolo, Mediobanca and Generali entered into a renewal agreement, (the 2012 Shareholders Agreement), in which they agreed to enter into a new shareholders agreement for a period of three years on the same terms and conditions set out in the original Shareholders’ Agreement dated as of 28 April, 2007 as subsequently amended and supplemented.

Currently Telco interests are held by Generali (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 29 February, 2012 the shareholders of Telco terminated the previous shareholders’ agreement (the previous version of an agreement initially made on 28 April, 2007, and then amended on 25 October, 2007, 19 November, 2007, 28 October, 2009, 11 January, 2010 and 10 December, 2010), and entered into the 2012 Shareholders’ Agreement, on the same terms and conditions as the pre-existing one, with a duration until 28 February, 2015.

The 2012 Shareholders’ Agreement defines, among other things, the criteria for the composition of the list of candidates for appointment to the Board of Directors of Telecom Italia:

- Telefónica, insofar as it holds at least 30% of Telco’s share capital, will be entitled to designate two candidates;

- 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 whom three candidates unanimously and the others on a proportional basis.

The 2012 Shareholders’ Agreement provides that the Telecom Italia Group and the Telefónica Group are managed autonomously and independently. In particular, the Board members designated by Telefónica to
serve in Telco and Telecom Italia are instructed by Telefónica not to attend or vote in board meetings that examine proposals and resolutions regarding the policies, management and operations of companies directly or indirectly controlled by Telecom Italia and that provide their services in countries where legal or regulatory restrictions or limitations concerning the exercise of voting rights by Telefónica are in force. In addition, specific provisions and prohibitions regarding Brazil and Argentina take account (i) of the prescriptions imposed by the Brazilian telecommunications authority (Anatel) and by the Brazilian Antitrust Commission (CADE) and (ii) of the “Compromiso” signed before the Comisión Nacional de Defensa de Competencia of Argentina (CNDC) on 6 October, 2010 by the contracting parties, by Telco and—as intervening parties in order to execute the obligations assumed—by Telecom Italia, Telecom Italia International N.V., Sofora Telecomunicaciones SA, Nortel Inversora SA, Telecom Argentina SA, Telecom Personal SA, Telefónica de Argentina SA, and Telefónica Moviles SA.

Consistently with the provisions of the agreement, board members Alierta and Linares undertook at the time of their appointment not to participate in the discussion and voting of the Board of Directors (as well as of the Executive Committee) of Telecom Italia when matters are proposed or discussed that relate to the activities of Telecom Italia and its subsidiaries in the telecommunications markets of Brazil and Argentina, as well as, in general, in all cases where there could be possible prejudice to the Telecom Italia Group.

As indicated above, the 2012 Shareholders’ Agreement has a duration until 28 February, 2015. Each party:

- may request the de-merger of Telco by sending a communication to the other parties between 1 August, and 28 August, 2014, with an obligation to give effect to the de-merger within the subsequent six months; and
- may withdraw from the agreement and request the de-merger of Telco by sending a communication to the other parties in the period between 1 September, and 28 September, 2013, with an obligation to give effect to the de-merger within the subsequent six months.

Concurrently with the signing of the 2012 Shareholders’ Agreement, on 29 February, 2012, Telco and Telefónica renewed and extended to 28 February, 2015 the option to purchase shares in Telecom Italia, initially agreed on 6 November, 2007 and then amended on 28 October, 2009. In accordance with the existing agreements, in the case of dissent by Telefónica from the decision by the Telco Board of Directors to transfer or set up encumbrances on the Telecom Italia shares in its portfolio, Telefónica could alternatively purchase the Telecom Italia shares from Telco at the same price and under the same conditions offered by a third party proposing to buy them, or require the de-merger of Telco.
Share Capital

The table below contains a breakdown of the share capital of Telecom Italia as at 31 March, 2012:

<table>
<thead>
<tr>
<th>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>13,416,839,374</td>
</tr>
<tr>
<td>Savings Shares</td>
<td>6,026,120,661</td>
</tr>
<tr>
<td>Total</td>
<td>19,442,960,035</td>
</tr>
</tbody>
</table>

(1) Each share has a par value of €0.55.

Recent Developments

Mobile Telephony: Investigations

On 20 April, 2012, Telecom Italia was notified by the Milan Public Prosecutor of the conclusion of a preliminary investigation under the Italian Code of Criminal Procedure in which three previous executives of Telecom Italia (including Mr. Luca Luciani who as of 20 April, 2012 was the CEO of Tim Participações S.A., the listed and principal holding company of the Tim Brasil business area (Tim Participações), were charged with obstruction of supervisory activity. The charges relate to (i) the alleged unlawful renewal of prepaid SIM-cards after their normal termination date from 2006 to 2008, in the amount of 223,000 lines or 0.19% of market share in 2006; 2,742,000 lines or 1.88% of market share in 2007; and 2,345,000 lines or 1.64% of market share in 2008, and (ii) around one million SIM-cards which allegedly were not refilled in the 12 months after their activation (184,000 lines in 2005; 445,000 lines in 2006; 335,000 lines in 2007; and 78,000 lines in 2008). Telecom Italia is continuing to review the documentation relating to the investigation received from the Milan Public Prosecutor. Information regarding this investigation and that Tim Participações’ chief executive officer was a possible subject of such investigation had been previously disclosed by its subsidiary Tim Participações.

On 4 May, 2012, Mr. Luca Luciani resigned from Tim Brasil and Tim Participações and gave up all mandates he had with any companies within the Telecom Italia Group. On 14 May, 2012, Andrea Mangoni, CFO of the Telecom Italia Group and already a member of the board of directors of Tim Participações, was nominated as the interim CEO of the Tim Brasil business area subject to certain regulatory approvals by the competent Brazilian authorities; Mr. Mangoni will be appointed and he will assume the role of interim CEO, upon granting of such approvals. In the meantime, on 14 May, 2012 the board of directors of Tim Participações acknowledged Mr. Claudio Zezza as acting principal executive officer.

Disposal of the activities in the media sector

On 9 May, 2012, the Telecom Italia Board of Directors decided to begin the process for the disposal of the activities in the media sector.

Forward Start Facility

On 24 May, 2012 Telecom Italia signed an agreement relating to the extension of half of the Revolving Credit Facility (RCF) of 8 billion euros expiring in August 2014. The extension has been obtained via a Forward Start Facility of 4 billion euros that will become effective in August 2014 (or at an earlier date should Telecom Italia cancel in advance the commitments under the current 2014 RCF) and will mature in May 2017.
Note Issues

On 11 June 2012, Telecom Italia announced the issue of €750,000,000 4.625% Notes due 15 June 2015 and €750,000,000 6.125% Notes due 14 December 2018 under the EMTN Programme (the New Notes). The New Notes were issued on 15 June 2012.

Business Unit

Key financial data prepared in accordance with IFRS for the three-month period ended 31 March, 2012

At 31 March, 2012, 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 31 October, 2011 ownership interests in Tim Fiber – Brazil were acquired for a 100% stake in the company Eletropaulo Telecomunicações Ltda and a 98.3% stake in AES Communications Rio de Janeiro S.A., both telecommunications infrastructure operators in the states of São Paulo and Rio de Janeiro, now renamed Tim Fiber SP and Tim Fiber RJ, respectively. The original ownership interest in Tim Fiber RJ was subsequently increased to 99.1% and the remaining 0.9% was the object of a tender offer which was concluded at the end of February 2012 and brought the percentage interest to 99.7%. The acquisitions were carried out through the subsidiary Tim Celular S.A.

On 27 July, 2011, the 4G Holding group entered the scope of consolidation (retail sale of telephony products) following the acquisition of 71% of the ordinary shares of 4G Holding S.p.A. which in turn holds 100% of 4G Retail S.r.l.

On 30 September, 2011, Loquendo S.p.A. was sold and consequently exited the scope of consolidation.
As of 31 March, 2012, 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, 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 fibre optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

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 inherent to the Italian market. Revenues are broken down in the following tables according to the net contribution of each market segment to the CGU’s results, excluding intrasegment 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 persons and families in the fixed and mobile telecommunications markets, from public telephony to the web portal/services of the company Matrix;

(B) **Business**: is constituted by the aggregate of voice, data, internet and ICT solutions 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:** comprises the aggregate of voice, data, internet and ICT solutions 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:** 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 & IT:** constitutes services related to the development, building and operation of network infrastructures, real estate properties and plant engineering, delivery processes and assurance regarding clientele services in addition to the development and operation of information services; and

II. **Staff & Other:** services carried out by staff functions and other support activities performed by minor companies of the Telecom Italia 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 services using UMTS and GSM technologies. Moreover, through the subsidiary Intelig Telecomunicações, the Tim Brasil group completes its services portfolio by offering fibre-optic data transmission using full IP technology such as DWDM and MPLS. At the end of October 2011, the Tim Brasil group acquired control of two companies in the AES Atimus group which have been renamed Tim Fiber RJ and Tim Fiber SP. The companies will offer residential broadband services.

(c) **Argentina Business Unit.** The Telecom Italia Group operates in Argentina and Paraguay through the Sofora - Telecom Argentina group. Specifically, in Argentina it operates in fixed telecommunications through the company Telecom Argentina and in mobile telecommunications through the company Telecom Personal (with the Personal brand), and in Paraguay it operates in mobile telecommunications with the company Núcleo.

(d) **Media Business Unit.** The Media Business Unit operates in the business segments of television broadcasting through La7, La7d and MTV group, the production of multimedia music platforms and satellite channels and also the management of analog and digital broadcasting networks, as well as accessory services and television broadcasting platforms.

(e) **Olivetti Business Unit.** The Olivetti group operates in the sector of office products and services for Information Technology. It carries out Solution Provider activities to automate processes and business activities for small and medium enterprises, large corporations and vertical markets. The reference market is focused mainly in Europe, Asia and South America.
Strategy

Strategic Priorities and Objectives for the 2012-2014 Three-year Period (the Plan)

The updated 2012–2014 Plan was presented on 24 February, 2012 and confirms the following strategic priorities and objectives for the Telecom Italia Group:

- reinforcement of cash flow generation via repositioning on markets with the best growth prospects, setting Telecom Italia back on a path to growth, continued improvement in operational efficiency, especially in its Italian domestic market, and a demand-driven approach to investments;
- steady and persistent deleveraging to reduce the Telecom Italia Group's net financial debt, coupled with sustainable shareholder remuneration.

Domestic market

In the Domestic market, Telecom Italia intends to proactively manage for cash generation, through:

- Defence of its revenues:
  - protect the value of traditional services;
  - improve performance of fixed broadband portfolio;
  - profitable mobile data growth.
- Operating costs efficiency:
  - continuous focus on efficiency improvements.
- Selective network deployment:
  - primarily to exploit UBB (Ultra broadband) demand as well as continuing investment in its network, in each case using a market-driven approach.

Brazil

Tim Brasil’s strategic objective is to continue its business expansion, exploiting growth as a strong mobile and fixed broadband challenger by:

- capturing further voice increase and opportunities from FMS (Fixed Mobile Substitution);
- continuous boost from mobile data;
- deployment of Tim Fiber.

Argentina

Telecom Argentina’s strategy is focused on managing growth and profitability, consolidating the mobile business and pursuing convergence:

- increasing mobile and fixed customer base;
- consolidating mobile revenue share; and
- pursuing convergence in the development of its fixed and mobile networks through the use of synergies.
Capital expenditures

In the first three months of 2012, capital expenditures amounted to 954 million euros and increased by 53 million euros with respect to the first three months of 2011.

The capital expenditures expected to be made for the 2012-2014 period at Telecom Italia Group level, are detailed as follows:

- **Domestic Business Unit**: capital expenditures spending will be almost stable in 2012 compared to 2011 through a process of balanced allocation between investments in maintenance and innovation;

- **Brazil Business Unit** (Tim Brasil): capital expenditures spending flat at 3 billion Brazilian reais per year (approximately 9 billion Brazilian reais in the 2012-2014 period), excluding spectrum acquisition expenditures;

- **Argentina Business Unit**: approximately 4 billion Argentine pesos in 2012 (18% capital expenditures on revenues), excluding spectrum acquisition expenditures.

The Telecom Italia Group expects to fulfill its future commitments for capital expenditures primarily through the use of cash generated from operations.

Competition in the Domestic Market

*The market*

Strong competitive pressure in the Italian telecommunications market over the years has led to an ongoing decline in the traditional components of service, particularly voice service.

In this context, the key element in the evolution of the market has been the increased penetration of broadband, first fixed and now also mobile, and above all greater penetration of new generation handsets.

At the same time, the evolution of the competitive scenario continues to evolve towards a situation of increased complexity, with greater interaction between players of different markets, opening the field to the competition of non-traditional operators, particularly OTT companies and producers of electronic and consumer devices, as well as giving telecommunication operators the opportunity to develop new so-called “network based” services (mainly in the IT and Media fields).

For the telecommunications operators, in addition to the core competition from the other historical operators in the sector, there is an invasion in the market by OTT companies and the 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 totally different to that of the telecom players.

Over time, therefore, the traditional players’ business models have needed to change so as to meet the threat from the new entrants and to meet the new opportunities:

- in Media, the broadcasters, vertically integrated players, continue to dominate the scenario but, with the Web having a growing importance as a complementary distribution platform, they are increasingly under pressure from consumer electronics companies and the OTTs;

- 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 the cloud computing “growth oasis” as a
way of protecting market shares in their respective core businesses. A strengthening of the telecommunications operators is expected in this sector, although often through partnerships;

- in the Consumer Electronics market, the producers can develop services that can be used over the internet, appealing to handset owners and user experience, attenuating the relationship between the customer and the telecommunications operator and competing with the media and OTTs, through the games console and the set-top box, for the role of “net enabler” of the living room screen;

- the OTT operators lead, for some time now, the transformation of the ways TLC (also over voice) services are used and are increasingly integrating them with Media and IT.

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 the IT market of innovative services by expanding Cloud services from the business to the consumer world;

- new wireless applications such as Machine-to-Machine and mobile payment; and

- significant presence as facilitators of online digital content use on the living room screen using OTT TV multidevice solutions.

**Competition in Fixed-Line Telecommunications**

The fixed-line telecommunications market is characterised by the rapid decline in voice revenues due to both the reduction in prices and the progressive shift of voice traffic to mobile. In recent years all the operators have attempted to offset this phenomenon by concentrating mainly on the ability to innovate their offering by developing the penetration of ADSL and by introducing bundled voice, broadband and services deals (the double play), in a highly competitive context with the consequent pressure on pricing.

The evolution of the competitive product offering has been affected by the transition of competitors from an essentially reseller approach (Carrier Selection/Carrier PreSelection for voice and Wholesale for ADSL) to an approach based on control of the infrastructure (LLU above all). In addition, the fixed-mobile convergence trend is more and more evident, with the main operators now offering integrated services and many operators now also being Mobile Virtual Operators (MVOs).

The migration of customers from fixed-line to mobile telephony services continued during 2011 and also the migration to alternative communications solutions (Voice Over IP, messaging, e-mail and social network chat) due also to the high penetration of personal computers. For years, both for private consumers and for small and medium businesses there has been a substitution of mature traditional voice services with value-added content and services based on the internet protocol. Such change is favoured by the use of the internet and by the changes in user preferences and also by the spread of broadband, personal computers and other connected devices as well as by the quality of the service.

The competitive scenario in the Italian fixed telecommunications market is characterised by the presence, besides Telecom Italia, of a number of operators (Wind-Infostrada, Fastweb, Vodafone-TeleTU, BTItalia) with different business models focused on different segments of the market.

At the end of 2011, fixed accesses in Italy numbered approximately 22.1 million, slightly down from 2010. The growing competition in the access market has led to a gradual reduction in Telecom Italia’s market share.

Concerning the broadband market, at December 31, 2011 fixed broadband customers in Italy numbered about 13.5 million with a penetration rate on fixed accesses of about 61%.
The penetration of broadband is driven not only by the penetration of personal computers but also by the growing demand for speed and access to new IP based services (Voice over IP, Content, social networking services, gaming online, IP Centrex, etc.). In 2011, however, the growth in the fixed line broadband market contracted relative to the growth seen in the preceding years due both to a general tendency of operators to concentrate on the growth of flat-rate plans (dual play) with higher value-added services and to the deterioration in the macroeconomic environment.

The decline continues in revenues from the data transmission segment, the main part of the Top customers market which, characterised by re-engineering and upgrading of internet accesses with high and very high transmission capacity and medium and large private data networks, has felt the effects of competition-resulting in a decline in average prices in the presence of a substantial stability in the various operators’ market shares.

**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 lines (that are lines which operate with a SIM card but are not used for voice services such as an Apple Ipad) (at 31 December, 2011, mobile lines in Italy numbered about 97 million with growth of about 3% over 2010 and with a penetration rate of approximately 159% of the population).

Along with the progressive contraction in traditional service components such as voice and messaging, there has been significant growth in the mobile broadband market which in the last few years was, and in the future will still be, the main opportunity for the strategic and commercial growth of the mobile telecom industry.

In 2011, there has been a continuation of the growth of mobile broadband customers on both the large and small screen, with a high penetration rate on mobile lines owing to the growing number of smartphones and tablets found in the country.

Besides innovative services that have already caught on and are under full-scale development, as in the case of mobile Apps, there are other market environments, associated with the development of mobile broadband, with major potential for growth in the medium term, such as mobile payment and mobile cloud.

The competitive scenario in the Italian mobile telecommunications market is dominated by Telecom Italia and also by infrastructured operators (Vodafone, Wind, H3G) which are focused on different segments of the market or have different strategies.

In addition to these operators, MVOs are also in the field. PosteMobile is the most important player which at this time has a limited share of the market but records a significant rate of growth compared to infrastructured operators.

**Competition in the Brazilian Market**

At the end of 2011, the Brazilian mobile market reached 242.2 million lines. This is 19.3% more than in 2010 and a penetration rate of 123.9% of the population (104.7% in 2010). The total net increase for the year was 39.3 million, exceeding the growth figure of 29 million in 2010, making 2011 as the year with the highest market growth ever recorded.
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 a highly competitive environment 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, Telecom Personal is one of the three operators which offer services at national level, competing with Claro (America Móvil group) and Movistar (Telefónica group). With the introduction of Number Portability in 2012, competition is expected to intensify. The acquisition and retention of high-value customers will continue to be a key factor to Personal’s strategy, which will be supported through the launch of new products and services that will enable not only to retain existing customers, but also to continue increasing its market share.

In Paraguay, Núcleo has strengthened its market position, although operating in a market characterised by a high level of competition. Its main competitor is Tigo (Millicom Group).

As for the broadband segment, the Business Unit Argentina operates under the brand Arnet and mainly competes with ADSL Speedy (Telefonica group), with Fibertel (Clarín group), which provides broadband access services by cable-modem, and with Telecentro, offering a triple play offering.

The regulatory framework

The EU regulatory framework

Telecom Italia’s operations in the EU are subject to the EU framework on telecommunications regulation which includes directives, regulations, recommendations and communications. As such, being a member of the EU, Italy is required to implement the directives issued by the EU. Regulations, however, adopted at the EU level have general application and are binding and directly applicable in each EU Member States without the need of further national implementation. Recommendations and communications, on the other hand, are not legally binding although politically important.

The European Commission began liberalising the telecommunications market to competition in the late 1980s and early 1990s. In Italy, as well as in all the main EU Member States, the liberalisation brought to the opening to competition of public voice telephony and public network infrastructure in 1998.

The need for a revision of the 1998 framework emerged from the growing convergence between telecommunications, broadcasting and information technology. A new EU Regulatory Framework (consisting of five Directives: the framework; access and interconnection; authorisation; the universal service and users’ rights; privacy and data protection directives) was adopted in 2002, regulating all forms of fixed and wireless telecoms, data transmission and broadcasting.

A recommendation adopted in February 2003, on relevant product and service markets susceptible of ex ante regulation, completed this set of legal instruments. In December 2007, the European Commission amended this first Recommendation on relevant markets, reducing the previous 18 markets susceptible to ex-ante regulation to 7: retail access at a fixed location (market 1) and, 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 obliges NRAs (in Italy the AGCom) to run market analyses before imposing appropriate obligations on individual operators having SMP according to specific EU guidelines. A company is deemed to have SMP if, either individually or jointly with others, such company enjoys a position equivalent to dominance, that is to say a position of economic strength providing the company itself with the power to behave, to an appreciable extent, independently of competitors, customers and ultimately
consumers. Market shares are normally used as a proxy for market power: while undertakings with market shares of no more than 25% are not likely to enjoy a (single) dominant position, single dominance concerns normally arise in the case of undertakings with market shares of over 40% and market shares in excess of 50% are in themselves, except in exceptional circumstances, evidence of the existence of a dominant position.

The market analyses carried out by NRAs are subject to the assessment of the European Commission which, to a certain extent, can challenge the NRAs findings, having a “veto power” on the definition of the market and on the identification of SMP operators. As per the choice of remedies, the European Commission has no veto power but can raise serious doubts after which the “Body of European Regulators for Electronic Communications (BEREC) is required to give an opinion. The European Commission, BEREC and the NRA involved then have to cooperate to find a solution within three months. Neither the European Commission nor BEREC are able to make a binding intervention. Should a NRA decide not to amend or withdraw a draft measure after the European Commission expresses serious doubts, it shall provide a “reasoned justification”.

The EU legal framework was further revised in November 2007, with the aim to define the new European regulatory framework for the sector.


Telecommunication Regulatory Framework in Italy

The legal basis for the electronic communications sector in Italy is as follows:
(i) Law n. 36 of 22 February, 2001 aimed at protecting the population from the effects of the exposure to electric, magnetic and electromagnetic fields and Prime Ministerial Decree of 8 July, 2003, which sets up “Exposure limits, attention values and quality goals to protect the population against electric, magnetic and electromagnetic fields generated by frequencies between 100 KHz and 300 GHz”;
(ii) the “Electronic Communications Code” (ECC), Legislative Decree 1 August, 2003, n. 259, which trasposed into national law the EU Access, Authorisation, Framework and Universal Service directives;
(iv) the “Consolidated Law on Radio-Television” (Legislative Decree 31 July, 2005, n. 177) containing the principles regulating the organisation of radio-television system and its convergence with different means of interpersonal and mass communications, as amended by Legislative Decree 15 March, 2010, n. 44;
(v) the “Consumer Code” adopted with Legislative Decree 6 September, 2005, n. 206;
(vi) Legislative Decree 3 October, 2006, n. 262 which contained “Urgent measures regarding tax and financial issues” and, partially amended the sanctions’ regime set by the ECC by introducing further examples of administrative offences, a generalised increase in the fines for each sanction and the elimination of the partial cash settlements of fines;
(vii) Decree Law 31 January, 2007, n. 7 (enacted by Law 2 April, 2007, n. 40) containing urgent measures for the protection of consumers, for the promotion of competition, for the development of economic
activities. The above mentioned law impacts the electronic communications sector by prohibiting top-up charges and the expiration of phone traffic for prepaid phone cards;

(viii) Legislative Decree 30 May, 2008, n. 109, transposing into national law 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 (amending Directive 2002/58/EC);

(ix) Law 18 June, 2009, n. 69 providing measures to simplify the procedures for the installation and development of optical fibre networks (Article 1 “Broadband”);

(x) Law Decree 6 July, 2011, n. 98, enacted by Law 15 July, 2011, n. 111 further simplifying the procedure for the installation of small mobile equipment (0.5 sq. radiator area) and low power equipment (7 watt); and,

(xi) the 2011 Budget Law (Law 13 December, 2010, n. 220), regulating the procedures for the issue of 800, 1800, 2000 and 2600 MHz frequencies’ rights of use.

Furthermore, the ECC confirmed the responsibilities of the Ministry of Communications and of AGCom as set by the previous legislation. In particular:

(i) the Ministry is responsible for postal services, telecommunications, multimedia networks, informatics, telematics, radio and television broadcasts and innovative technologies applied to the communications sector. In May 2008, the functions of the Ministry of Communications and its resources were transferred to the Ministry of Economic Development;

(ii) AGCom is an independent regulatory authority entrusted inter alia with the protection of competition, as well as of the consumers’ interests in the electronic communication sector. AGCom must report on its activities to the Italian Parliament, which set up its powers, defines its bylaws and elects its members. The Plenary Session of the Council of State (the highest court of administrative justice in Italy) recently clarified that the unfair commercial practices rules, contained in articles 18-27 of Legislative Decree No. 206/2005 - the "Consumer Code" (as amended), are not applicable to the electronic communication sector, insofar as the latter is subject to a detailed and virtually complete sector-specific regulation, which inter alia includes Decree Law of 31 January, 2007, No. 7 (converted into Law 2 April, 2007, No. 40), that is within AGCom’s exclusive jurisdiction (see decisions of 11 May, 2012, Nos. 11-13 and 15-16).

On 4 April, 2012, the Italian Parliament approved the Government proposal which obliges Telecom Italia to separately offer its ancillary services (activation and maintenance) for the LLU lines. The law gives AGCom 120 days to identify how to grant the unbundled offer of these ancillary services and to allow other operators to directly manage these ancillary services through third parties instead of Telecom Italia. The European Commission has already requested clarifications to the Italian Government, raising some doubts about the compliance of the law with the European Directives, since it limits AGCom’s powers and autonomy and introduce an ex lege enforcement of “atypical” obligations. The European Commission request of clarification represents, in fact, the preliminary stage of a possible infringement proceeding against Italy.

TELECOMMUNICATION REGULATION IN ITALY

In July 2008, Telecom Italia proposed to AGCom several undertakings related to its access network (Undertakings) aimed at integrating and strengthening the non-discrimination obligations (imposed by AGCom in 2002) amongst Telecom Italia’s own retail divisions and other operators in the provision of wholesale access network services.
AGCom approved Telecom Italia’s Undertakings, which are divided into 14 main groups and pursue four main goals:

- offering additional guarantees of equal treatment amongst Telecom Italia’s commercial divisions and other electronic communications operators (Operators) purchasing wholesale access services from Telecom Italia;
- providing benefits to Operators and final users, through the improvement in the quality of the fixed access network and of related services;
- making the evolution of Telecom Italia’s fixed access network more transparent for Operators; and,
- ensuring the maintenance of competitive conditions in the migration towards new generation networks.

Following the AGCom approval of the Undertakings, a number of proceedings which could have resulted in sanctions against Telecom Italia were suspended.

At the beginning of 2008, Telecom Italia created the Open Access department, a separate business unit focusing its activities on the implementation of the Undertakings. To ensure equal treatment for its own retail divisions and those of the Operators (“internal-external equal treatment”), Telecom Italia undertook a set of activities focused on three main areas:

- technical-organisational domain: solutions for the improvement of internal delivery processes and to assure that SMP services were adopted;
- cultural-behavioural domain: 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
- economic-regulatory domain: service contracts were drafted and transfer charges adopted to implement equality of economic treatment.

The implementation of the Undertakings, their complexity and their impact on the stakeholders’ system, required the creation of a governance system. In particular, the following bodies were set up: an independent body (the Supervisory Board) and the AGCom Undertakings’ Monitoring Group for the monitoring of the work in progress (GMI) and the Italian Office of Telecommunications Adjudicator (OTA Italia), whose mission is to prevent and settle disputes amongst Operators and the Next Generation Network Committee submitting possible solutions to technical, organisational and economic issues raised by the transition to the Next Generation Network.

In November 2011, three years after the formalisation of the Undertakings, with Decision 600/11/CONS, AGCom formally recognised that Telecom Italia had fully implemented all the Undertakings, terminating the proceedings against Telecom Italia that were suspended following the approval of the Undertakings.

At the end of 2011, 47 Operators had joined in the “New Delivery Process” (NDP) for Bitstream, “Local Loop Unbundling”, “Wholesale Line Rental” (WLR) and Collocation Services. Other Operators are expected to join the NDP during 2012 according to a schedule agreed with Telecom Italia.

According to the above Decision 600/11/CONS, the GMI will continue to monitor the implementation of the Undertaking, with a particular focus on GU number 1 (New Delivery Process), 3-4 (KPIs), 5 (Technical and Quality Plans for the Access Copper Network) and 6 (Technical Plans for Fibre Access Network and Broadband), at least until the second half of 2012.
After the AGCom’s positive assessment and the notification to the European Commission, the Access Network Operational Separation model adopted by Telecom Italia can be considered an avant-garde European regulatory model and a viable alternative to the Access Network Functional Separation adopted by British Telecom (Open Reach).

Telecom Italia’s Operational Separation model will further continue to ensure quality of treatment (both in economic and technical terms), the promotion of an “Equivalence Culture”, through personnel formation programmes, and transparency to ANOs for both Copper and Fibre Access Network.

**Market analyses**

During 2006 and 2007, AGCom concluded the first round of analyses of the relevant electronic communications’ markets, as identified by the EC 2003 recommendation. Following market analyses, AGCom 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, AGCom introduced regulatory measures based on the specific retail or wholesale market failure identified: access to network, carrier selection and pre-selection, transparency and non-discrimination, including publication of a reference offer, information for end users, advance notification to AGCom of new retail tariffs or of changes in existing ones, price control including cost orientation, price/network cap and price tests, cost accounting and accounting separation.

Starting from December 2007, AGCom has been carrying out the second round of relevant market analyses to determine whether to maintain, amend or withdraw the current obligations on Telecom Italia. In addition, a re-assessment of the markets not included in the revised Recommendation (with remedies in place) has been carried out to justify either the withdrawal or the keeping of regulation. In 2008-2009, AGCom concluded the market analyses of the wholesale mobile markets (call termination, access and call origination). AGCom did not review the international roaming market, directly applying the EU regulation. 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 reviewing the mobile termination market to define the relevant market, identifying SMP Operators and setting regulatory obligations on SMP Operators. The final decision was published in November 2011 (Decision 621/11/CONS) containing the new glide path for MTRs for the period from 1 July, 2012 to 1 July, 2013. The market analysis on SMS termination rates is still in progress (for further detail see “Mobile Markets” below).

The main developments regarding markets in the electronic communications sector that occurred in 2011 and in the first quarter of 2012 are described below.

- **Retail-fixed markets**

As a result of the first round of fixed retail market analyses, AGCom identified Telecom Italia as SMP operator and imposed regulatory obligations, including a price cap mechanism and price control.

In particular, the relevant retail fixed regulated markets were the following: 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 of the assessment of the international calls market and of the minimum set leased lines market and deregulated both markets withdrawing all ex ante obligations on Telecom Italia starting from 2010.

In 2010 AGCom concluded the second analysis of the national retail fixed voice services. As a consequence, AGCom decided to withdraw all regulatory obligations starting from six months after 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 allowed to fix retail tariffs without prior notification to or approval by AGCom.

With reference to the price test methodology, with Decision 499/10/CONS dated 13 September, 2010, AGCom set new rules for the assessment of Telecom Italia’s retail offers, including non-standard offers (public tender and tailored top business offers) and bundles (multiple-play offers). The new methodology is based on a replicability test developed on the basis of the following key principles: (i) a single replicability test valid for offers commercialised in different (both traditional and innovative) contexts, reference to the most efficient technology and network architecture that could be used by ANOs to replicate Telecom Italia’s offers and, hence, to a combination of wholesale inputs (ULL, WLR, bitstream, etc.); (ii) the evaluation of network and downstream ANOs’ costs on the basis of avoidable or long run incremental costs; (iii) application of the price test to the whole bundle, taking into account the overall cost of provisioning without considering which component of the bundle may be replicated by an alternative operator; (iv) ad hoc assessment of offers within tenders, taking into account the most efficient network architecture that could be used by ANOs to compete in a specific context. Following the publication of the AGCom document “Circolare Attuativa” (8 July, 2011), AGCom launched a preliminary assessment on the implementation of the rules provided for in Decision 499/10/CONS.

Starting from 1 July, 2011, a new pricing measure for fixed line national calls entered into force. In the consumer market, the so called “Ora Gratis” for local calls and the “Mezz’Ora Gratis” for national calls have been removed; flat rates (no longer differentiated by time) were, therefore, introduced in order to simplify the offer. The new prices are 0.71 eurocents/minute (VAT included) for local calls and 5.04 eurocents/minute (VAT included) for national calls. For both types of traffic, the connection fee value, equal to 7.94 eurocents (VAT included), remains the same. In the business market, the “Ora Gratis” for local calls was also abolished (to remind that for this customer type the inter-district “Mezz’Ora Gratis” was never applied), while the prices of local and national calls remained unchanged.

Starting from 1 January, 2012, a new pricing measure for the local, national and fixed to mobile calls of the business customers entered into force. In particular, the connection fee value, for the three types of traffic, has been set equal to 10.00 eurocents (VAT excluded) and flat rates were introduced (no longer differentiated by time) as following: 1.00 eurocents/minute (VAT excluded) for local calls, 7.00 eurocents/minute (VAT excluded) for local calls, 7.00 eurocents/minute (VAT excluded) for national calls and 8.00 eurocents/minute (VAT excluded) for fixed to mobile calls independently of the called mobile operator.

In 2009, AGCom also concluded the second round of analyses for retail and wholesale access markets. Following the analysis of the markets, AGCom found a lack of competition and designated Telecom Italia as SMP. In December 2009, AGCom issued the Decision 731/09/CONS providing for the remedies to be imposed on Telecom Italia, including Telecom Italia’s Undertakings.

As to the retail access market, AGCom reduced regulatory constraints removing, starting from 2010, the price cap mechanism used to control residential and business subscriber monthly fees, now subject only to a price test (see above for details), in order to ensure replicability by an efficient operator. 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 was introduced. As for bundling services, the previous prohibition has been withdrawn as a consequence of the increased demand for Telecom Italia’s WLR offer.
Starting from 1 July, 2011, an increase of the RTG Consumers monthly fee entered into force (from 16.08 euros/month, VAT included, to 16.64 euros/month, VAT included). Previous adjustment of the Consumers’ monthly fee was made on 1 February, 2009. However, the value of the ISDN monthly fee and of all Business connections’ monthly fees was not changed.

With the aim to ensure the start-up of Telecom Italia’s commercial optical fibre retail offers, in the transitional period for the completion of the NGAN (Next Generation Access Network) regulatory path (see “Wholesale fixed markets” for details), the Authority, with Decision 61/11/CONS, conditioned the authorisation for the launch of Telecom Italia’s retail offer on the following: (i) the service should be offered only in towns where comparable offers by other alternative operators were already in place (Milan, Rome, Turin, Naples, Genoa, Bari, Bologna); (ii) the maximum number of Telecom Italia connectable customers’ premises shall be set at a threshold of 40,000 units; and (iii) provision of a wholesale ultrabroadband offer whose price is based on the retail price reduced by a given percentage (retail minus approach).

- Wholesale fixed markets

The first round of market analyses for fixed wholesale markets was concluded in 2006. In particular, the following markets were analysed: 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 market analyses, 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 been 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 regime applicable to wholesale access obligations on copper infrastructure (unbundling and bitstream), whereas, with regard to price setting, for the period 1 May, 2010 to 31 December, 2012 a network cap mechanism based on a Bottom-Up Long-Run Incremental Cost (BU-LRIC) model was re-introduced. Following the adoption of the above-mentioned cost model, in November 2010 with Decision 578/10/CONS, AGCom set new wholesale rates for the following wholesale services: unbundling, bitstream and WLR and the value of WACC related to wholesale access services to be applied from May 2010 to December 2012. The WACC was set at a value equal to 9.36%. As to the unbundling service monthly fee, AGCom set the following monthly values: €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. The increases in the unbundling monthly fee and in other wholesale services for the 2011-2012 periods have been, however, conditioned on the assessment, by the Authority, of the parameters related to network quality improvement and to the updating of Telecom Italia’s access network. Following evaluation by an external auditor, AGCom’s assessments was positive and, therefore, Telecom Italia has been allowed to increase the intended wholesale price.

Referring to the WLR service, AGCom maintained on Telecom Italia the obligation to provide the service, only in the areas where disaggregated access services are not offered. The price for the service is 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 above), instead of the previous retail-minus regime. In compliance with Decision 578/10/CONS, on 11 April, 2011 Telecom Italia published the 2011 economic conditions for the WLR service: the monthly fee was set at 12.50 euro/month for residential customers and at 14.87 euro/month for business customers. Starting from the year 2012, the WLR monthly fees for residential and business customers have been levelled at a price equal to 12.88 euro/month (value under approval by AGCom).
In November 2010, within the analysis of the wholesale access market, AGCom introduced obligations related to the access to NGAN infrastructures and, in particular, introduced the access obligation to ducts and dark fibre at “fair and reasonable” prices under AGCom supervision and the bitstream access on “Fibre To The x” (FTTx). AGCom further announced the launch of a dedicated proceeding on NGAN regulation. On 20 September, 2010, the European Commission adopted a Recommendation on NGAN regulation. A new regulatory model was proposed where NRAs were asked to take into proper consideration the differences in competitive conditions within different geographical areas in order to assess whether the definition of sub-national geographical markets or the imposition of differentiated remedies were warranted. On 23 September, 2010, with Decision 498/10/CONS, AGCom started the process leading to the regulation of the next generation network access services. Subsequently, in January and May 2011, the Authority launched two public consultations on the new regulatory regime for the access to new generation networks. With Decision 1/12/CONS dated 18 January, 2012, the Authority published its final decision, which does not provide for an explicit fibre unbundling obligation at the exchange level on Telecom Italia. Furthermore, the obligation to provide an “end to end” dark fibre service between Telecom Italia’s exchanges and the final customer’s premises has been confirmed, even though its scope has been reduced by conditioning requests for service by alternative operators related to Telecom Italia’s NGAN investment plan to the “reasonable and proportionality” principle. As to the pricing of the bitstream service over fibre, AGCom confirmed the geographic scope of the cost orientation obligation only for the NGAN “non-competitive” areas. Furthermore, AGCom cut down to only 60 days the period between the publication of the Reference Offer for bitstream services over fibre and the subsequent launch of Telecom Italia’s retail offers. In February 2012, AGCom opened three proceedings for the completion of the NGAN rules aimed at introducing: 1) cost model for the pricing of passive and active wholesale services and the definition of the competitive areas for the geographic price differentiation of bitstream services; 2) the prospective enforcement of symmetric obligations on all operators, for the access to fibre vertical wiring and to building connection segments; and 3) potential regulatory amendments of the copper sub-loop unbundling service in light of the possible introduction of the vectoring technology on “Fiber To The Cabinet—Very High-speed Digital Subscriber Line” (FTTCab-VDSL) accesses. On 19 March, 2012 Telecom Italia published the 2012 Reference Offers for NGAN physical infrastructures and bitstream services. The technical and economic conditions of such Reference Offers shall be approved by the Authority on the basis of the costs incurred by Telecom Italia and, where necessary, of the consistency with efficient provision conditions and of the European best practices. Commercialisation of TI retail NGAN services (both FTTH and FTTCab) may start only 60 days after the final publication of the corresponding bitstream and VULA Reference Offers with the modifications eventually imposed by AGCom.

With respect to migration between operators, AGCom revised fixed-line customer migration rules, substantially reducing the processing times (reduced to five days as of March 2010) for the donating operator to verify the recipient’s migration request (so called “Phase 2”). Moreover, in cases where migration is not requested, the user will have the right to restore, free of charge, the previous configuration within five working days. Furthermore, in order to prevent activation of service not requested by retail customers fixed-line operators introduced (starting from February 2011) an individual security code provided to the customer when they sign the contract for the access service. Finally, with Decision 62/11/CIR, published on July 2011, the daily capacity of each operator for the migration order management has been increased by 60%.

With reference to fixed call termination and origination, AGCom concluded the second round of market analyses in April 2010. The final Decision 179/10/CONS postponed the development of the BU-LRIC model, recommended by the European Commission, and provided new wholesale tariffs for years 2010 and 2011. The Decision stated that prices would be defined at an efficient cost level on the basis of cost accounting data. All the prices provided for call origination were set equal to the ones for call termination. AGCom also confirmed its previous decision to impose infrastructure-based alternative operators Fixed Termination Rates (FTR) equal to Telecom Italia’s termination charge at the transit exchange level (SGT) as of 1 July, 2010. In April 2011, AGCom adopted final Decision 229/11/CONS on fixed interconnection charges from 1 July, 2011 to the end of 2013. In particular, as regards the FTRs of both Telecom Italia and ANOs having SMP, AGCom set 2011 prices at the same level as 2010, therefore maintaining ANOs’ asymmetric prices equal to Telecom Italia’s termination charge for the SGT level. Moreover, AGCom decided to defer to the year 2012 the application of symmetric termination fares, equal to Telecom Italia’s
tariff at local exchange level (SGU), among the infrastructure alternative operators and Telecom Italia itself. AGCom, finally, decided that, starting from the year 2013, only IP termination would be regulated, with a single symmetric tariff for Telecom Italia and for other fixed network operators, resulting from the BU-LRIC model to be developed consistently with the EU Recommendation 2009/396/EC on termination rates. The legal controversy regarding the fixed termination prices’ asymmetry for the period IIH 2010 – IIH 2011, closed on 15 May, 2012. The Third Session of the Council of State received the appeals filed by alternative operators and by AGCom against the ruling of the Lazio Regional Administrative Court which overruled Decisions 179/10/CONS and 229/11/CONS on the times to overcome the asymmetries between the reverse termination tariffs applied by ANOs and the ones applied by Telecom Italia. In short, the Council of State, revising the Administrative Court ruling, agreed with the alternative operators’ thesis according to which the differences existing between Telecom Italia’s network architecture and the architectures of the ANOs, determine a cost misalignment against the latter. This would justify the temporary maintenance of the tariff asymmetries, especially in the light of their supersession when there is the passage to a system based on IP interconnection. Finally, the presence of an already defined perspective of overcoming the asymmetries convinced the Council of State of the compatibility of the above-mentioned Decisions with the positions expressed by the European Commission in this regard.

Concerning transit services, in April 2010, AGCom identified two markets: (i) local conveyance and transit market (which 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 (including 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 the national conveyance and transit service markets has been withdrawn, AGCom maintained the regulation for the local conveyance and transit market.

Regarding the wholesale markets for trunk segments of leased lines and for terminating segments of leased lines, AGCom, in January 2010, stated that the market for trunk services was competitive and removed all ex-ante obligations. As to the terminating services market, AGCom identified 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 starting from 31 December 2010. On the other side, AGCom identified Telecom Italia as SMP in Market A and imposed a network cap for the years 2010-2012.

- Mobile markets

AGCom concluded the second round of analyses of the mobile markets in the years 2008-2009.

In February 2009, AGCom confirmed that the wholesale market for access and call origination on mobile networks should not be subject to ex-ante regulation.

With respect to the wholesale market for voice call termination on mobile networks, AGCom decided in November 2008 a four year gradual decline in tariffs, setting the MTR for each SMP mobile network operator and the elimination of the current asymmetry enjoyed by the third entrant in 2011 (5.3 eurocents/min) and by the last entrant in 2012 (4.5 eurocents/min).

Subsequently, AGCom developed a new cost model for MTRs taking into account the May 2009 EU Recommendation on the regulation of termination rates. The new cost model was used in the third round of market review, launched with Decision 670/10/CONS, in order to update the values of the glide path (multiyear mechanism of price control) set for mobile termination rates.

In November 2011, AGCom published its final decision on wholesale prices for voice call termination on individual mobile networks (Decision 621/11/CONS). The new glide path, based on half-monthly (instead of annual) variations, starts from 1 July, 2012 and will expire on 1 July, 2013 with the coming into force of a symmetric termination rate for all mobile operators (0.98 eurocents/minute).
Mobile networks vocal termination eurocents/min.

<table>
<thead>
<tr>
<th>Prices applied from 1 July, 2011</th>
<th>New glide path from 1 July, 2012</th>
<th>from 1 January, 2013</th>
<th>from 1 July, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Termination on H3G network.........</td>
<td>6.3</td>
<td>3.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Termination on TI, Vodafone and Wind networks..</td>
<td>5.3</td>
<td>2.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Meanwhile, starting from 1 July, 2011, wholesale termination fees were decreased following the decision on MTRs adopted at the end of the second round market analysis (in particular, H3G fees decreased from 9 to 6.3 eurocents/min, Wind from 7.2 to 5.3 eurocents/min and Telecom Italia and Vodafone from 6.6 to 5.3 eurocents/min).

Concerning SMS termination prices, currently set on commercial basis and based on reciprocity among operators, a public consultation is ongoing. In a November 2011 decision on the wholesale market for mobile call termination, AGCom envisaged an analysis of this market to assess whether competitive problems exist. The timing of an eventual draft decision has not yet been communicated.

**Mobile Number Portability (MNP)**

On 7 January, 2011 AGCom published Decision 147/11/CIR on "Amendment to the regulations on mobile number portability”. The Decision, among other things, provides that:

- MNP should be set up within 8.30 a.m. of the second working day following input of the customer’s request in the recipient operator’s systems;

- from 1 January, 2013, the recipient operator must refund the customer, upon request, in case of delays in the activation of the MNP, for a a minimum of 2.5 euros for each working day of delay, up to a maximum of 50 euros. The refund is not due for delays up to two working days; for delays over two working days, the refund calculation takes into account all the days late including the first two; and

- the data of the customers who request the MNP activation is to be treated by the donating operator with the utmost confidentiality and used only for the activation of the service.

**International roaming**

The EC Regulation on international roaming, approved by the European Parliament and the Council in June 2007 (CE 717/2007), 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 (CE 544/2009) which provided for further progressive reductions of prices for voice call (retail and wholesale) and set 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 based on an “opt-in” model). The above new Regulation applies until summer 2012.

On 6 July, 2011, the European Commission published the proposal for the “Roaming III” Regulation to be implemented starting from 1 July, 2012. The proposal has been submitted to the European Parliament and the EU Council of Ministries approval under the so-called co-decision procedure; on 27 March, 2012 an agreement was reached on a compromise text, and the final “Roaming III” Regulation was approved on 31 May, 2012. The regulation, in force until 30 June, 2022, provides:

(a) the extension of retail (up to the year 2017) and wholesale caps (up to the year 2022) on voice roaming services, SMS and intra-EU data;

(b) the decoupling of roaming offers from national offers (from 2014), allowing customers to buy roaming offers from a different provider than the one providing national services; and

(c) the obligation for mobile operators to provide wholesale roaming access at regulated prices.

**Long Term Evolution (LTE) Frequencies**

The so-called “digital dividend” is the allocation of a portion of the broadcasting frequency band to other telecommunication services. AGCom published guidelines for the frequency national plan aiming at fostering the release of the digital dividend band (as required by the European Commission Recommendation 2009/848/EC of 28 October, 2009) at present allocated to a large number of local broadcasters (about 600).

On 7 December, 2010, following the approval of the 2011 Financial Bill, ACGom and the Ministry for the Economic Development—Communications Department launched the process to award, by means of a tender, radio frequencies’ rights of use to be assigned to broadband mobile electronic communication services.

On 10 June, 2011, AGCom published the Decision 282/11/CONS regulating the procedures aiming at issuing the 800, 1800, 2000 and 2600 MHz frequencies’ rights of use. Finally, in the Official Journal n. 75 dated 27 June, 2011 the Ministry for the Economic Development published the “Invitation to Tender” for the award of the frequencies’ rights of use.

The minimum tender rates for the each frequency lot were as follows:

<table>
<thead>
<tr>
<th>BAND</th>
<th>Minimum rate per lot (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>800 – FDD</td>
<td>353,303,732.16</td>
</tr>
<tr>
<td>1800 – FDD</td>
<td>155,869,293.60</td>
</tr>
<tr>
<td>2000 – TDD</td>
<td>77,934,646.80</td>
</tr>
<tr>
<td>2600 – FDD</td>
<td>30,668,726.75</td>
</tr>
<tr>
<td>2600 – TDD</td>
<td>36,802,472.10</td>
</tr>
</tbody>
</table>

The Ministry for the Economic Development granted Telecom Italia the right to file offers for the use of frequencies.

The tender was launched on 31 August, 2011 and was closed on 29 September, 2011. On 3 October, 2011, the Ministry for the Economic Development—Communications Department awarded Telecom Italia two 2x5 MHz standard blocks at 800 MHz each, a 2x5 MHz block at 1800 MHz and three 2x5 MHz standard blocks.
at 2600 MHz each. Telecom Italia’s total investment amounts to 1,223 million euros, net of a 38 million euros discount due to Telecom Italia’s commitment to implement the new networks using more than 50% environmental sustainable equipments. Given this discount, a specific credit guarantee was set up.

On 3 November, 2011, Telecom Italia told the Ministry that:

- the 767 million euros contribution for the award of the above-mentioned frequency blocks was paid;
- a 5 year guarantee for 456 million euros had been created following the request to pay the rest of the amount in instalments.

On 15 December, 2011, Telecom Italia requested that the Ministry grant authorisation to start trials for LTE service on the 800, 1800 and 2600 MHz bands. Following the request by Telecom Italia and by other mobile operators, the Ministry set up a Technical Table for the release of 800 and 2600 MHz bands by, respectively, local television broadcasting operators and the Ministry of Defence.

The rights of use, formally awarded by the Ministry on 3 October, 2011, were allocated on February 2012.

**Numbering plan**

AGCom decided in December 2010 that the rights of use of mobile numbering is to be extended to MVOs. In addition, considering the possible new numbering resources needed, should the future MVO numbers significantly increase, AGCom decided to modify, by 2012, existing end users’ mobile number codes and Mobile Number Portability routing number codes bringing them from 3 digits to 4 digits with relevant technical and economical impacts on infrastructure network operators.

In January 2012, AGCom launched a public consultation (closed in February 2012) proposing a revision of National Numbering Plan (NNP). The main proposals, as to the draft decision, concern the mobile numbering structure evolution, the update of the premium services price ceiling and a new numbering block for SMS/MMS corporate services.

Due to the relevant impacts of the proposed revision of the current mobile numbering plan, a proposal has been jointly raised by the main national mobile operators to find possible solutions aiming at balancing the market needs for new mobile numbering resources to the benefit of MVOs with the impacts on the current mobile numbering structure and on mobile operators.

The final AGCom decision on NNP regulation has been adopted pursuant to Decision 52/12/CIR, published on the official website of AGCom on 18 May, 2012.

**Quality of services of broadband internet access at fixed location**

In November 2008, AGCom issued a decision stating that operators shall provide information about the service level of internet access services at a fixed location:

- operators shall state their minimum standards of service quality (including the minimum connection speed) and other information about the characteristics of the access. Subscribers can terminate their contract if the quality of their connection is below the claimed minimum standards; and,
- operators shall undertake statistical measurements at regional level (for example speed data transmission; rate of failure in data transmission; rate of packet loss). At present, this activity has been taken in ten regions and will be gradually extended to all 20 Italian regions.

In the autumn of 2010, AGCom launched a tool allowing customers to measure the quality of their broadband connections.

The AGCom decision finally introduces a *super-partes* agency verifying operators’ measurements.
Quality of services of broadband internet access at mobile location

In February 2011, AGCom launched a working group aiming at raising suggestions on how to regulate the quality of mobile broadband access lines services.

The working group defined the statistical measurements to be made, through drive test, every six months in the main cities of all the Italian regions. The first year measurement campaign should end before summer 2012 and the results should be available by September 2012.

Universal Service

The Universal Service is a minimum set of services of a certain quality, which shall be made available to all customers, regardless of their geographical location and shall be offered at a reasonable price, taking into account the specific national conditions. To date, Telecom Italia is the only operator with the obligation of providing the Universal Service (USO) throughout Italy.

A fund, set up by the Ministry of Communications, is used to contribute to finance the net cost for the provision of Universal Service. All the companies in the sector including Telecom Italia contribute to the above fund.

The net cost of providing the Universal Service is calculated as the difference between a company’s net cost when it is subject to the obligation of providing the Universal Service and the net cost of the same operation should the obligation not exist. It is AGCom’s responsibility to verify the net cost of the Universal Service.

In March 2008, AGCom published a Decision introducing a new method of calculating the net cost. Such a calculation affects credits related to the Universal Service net cost for the years 2004, 2005 and 2006 which is going to be re-calculated and submitted to AGCom under the new terms by the end of June.

With Decision 153/11/CIR, AGCom assessed the 2004 net cost for universal service. The Authority decided the applicability of the sharing mechanism and estimated the net cost for the year 2004 was 25.9 million euros. The contribution rate due to other operators amounts to 8.7 million euros.

The net cost of providing Universal Service 2005 is undergoing AGCom’s approval and the net cost calculations for years 2006/2010 have been delivered to AGCom. Therefore Telecom Italia is fully compliant with the accounting obligations regarding the net cost of Universal Service.

Since the issue implies contributions from other operators AGCom’s proceedings aimed at defining the operators’ contribution to the fund are highly controversial. Notwithstanding the disputes on the issue, Telecom Italia continues ensuring the provision of Universal Services accordingly to the USO rules defined by AGCom.

Public Telephony

In April 2010 AGCom confirmed that the criteria regarding the distribution of public telephones on the national territory was no longer consistent with current social needs and removed “quantitative” obligations for Telecom Italia. As a result, Telecom Italia was authorised to remove up to 30,000 public telephones per year after consultation with local municipalities and interested citizens. In 2010, approximately 7,500 public telephones were therefore removed while the number of public phones removed in 2011 amounted to around 10,000 bringing the total number of public telephones in place to 97,736.

Accounting separation and fixed network cost accounting

SMP operators are required to have a transparent accounting system as to their costs. These operators shall provide AGCom annually with both a description and a report on their cost accounting system to assess their compliance with the provisions of the electronic telecommunications regulatory framework. Moreover, SMP
fixed and mobile operators must keep a separate accounting system separating the activities in each of the relevant wholesale and retail markets defined by AGCom according to the periodic market analyses.

The “rules” on regulatory accounting in Italy are set in accordance with EC Recommendations, particularly with Recommendation on “Cost Accounting and Accounting Separation”, issued on September 2005.

Changes in the regulation on cost accounting and accounting separation follow periodical market analyses.

The rate of return on capital employed was set by the AGCom at 9.36% nominal pre-tax with Decision 578/10/CONS in December 2010.

During the first half of 2012, the independent auditors appointed by AGCom to review Telecom Italia’s accounting separation of the fixed network services for the year 2010 completed their audit and delivered the requested audit reports to AGCom. Reports of the auditor are going to be approved by means of an AGCom decision; regulatory accounts and accounting methodology are going to be published also by Telecom Italia on its website.

Public consultation issued by AGCom on new accounting rules regarding internal contracts, transfer charges and further reporting requirements aimed at complying with the “equivalence” principle is concluded. The AGCom final decision was issued in December 2011; after a trial period, the new regulatory accounting requirements will be applied in 2011 regulatory accounting process to be delivered in 2012.

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 on market analyses concerning the “market for the termination of voice calls on individual mobile networks”, AGCom requested SMP operators to produce economic and quantitative data related to regulatory accounting methodologies for the purpose of setting new network cap values. Consultation on the main assumptions of Mobile LRIC model was closed in November 2010.

During the first half of 2012, the independent auditors appointed by AGCom to review Telecom Italia’s accounting separation of the mobile network services for the year 2010 completed their audit and delivered the requested audit reports to AGCom. Reports of the auditor are going to be approved by means of an AGCom decision.

At present, Telecom Italia is fully compliant with its regulatory accounting obligations.

**AGCom fee 2011-2012**

In January 2011, AGCom carried out an assessment of the compliance by Telecom Italia and all other companies with respect to their obligation to pay annual fees to the Authority for the years 2006, 2007, 2008, 2009, 2010. On 1 March, 2011, with Decision 99/11/CONS, the Authority notified Telecom Italia of its conclusions that Telecom Italia had not fully paid its operating expenses due for the relevant period, listing additional accounting items which, in its opinion, should have been included in the cost basis used to make the calculation. Telecom Italia was therefore ordered by AGCom to pay an extra sum for amounts not paid in the five years 2006-2010. Telecom Italia challenged this decision with the Lazio Regional Administrative Court which suspended the above mentioned measure and referred to the ECJ a preliminary question, i.e. the assessment of AGCom’s national financing system consistency with the principles deriving from the EU sectorial Directives.

On 3 January, 2011, AGCom published the Decision 599/10/CONS on the payment of the annual fee for the year 2011 with which the Authority raised the contribution share from 1.5‰ to 1.8 ‰ of 2009 communications sector revenues. On 30 April, 2011, Telecom Italia paid (with reservation) an amount equal to 24.2 million euros, calculated consistently with the reasoning on which the appeal against Decision
99/11/CONS was based and, at the same time, challenged Decision 599/10/CONS with the Lazio Regional Administrative Court in relation both to the increase in the level of the contribution and to the broadening of the accounting items to be considered in the cost basis.

As regards the two appeals filed by Telecom Italia and the relevant rulings issued on 13 December, 2011, two orders have been published by the II Section of the Lazio Regional Administrative Court. These orders suspended the above-mentioned proceedings and referred to the ECJ a preliminary question, i.e. the assessment of AGCom’s national financing system consistency with the principles deriving from the EU sectorial Directives.

On 28 March, 2012, AGCom published Decision n. 650/11/CONS on the payment of the fee for the year 2012, setting the calculation methodology on 2.0‰ of 2010 revenues of the communications sector. On 30 April, 2012, Telecom Italia paid (with reservation) an amount equal to 23.0 million euros and challenged Decision 650/11/CONS with the Lazio Regional Administrative Court, mostly reproducing the statements of the appeals against Decision 99/11/CONS and Decision 599/10/CONS.

**Broadband and digital divide**

Over the last few years, AGCom introduced several measures aimed at endorsing the development of fixed and mobile broadband through the provision of simplified procedures to deploy the relevant networks.

Particularly important in this respect is the Decree Law 25 March, 2010, n. 40, enacted by Law 22 May, 2010, n. 73., introducing:

- a lighter authorisation procedure for the deployment of broadband mobile equipments; and,
- simplified rules for the use of innovative digging techniques (mini-trench) for the deployment of optical fibre equipments.

In 2010 the simplification process also affected the authorisation procedure for the deployment of electronic communication equipments in areas under landscape restrictions. In fact, since half of Italy is considered as protected area (“area di conservazione”), provisions aiming at accelerating digging authorisations are important levers for broadband expansion throughout the country.

Finally the Decree Law 6 July, 2011 n. 98, enacted by Law 15 July, 2011, n. 111. has further simplified the administrative procedure for the expansion of small mobile equipment (0.5 sq. area) and of low power equipments (7 watt). The deployment of mobile equipment falling within the above-mentioned thresholds was actually exempted from the DIA regime (“Denuncia di Inizio Attività”—“Commencement Notice”) previously provided for by the Electronic Communications Code and subject to a simple communication, to be made at the time of activation of the equipment.

**PRIVACY AND DATA PROTECTION**

Telecom Italia must comply with Italy’s data protection code (Legislative Decree 30 June, 2003 n. 196), which came into force on 1 January, 2004.

The code is divided into three parts: (1) general data protection principles; (2) additional measures applicable to organisations in certain areas, including telecommunications; and (3) sanctions and remedies.

The code applies to all data processing within Italy and also affects organisations not being based in Italy but using equipment located in Italy, such as computer-based systems.

According to the code, personal data shall be processed lawfully and fairly, kept accurately and up to date and must not be excessive or kept for longer than necessary. Therefore, information systems shall be configured in order to minimise the use of personal data.
The “data subject” (any natural person that is the subject of the personal data) and the “subscriber” (any natural or legal person who or which is party to a contract with the provider of publicly available electronic communications services, or is the recipient of such services by means of pre-paid cards) shall receive a preliminary information on the purposes and modalities of data processing. Consent of the data subject is necessary to process personal data, except in 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 in the Electronic Communications Sector**

The above mentioned code has implemented the provisions contained in the E-Privacy Directive of the European Union (Directive 58/2002).

When data retention is concerned, communications service providers (CSPs) are allowed 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 electronic communications traffic data for the purpose of detecting and preventing crimes. In 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 electronic communications 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 per la protezione dei dati personali), 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.

Concerning direct marketing activities, the data protection code allows the processing of personal data obtained from directories of subscribers, in order to carry out operator-assisted telephone calls for commercial purposes. Such processing is possible unless the entity that entered its respective telephone numbers in a public “opt-out register”, which came into force on 1 February, 2011.

**ANTITRUST IN ITALY**

**Legislation on competition**

Telecom Italia is also subject to Italian competition law.

Law 10 October, 1990 n. 287 (“Provisions aiming at protecting competition and the market”) set up the Autorità Garante della Concorrenza e del Mercato, or “Antitrust Authority”.

The Antitrust Authority is mainly responsible for:

(i) applying Law 287/1990 and, consequently, monitoring: (a) anticompetitive agreements; (b) abuses of a dominant position; and (c) mergers and acquisitions that fall under its scrutiny;

(ii) applying, whenever the necessary conditions are met, the relevant EU provisions (i.e., Articles 101 and 102 of the Treaty on the Functioning of the European Union);

(iii) applying the "Consumer Code", adopted with Legislative Decree 6 September, 2005 n. 206; and,
(iv) monitoring conflicts of interest in the case of individuals holding government positions.

It is worth mentioning that, in cases concerning competitive agreements or abuses of dominant position, according to Articles 14-bis and 14-ter of Law 287 of 1990 the Antitrust Authority may (i) adopt interim measures; and (ii) enforce commitments binding upon the proposing parties in order to dispel identified anticompetitive concerns closing the investigation without any finding of a violation.

Finally, the Antitrust Authority can take action against abuse of economic dependence, submit reports to Parliament and Government and has the power to request the annulment of general administrative measures, regulations or resolutions adopted by any body of the public administration considered in breach of competition law.

**Antitrust Proceedings A426 and A428**

Please see “Description of Telecom Italia - Litigation”.

**TELECOMMUNICATION REGULATORY FRAMEWORK IN BRAZIL**

Telecom Italia Group’s operations in Brazil are subject to the 1997 General Law on Telecommunications (Lei Geral de Telecomunicações—*LGT*) and to a comprehensive regulatory framework for the provision of telecommunications services adopted by ANATEL.

ANATEL is responsible for the regulation and implementation of national policies in matter of telecommunications. It is a quasi-independent body (the relationship with the Ministry of Communication is institutional, but not hierarchical) enjoying financial and operational autonomy and a wide range of functions and powers, to ensure competition and to avoid concentration of services. The board members have a fixed term, are selected and appointed by the President under approval by the Senate.

ANATEL has the power to impose restrictions, limitations or conditions on concessions, permits or authorisations. ANATEL has the authority to propose and issue legally binding regulations on telecommunications service providers. The rules issued by ANATEL are subject to periodic updates. Any proposed regulation or action by ANATEL is subject to a period of public consultation, which may include public hearings, and can be challenged in Brazilian courts.

ANATEL privatised the former public monopolistic operator and progressively opened the market to competition, in addition to promoting universal access to basic telecommunications services.

With regard to the operational activity of TIM, Intelig and TIM Fiber, ANATEL developed regulations for mobile communication services (*SMP*—Personal Mobile Services), fixed communications services (*STFC*) and data transmission and multimedia services (*SCM*).

In October 2008, ANATEL approved the proposed “General Update Plan in Telecommunications Regulation” (*PGR*) aiming at planning the actions to be promoted by ANATEL for the next ten years, in order to update the regulation of telecommunications in Brazil. Implementation of the Local Loop Unbundling and Virtual Mobile Operators were included in the expected short-term actions by the PGR.

Number portability was introduced in Brazil beginning in September 2008 and became fully operational in March 2009.

The exploitation of mobile services by MVOs, based on commercial agreements between established operators and virtual operators was introduced in 2010.

**Authorisations**
ANATEL carried out the privatisation of the former public monopoly operator and gradually opened the sector to competition, in addition to fostering universal access to basic telecom services. According to the General Telecommunications Law and to the regulations issued by ANATEL, licences 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 (Telefonica, 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.

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.

The authorisations for fixed and mobile services give the Telecom Italia Group (which operate under the brand names TIM, TIM Fiber and Intelig) coverage of the entire Brazil allowing to provide fixed, mobile, long distance and multimedia services.

According to Brazilian law, Internet access is considered a value-added service, and providers of Internet services are not considered to be telecommunications operators. The rules require that all telecommunications services’ operators allow network access to any interested party to provide value-added services, without discrimination, unless technically impossible. The voice service providers can also provide value-added service through their own networks.

**Interconnection rules**

Telecommunication operators must publish a public interconnection offer highlighting both economic and technical conditions and are subject to the “General Interconnection Regulatory Framework” enforced by ANATEL in 2005.

The interconnection charges for fixed network (TU-RL) amount to a percentage of retail prices for the incumbent operators. Alternative operators (including TIM) can apply asymmetrical interconnection rates exceeding up to 20% the one applied by the incumbents.

The values of mobile interconnection rates (VU-M) are freely negotiated by operators. The National Regulatory Authority has, however, arbitration power in case of disagreement being able to determine a reference value according to criterion set up by regulation.

Interconnection agreements are subject to prior approval by ANATEL.

**Main regulatory developments**

**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, 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 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.

**Fixed Termination Rates:** On 2 May 2012, ANATEL approved the new regulation regarding the fixed termination rates.

The fixed networks will only remunerate each other when there is an imbalance of interconnection traffic of 75% versus 25% (currently, 55% versus 45%).
ANATEL decided that from January 2014, the system will be the full Bill and Keep, i.e., all operators take rights of tariffs generated on their networks, and no interconnection remuneration will be in place.

Companies without significant market power, which will be defined in the General Plan Competition (PGMC), may charge a termination rate 20% higher.

**Leased Lines:** On 3 May 2012, ANATEL approved the new regulation on Wholesale Leased Lines (EILD).

The operators holding a significant market power (SMP) are obliged to provide EILD at a reference price 30% lower than the ones practiced before the decision.

The provision of “special” Leased Lines, at a higher price than the standard lines, should be amply justified and limited to requests that require larger investments or, only in case of copper lines, places far from the central offices.

Current contracts have to be adapted to the new ANATEL provisions.

**General Competition Plan (PGMC):** with the General Competition Target Plan the regulator (ANATEL) intends to introduce tools for market analysis in order to identify operators with market power and to consequently impose asymmetric measures. From July to October 2011, ANATEL consulted interested stakeholders on this issue.

ANATEL approach is to analyse the competition environment, and the possible existence of operators with significant power to which apply asymmetric measures, in seven relevant market: two markets at retail level (Origination of local calls from fixed line access; pay-TV Offer) and five at wholesale level (Access to the fixed network; Access to the mobile network; Interconnection with fixed networks; Interconnection with mobile networks; Local and national transport infrastructure) TIM Brasil should not be considered as a Significant Market Power operator in any of the seven markets as defined by ANATEL.

The final approval of the regulation is expected for the second half of 2012.

**Retail prices of Fixed to Mobile calls:** following a public consultation held in November 2010, ANATEL published a regulation imposing a glide path on fixed-mobile retail rates (VC) for the period 2012-2014, based on a price cap system, with a 23% decrease in three years. Because of this change in the price of Fixed to Mobile calls, operators were expected to have negotiated new values of mobile termination by 12 February, 2012. Since no agreement was reached, ANATEL imposed the first step of a glide path for mobile termination reducing its value by about 27% in three years.

**Cost models’ implementation:** in 2005, ANATEL issued a ruling for “Accounting Separation and Cost Accounting”, introducing on 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) the obligation to present the Accounting Separation and Allocation Document (“Documento de Separação e Alocação de Contas”—DSAC). Starting from 2006 (for fixed operators) and 2008 (for mobile operators), operators (TIM included) are providing ANATEL with the requested information.

In August 2011, ANATEL launched a project called “Modelo de Custos”, setting up a consortium of consultants (Advisia, Analysys Mason, Grant Thornton) in charge of developing, within two years, the cost model for fixed and mobile networks for communications services.

By 2014, when the cost model will be available, ANATEL should have an instrument for the effective application of the obligation of cost orientation for the development of regulated wholesale services.

**Assignment of frequencies in the bands 2.5GHz and 450MHz:** On 12 June 2012, the auction for the allocation of radio frequencies in 2.5GHz band was held. Six Groups participated to the bid (Claro/Telmex, Intelig/TIM, Sunrise (a pay-TV company), Oi, Vivo/Telefonica, Sky).
Together with the 2.5GHz frequencies, enabling for 4G/LTE applications, a portion of frequencies in the
range of 450MHz had to be assigned. No bidders were interested to acquire separately this band due to the
absence of standards and burdensome coverage obligations.

Both Claro and Vivo won a block of 20+20MHz in the 2.6GHz band for, respectively, R$844 million (about
€330 million, 34% above the starting price) and R$ 1,050 billion (about 410 million euros, 67% above the
starting price).

Both TIM Brasil and Oi won a block of 10+10MHz in the 2.6GHz band for respectively R$340 and R$338
million (about 132 million euros each, respectively 8% and 5% above the minimum price). TIM won also a
subset of regional frequency blocks (in the states of Amazonas, Belo Horizonte, Pará including Belém and
Grande Rio de Janeiro) for about R$42 million (~15 million euros).

Sunrise and Sky won a subset of regional frequency blocks in their area of commercial interest for about
R$100 million (~40 million euros).

Coverage obligations:

- 450MHz: by 31 December, 2015, rural areas within 30 km from the City Hall covered with voice and
data services. As no bidders were interested to acquire separately this band, the corresponding spectrum
and coverage obligations will be assigned together with 2.5 GHz frequencies. TIM rural coverage
obligations include the states of Rio de Janeiro, Espírito Santo, Paraná e Santa Catarina

- 2.5 GHz: by 31 December, 2016, gradual coverage with 4G services of the cities with more than 100.000
inhabitants (starting from the cities of the 2014 FIFA World Cup).

700MHz frequencies for 4G/LTE will not be available before 2016.

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 under which various licensing and technical requirements are
imposed.

Telecom Argentina’s and Telecom Personal’s activities are supervised and controlled by the “Comisión
Nacional de Comunicaciones” (CNC), a governmental agency under the supervision of “Secretaría de
Comunicaciones” (SECOM), which is embodied within the Ministry of Federal Planning, Public
Investments & Services. The SECOM develops, enforces and implements policies which are applicable to
telecommunications services, reviews the applicable legal regulatory framework, approves major technical
plans and resolves administrative appeals filed against CNC resolutions.

The Argentinean regulatory framework is mainly featured by:

- the Privatisation Regulations, including the List of Conditions and the Transfer Agreement;
- the Licences granted to Telecom Argentina and its subsidiaries;
- the Agreements on Rates; and
- various governmental decrees, including Decree n. 764/00, establishing the regulatory framework for
licences, interconnection, universal service and radio spectrum management, Public emergency law
(law n. 25.561) dated 6 January, 2002 (regarding, among others, rules freezing fixed telephony
rates).
Regulatory Authorities abroad

Núcleo, Telecom Personal’s Paraguayan controlled company, is supervised by “Comisión Nacional de Telecomunicaciones” (CONATEL) the National Communications Commission of Paraguay.

Telecom Argentina USA, Telecom Argentina’s subsidiary, is supervised by the Federal Communications Commission (FCC).

Springville SA, Telecom Personal’s Uruguayan controlled company, is supervised by “Unidad regulatora de servicios de comunicaciones” (URSEC).

Authorisations

In March 1998, the Argentinean government issued the Decree n. 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 licences and liberalised basic telephony and international long-distance services.

Some provisions of the Decree and its related resolutions were amended by Decree n. 764/00. The latter Decree established a new general regulation for licences, interconnection, Universal Services and radio-frequencies spectrum control, by which each licenced 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 Licences based on a single nationwide licence for the provision of all telecommunication services to the public, including fixed-line, wireless, national and international services. It also established a new Interconnection Regulation that includes the obligation to give transparent networks interconnection and to publish a “Reference Interconnection Offer” (RIO) including the infrastructure elements and services that the dominant operator is required to provide. The commercial conditions for interconnection are defined by free agreement between the parts, while costs for basic interconnection elements are established in this regulation.

Since the end of the exclusivity period the Argentinean government granted a number of licences to, among others, provide fixed local and long distance services, some of which affiliated with major service providers outside Argentina.

Telecom Argentina has been granted non-expiring licences 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, the company dedicated to mobile services, has been granted a non-exclusive and non-expiring licence to provide mobile telecommunication services.

Núcleo, in Paraguay, has been granted a renewable five-year period licence to provide mobile telecommunication services in Paraguay as well as Personal Communications Services (PCS) and Internet access in specific areas of the country.

Springville S.A was acquired in April 2009 by Telecom Personal S.A. It offers mobile telephony services under the model name “Mobile Virtual Network Operator” (MVNO) in Uruguay.

The main licencees providing local and/or fixed long-distance telephone services in Argentina are, among others, Telmex, Global Crossing, Comsat, IPlan, Telephone2, Telefónica and Telecom Argentina.

The freezing of rates for fixed telephony
The “Price Cap” regime was the methodology originally applied to calculate changes in Telecom Argentina’s basic services rates.

Following the 2001 economic crisis, an Administration Act (Law 25,561) froze, from January 2002, all tariffs for fixed telephony services (provided under a concession regime by Telecom Argentina and Telefonica) and created, between 2002 and 2003, a Ministry of Finance Commission (UNIREN), with the task to renegotiate the rates of all public services.

In May 2004 a Memorandum of Understanding (MoU) between the Government and each operator was agreed; the MoU maintained till December 2004 the same tariff level, and granted the continuity of other contractual rights.

In April 2006 another Memorandum of Understanding (“Carta de Intendimiento”) was signed by operators and UNIREN with which Telecom Argentina and Telefonica gave up the lawsuit against the Law 25,561, in exchange for small rate adjustments (related to peak/off-peak and international rates) while respecting the rights and obligations arising from the concession and committing to new quality of service goals.

This agreement needed to be submitted by the Government to the Congress for its approval, but the process was suspended in 2008.

Any revisions of rates should be promoted by the Government.

Main regulatory developments

**Universal Service (SU) Regulation.** The obligation to pay contributions to the SU is in force since January 2001, but only in December 2010 (SECOM Resolution n. 154/2010) the methodology of contribution to the Trust Fund for the Universal Service (FFSU), confirming the principle of “Pay or Play”, has been implemented.

Under this principle, the Operators can replace the monetary contributions to fund with the provision of services under SU programmes approved by the regulator.

The Resolution also stated an obligation for operators to pay the amounts accrued to the fund from July 2007 to December 2010, recognising the possibility of replacing past economic contributions with the provision of services covered by the SU programmes. These projects must be approved in advance by SECOM, and their enforcement must then be verified by an Audit.

For the period January 2001-June 2007, a 2011 Decision (SECOM Resolution n. 9/2011) allows all operators to submit infrastructure projects (“Proyectos de Infraestructura in Telecomunicaciones”), with eligible funds corresponding to their obligations of contributing to FFSU.

Telecom Argentina, providing services that fall under the Universal Service Programme, claims not having to pay contributions to FFSU. This request is still pending in front of the regulator.

Personal Telecom pays to the FFSU a monthly 1% of revenues from sales of services. The request made by Personal to compensate the funds corresponding to its obligations of contributing to FFSU for the period January 2001-June 2007, with a project based on a mobile network infrastructure, is still pending in front of Secom.

**“Argentina Conectada” Plan**

In October 2010, the Government approved the Plan “Argentina Conectada” setting up a commission for the coordination of various initiatives to promote digital inclusion and broadband connectivity throughout the country.
The initial objectives of the plan are:

- the extension of broadband services to the majority of the country’s locations by 2015;
- the deployment and management by Arsat (public operator that so far has offered satellite services) of a new backbone network, renting fibre from existing operators or by sharing agreements (“swaps”) of optical fibre;
- the allocation of public funds to approximately 8 billion pesos (about 1.4 billion euros) within 3 years;
- the financing of broadband connectivity in schools and libraries through the Universal Service Fund.

Spectrum

In May 2011 a tender for the allocation of frequencies in the 1900 (band called PCS) and 850 MHz bands (i.e. “SRCM”) was published. The frequencies were returned by Movistar (Telefónica Group), following the merger with Bell South in 2005 which resulted in it exceeding the limit of 50MHz (spectrum cap) applicable in each region (North, South, Greater Buenos Aires).

On 6 February, 2012, according to the established schedule, Personal presented the documentation to participate in the frequencies auction.

On 31 May, President Cristina Fernandez declared that the results of the prequalification tender would be announced on 7 June, but the announcement didn’t materialize. So far no formal communication on a new date was made available. The tender is now expected to be held in June 2012.

Mobile Number Portability Implementation

Mobile Number Portability was implemented from March 2012 as established by Secom. Portability for mobile numbers has to be completed in 10 working days. Number Portability should be an opportunity to improve customer base.

BROADCASTING REGULATORY FRAMEWORK IN ITALY

Consolidated Act on Broadcasting (Legislative Decree 177, 31 July, 2005) and Legislative Decree 44, 15 March, 2010

Broadcasting activity in Italy is mainly regulated by the Consolidated Act on Broadcasting (Legislative Decree 31 July, 2005 n. 177), amended by Legislative Decree of 15 March, 2010 n. 44 (Decree 44/10), implementing the Audio Visual Media Services Directive (AVMS), which entered into force on 30 March, 2010.

Decree 44/10 introduced changes in the audio-visual 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 audio-visual services.

AGCom implemented the new rules through regulation, including the adjustment of authorisations already released prior to these new rules.

On 30 June, 2011, AGCom approved a new regulation (Decision 353/11/CONS) for digital terrestrial broadcasting activities (both concerning network operators and content providers). Telecom Italia Media Broadcasting contested: 1. the clause allowing local network operators to carry national TV channels, and 2.
the clause extending analogue licence fees (1% of income) to all digital services. This extension is in conflict with EU legislation, which establishes that administrative costs cannot be related to the size of income.

**Logical Channel Numbering Plan**

Decision 366/10/CONS (15 July, 2010) contained a detailed Logical Channel Numbering (LCN) plan assigning Telecom Italia Media’s generalist national channels—La7 and MTV—respectively numbers 7 and 8. Telecom Italia Media and MTV Italia have also obtained numbers for their digital channels (La7D and MTV Music), shifted channels, HD channels and catch up TV services, on demand and interactive services.

**Switch off timetable**

After digitalisation of Sardinia in 2008 and north of Italy, Lazio and Campania in 2009, from 10 October to 21 December, 2010 a complete switch off has taken place in Liguria, Toscana, Umbria and Marche. At the end of 2011 more than 80% of Italian population is all digital.

On 14 December, 2011, the Ministry for Economic Development set the complete switch off within 30 June, 2012. Starting from 7 May, Abruzzi, Molise, Puglia, Basilicata, Calabria and Sicilia will complete switch-off transition by the end of June 2012.

**Digitalisation of broadcasting networks and frequencies**

In response to the infringement procedure 2005/5086 filed by the EC against Italy, in June 2008 the Government passed Law n. 101, replacing the special licensing regime for digital terrestrial network operators with an authorisation regime compliant with the Code of Electronic Communications and the EU Directives.

As a consequence, the licences granted have been converted to general authorisations lasting 20 years.

The European Commission approved of the changes introduced by Law 101/08, but asked that more spectrum resources be assigned to new entrants (the **Digital Dividend**). In response to these further requests, AGCom set up the criteria for the complete digital conversion of the television terrestrial networks.

AGCom established the “National Plan of Assignment of the Frequencies” (**PNAF**) which will provide for 21 national “Digital Video Broadcasting- Terrestrial” (**DVB-T**) networks with 80% coverage of national territory and 4 “Digital Video Broadcasting- Handheld” (**DVB-H**) national Networks. Out of the 25 networks, 5 DVBT and 1 DVBH will constitute the Digital Dividend to be assigned on the basis of competitive bidding procedures.

The Ministry for Economic Development—Communication Department—assigned to the Telecom Italia Media group only 3 DVB-T Networks (out of the 4 Networks managed by the Telecom Italia Group). Telecom Italia Media group appealed against this decision to protect its interests.

Concerning the Digital Dividend, AGCom issued a Decision on the criteria to be adopted in the tenders for the assignment of the Digital Dividend based on a beauty contest. The Digital Dividend was 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).

Telecom Italia Media group appealed against the above decision since it treats Telecom Italia Media in a similar way to RAI and Mediaset, even if Telecom Italia Media is not an incumbent operator.

The tender for the assignment of the Digital Dividend (Beauty Contest) was issued on 6 July, 2011, and on 5 September Telecom Italia Media Broadcasting (**TIMB**) Network Operator, submitted three different bids, 2 for Tender B and 1 for Tender C, and was admitted to all of them.

Sky Italia, admitted to tender A, on 30 November, 2011 withdrew its bid.
On 16 December, 2011, the new Government suspended the Beauty Contest procedure, in order to evaluate a new procedure.

On 20 January, 2012 TIMB received formal communication from the Ministry for Economic Development suspending the Beauty Contest for 90 days (until 19 April, 2012).

On 16 April, 2012, the Government has approved a provision that cancels the Beauty Contest and establishes that frequencies will be assigned by the Ministry for the Economic Development through a bidding auction within 120 days from the approval of such provision, on the basis of criteria defined by the Italian AGCom. The provision is expected to be approved by 2 May, 2012.

**PNAF and digital dividend for mobile services**

In order to assign the frequencies in the digital switch off areas and for the DVB-T Digital Dividend AGCom issued a decision enforcing the National Plan of Assignment of the Frequencies.

Furthermore, this decision provided a Digital Dividend for mobile service in the band 790-862 MHz (channels 61-69 Ultra High Frequency—UHF) after the switch off of analogue broadcasting. The Italian Budget Law established that those frequencies, previously assigned to local televisions, should be used for mobile services. The tender took place in the summer 2011, with 4 billion euros revenues.

By the end of 2012 channels 61-69 will be released by local broadcasters and assigned to mobile services. 175 million euros have been allocated to compensate local broadcasters current assignee of channel 61-69 in Piemonte, Lombardia, Veneto, Trentino Alto Adige, Friuli Venezia Giulia, Emilia Romagna, Lazio and Campania.

**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 which are considered to have a probable adverse outcome, the Telecom Italia Group has made provisions in the amount of 189 million euros at 31 March, 2012 and 31 December, 2011.

**a) Significant disputes and pending legal actions**

**Telecom Italia Sparkle—Relations with I-Globe, Planetarium, Acumen, Accrue Telemedia and Diadem: investigation by the Public Prosecutor’s Office of Rome**

The immediate trial of the defendants currently subject to precautionary measures (among whom the former chief executive officer and two former employees of Telecom Italia Sparkle) continues. The prosecutor has accused these defendants of cross-border criminal conspiracy, tax evasion, international money laundering, reinvestment of profit from criminal activities and registration of assets under false names. The charges of cross-border criminal conspiracy, international money laundering and reinvestment of profit from criminal activities also are possible offences that may entail administrative liability for a corporation, pursuant to Legislative Decree no. 231/2001.

In relation to this trial, Telecom Italia Sparkle filed 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 proceeding, and since it is not yet possible to have full knowledge of all the documentation related to the proceedings, at present Telecom Italia cannot yet determine its final outcome.
However, while an unfavourable outcome cannot be ruled out in principle, Telecom Italia Sparkle will pursue its defence with the utmost vigor to prove its innocence in the matters at issue. Regarding the effects of a conviction under Legislative Decree 231/2001, in addition to the administrative fines (the amount of which would be low) and injunctive measures, the proceeds of the crime would be seized. According to the case made by the Prosecutor, and without considering the effect of Telecom Italia’s defence arguments, such illegal profits would be 72 million euros (a sum already guaranteed and provided for in the 2009 consolidated financial statements).

Telecom Italia did not expect any additional significant financial effect in excess of the 72 million euros liabilities previously recognised in the consolidated financial statements. Telecom Italia does not believe it is exposed to material loss in excess of the amount accrued.

So far as the residual tax risk is concerned, the Italian Revenue Agency has not yet issued notices of assessment in relation to the allegations of the Finance Police relating to direct taxation (as far as indirect taxes are concerned, in July 2010 Telecom Italia Sparkle paid the fines - equal to 25% of the sum imposed - the whole of the VAT considered to be non-deductible, plus applicable interest, for an aggregate of 418 million euros). In this respect, Telecom Italia Sparkle—also based on the opinion of tax experts—concluded that the potential estimated tax charge associated with these events would be approximately 429 million euros, plus fines and interests, and that the risk of losing such a case is only possible, not probable. As a result, no provision to cover the tax risk for direct taxation has been made.

National tax disputes

As set out in the 2010 Annual Report:

- in October 2010, the Milan Revenue Agency issued a formal notice of assessment to the subsidiary Olivetti Multiservices S.p.A. (OMS), which contested the invalid deduction of VAT in the tax years 2005 and 2006 totalling approximately 198 million euros, after recalculation of the so-called “pro-rata of non-deductibility”;

- in December 2010, the Milan Revenue Agency served Telecom Italia and OMS, as jointly obliged parties, two assessment notices relating to property transfers made in December 2005 to the Raissa and Spazio Industriale funds, for which the companies in question were accused of non-payment of stamp duty and mortgage tax, requesting payment of approximately 61 million euros including interest and fines;

- in March 2011, the Milan Revenue Agency served Telecom Italia S.p.A and OMS with assessment notices relating to property transfers made in March 2006 to the Raissa and Spazio Industriale funds, for which the companies in question were accused of non-payment of stamp duty and mortgage tax, requesting payment of approximately 10 million euros in tax and interest.

With respect to the assessment notices for stamp duty and mortgage tax, since these notices are final, the companies propose to appeal to the Milan Provincial Tax Commission, requesting cancellation of the notices as well as suspension of the collection proceedings currently underway. The companies have also filed an application for an internal review and suspension of the claims with the competent offices of the Milan Revenue Agency.

In February 2012, the Milan Revenue Agency filed a brief with the Milan Tax Commission in which it notified its full cancellation of all the assessment notices, declaring the consequent cessation of matters in dispute. Therefore, pursuant to a sentence filed in May 2012, the Milan Tax Commission declared the cessation of the matters in dispute.

With respect to the formal notice relating to VAT, the Milan Revenue Agency alleged that OMS had applied an unwarranted deduction of VAT on the purchase of properties assigned to the Raissa and Spazio Industriale Funds. In relation to this matter Telecom Italia believes, with the support of the opinion of
established tax experts, that it operated in full compliance with tax laws and denies the claim of the Revenue Agency. However, the risk associated with such claims was still deemed possible.

**International tax disputes and others**

On 22 March, 2011 Tim Celular received a notice of tax assessment issued by the Brazilian Federal Tax Authorities in the total amount, at the date of the claim, of 1,265 million Reais (approximately 550 million euros), including fines and interest, upon completion of a tax audit covering the financial years 2006, 2007, 2008 and 2009 for the companies Tim Nordeste Telecomunicações S.A. and Tim Nordeste S.A. (formerly denominated Maxitel S.A.), companies which have been progressively merged in several steps into Tim Celular for the purpose of simplifying the corporate structure in Brazil.

The notice of tax assessment contains a number of matters, the most significant of which are summarised as follows:

- the disallowance of the deduction of amortisation of goodwill related to the acquisition of Tele Nordeste Celular Participações S.A. (TNC) which was originally recorded by Bitel Participações S.A. (Bitel);
- the supposed incorrect exclusion of the goodwill previously amortized by Bitel, 1B2B and TNC, and transferred to the LALUR (Livro de Apuração do Lucro Real—IRPJ Taxable Income Report) of the Tim Brazil group operating companies; and
- the disallowance of the fiscal effects of the merger between Tim Nordeste Telecomunicações S.A. and Maxitel S.A.

The adjustments raised in the notice of tax assessment have been challenged by Tim Celular, before the administrative court, with the filing of an initial defence document on 20 April, 2011. On 20 April, 2012, Tim Celular was notified of the first level decision which maintains the assessments; Tim Celular filed the relevant appeal within the requisite deadline on 21 May, 2012.

The Management of Tim Celular and Tim Participações, as supported by legal opinions, believes it is unlikely that the company could suffer any negative consequences in relation to these matters.

With regard to Tim Participações’ Brazilian subsidiaries, other tax disputes cases are ongoing, including claims for significant amounts. The most relevant cases are related to the tax deductibility of the goodwill amortisation, several matters of indirect taxation (mainly related to ICMS—a kind of Brazilian VAT—and the composition of its basis of calculation and the possibility to account tax credits) and regulatory contributions to the Brazilian Regulatory Agency ANATEL and the Brazilian Ministry of Communications—FUST and FUNTTEL Contributions.

Management believes the risk of loss is not probable (for the aforementioned companies), on the basis of legal opinions issued to the companies.

**Investigation by the Public Prosecutor’s Office of Monza**

Criminal proceedings are currently pending before the Public Prosecutor’s Office of Monza as part of the preliminary investigation of a number of subjects, including allegations against employees of Telecom Italia, with respect to the supply under lease and/or sale of assets transactions which would constitute various offences committed against Telecom Italia, among others.

On 16 December, 2011 Telecom Italia, the injured party in the aforesaid criminal proceedings, filed a compliant against persons unknown with the Public Prosecutor’s Office of Monza.

However, in relation to the transactions cited by the Public Prosecutor, Telecom Italia concluded that it would not be able to recover the deducted VAT, which together with interest and fines, resulted in the setting
aside of approximately 10 million euros for risk provision. Telecom Italia does not believe it is exposed to material losses in excess of the amount accrued.


In December 2008 Telecom Italia received a notice of commencement of proceedings for administrative offenses under articles 21 and 25, paragraphs 2 and 4 of Legislative Decree 231/2001, following the investigation, by the Public Prosecutor of Milan, of former Telecom Italia employees and consultants charged with a series of crimes, including—among others—the offense, under legislative decree 231/2001, of bribing public officials to obtain information from confidential archives. In May 2010, the Judge concluded that the 400,000 euros fine that Telecom Italia had agreed to pay was adequate: after this judgment, Telecom Italia was 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 ex-employees of the Telecom Italia Group.

The trial phase of the proceedings, currently underway, opened in September 2010 before the second instance criminal Court of Milan. During the first hearings, Telecom Italia filed its application to be a civil party in the proceedings against all the defendants, for all the charges they are accused of, including corruption and criminal conspiracy. Telecom Italia’s application to be a civil party in the proceedings was granted by the Court on 26 January, 2011. Telecom Italia is also claiming damages in the proceedings against 11 persons charged with criminal conspiracy, corruption and hacking committed against 32 parties. Telecom Italia Latam and Telecom Italia Audit and Compliance Services also claim damages in the proceeding related to charges other than unlawful appropriation.

In relation to the requests that Telecom Italia indemnify third parties, it should be noted that, given the current status of the hearings and on the basis of the available information, it is possible that Telecom Italia could lose such proceedings. With respect to one case, on the basis of available information and the status of the legal proceedings, a negative outcome is considered probable. As a result an immaterial amount has been accrued in the financial statements.

In many proceedings, it is not possible to determine whether any loss is probable or to estimate the amount of any loss. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before a liability can be reasonably estimated for any claim. The Telecom Italia Group cannot predict if, how, or when such claims will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for claims that are at an early stage of their development or where claimants seek substantial or indeterminate damages.

Therefore as permitted by par. 91 of IAS 37 Telecom Italia has not disclosed an estimate of the financial effect, and the other information required by IAS 37 par. 86 (b) because it was not practicable to do so.

In each of the material legal proceedings and investigations, reviews and proceedings described below, unless specifically noted otherwise, it is not possible to reliably estimate with any certainty the liability, if any, or the effect these proceedings investigations and reviews, and any related developments, may have on the Telecom Italia Group. Moreover, in the case in which the disclosure of information with respect to a particular dispute or proceeding could seriously prejudice the position of Telecom Italia or its subsidiaries, only the general nature of the dispute is described.

Antitrust Case A426

On 13 May, 2010 AGCM, in response to a complaint by Fastweb, commenced an investigation of possible abuse by Telecom Italia of its dominant position. Fastweb alleged that Telecom Italia tried to exclude other
competitors from 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 complaint, Telecom Italia failed to provide technical and economic information that was allegedly essential for the preparation of bids by its competitors, and provided network services to its commercial divisions at more favourable conditions than those applied to other operators.

Fastweb had previously filed a similar complaint with AGCom which dismissed the case in a note issued on 26 May, 2010.

While stating that it had acted in full compliance with the applicable regulations, Telecom Italia filed a proposal of undertakings in order to settle the concerns set forth in the AGCM decision opening the investigation. Considering the merits of Telecom Italia Group’s proposal, AGCM published the proposal on its website on 29 July, 2011, requesting comments from interested third parties.

Telecom Italia subsequently offered amendments to the proposal of undertakings, on which interested third parties provided additional comments. Telecom Italia submitted its responses to the comments from interested third parties on both proposals.

The procedure to evaluate the undertakings is still ongoing. At present, it is not possible to express an opinion about the outcome of the proceedings.

**Antitrust Case A428**

On 23 June, 2010, AGCM, in response to complaints by Fastweb and Wind, commenced an investigation of two possible abuses by Telecom Italia of its dominant position.

According to Wind, Telecom Italia allegedly instituted a “technical boycott”, hindering or delaying the activation of access services, by means of unjustified and spurious refusals (so-called KO). Moreover, according to both complaints, 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 Italy in which disaggregated access services to the local network are available, hence where other operators can offer greater competition. In order to substantiate their allegations, the OLOs pointed to the invitation to tender by the Florence municipal authority won by Telecom Italia in 2009. In relation to this invitation to tender AGCom, after verifying that the economic conditions of the traffic services offered by Telecom Italia could be actually matched by competitors purchasing Telecom Italia’s wholesale services, notified Telecom Italia on 1 February, 2011 that it had withdrawn the allegations raised at the start.

While stating that it had always acted in full compliance with the applicable regulations, Telecom Italia filed a proposal of undertakings in order to settle the concerns set forth in the AGCM decision to open the investigation. Considering the merits of the Group’s proposal, AGCM published the proposal on its website on 5 August, 2011, requesting comments from interested third parties.

On 31 October, 2011, Telecom Italia submitted its responses to the comments presented by interested third parties.

On 26 March, 2012, AGCM rejected the proposed undertakings. On 25 May, 2012 Telecom Italia filed an appeal before the Administrative Tribunal of Lazio against AGCM’s decision to reject the undertakings.

The investigation, which is continuing, is set to be concluded on 30 September, 2012. At present, it is not possible to express an opinion about the outcome of the proceedings.
Dispute relating to “Adjustments on licence fees” for the years 1994-1998

Some disputes filed in the past by Telecom Italia and Tim are still pending. These relate to the Ministry of Communications’ request for payment of the balance of the amounts paid in concession charges for the years 1994-1998.

FASTWEB

In January 2011 Fastweb appointed an arbitrator in relation to its request for 146 million euros in damages, allegedly suffered after the breach by Telecom Italia of the contract for the supply of the “unbundling of the local loop”. In particular, Fastweb complained that, in the period from July 2008 to June 2010, Telecom Italia had refused, unlawfully, to execute approximately 30,000 requests to migrate customers to the Fastweb network. Telecom Italia has filed a counterclaim.

The other disputes pending before the Court of Milan (“Impresa Semplice” and “Winback”) have been settled.

VODAFONE

In July 2006 Vodafone brought a case against Telecom Italia in the Milan Court of Appeals, seeking payment of damages set originally at 525 million euros and subsequently raised to 759 million euros. Plaintiff maintains that Telecom Italia engaged in abusive conduct, due to its dominant position in fixed telephony, to strengthen its role in the contiguous mobile telephony market, with exclusionary effects to the detriment of its competitor.

Telecom Italia filed a counterclaim, fully contesting the claims of the other party.

In a judgement on 2 November, 2011, the Court of Appeals declared that it was not competent to hear this matter and referred the case to the Civil Court. Following the absence of the resumption of the Vodafone case, the proceeding was terminated.

H3G

The following disputes with H3G remain outstanding:

- a case brought by H3G for compensation for damages of 122 million euros alleging presumed discriminatory behaviour and unfair competition by Telecom Italia against H3G in relation to fixed-mobile termination tariffs in the period 2008/2010. Telecom Italia has filed an appearance contesting the claims and submitting, alternatively, a counterclaim for 465 million euros;

- a case brought by Telecom Italia for compensation of 230 million euros for damages related to the termination charges applied to it by H3G that were higher than those applied to other operators in the period between September 2005 and February 2008;

- a case brought by H3G for compensation for presumed damages arising from the alleged discriminatory behaviour by Telecom Italia in the market for calls from its mobile network to H3G network customers. In particular, according to the complainant, Telecom Italia is accused of applying to its own sales divisions fees lower than those applied to H3G from April 2008. The damages claimed have been quantified as approximately 120 million euros. Telecom Italia has filed a reply contesting the claims and submitting a counterclaim for 260 million euros;

- a challenge by Telecom Italia before the Rome Appeal Court against the arbitration awards on the subject of mobile-mobile termination tariffs for the period between September 2005 and December 2007, which
ordered Telecom Italia to pay the sum of approximately 87 million euros (of which approximately 58 million euros have been declared enforceable);

- a case started by H3G claiming compensation for alleged damages arising from the alleged violation of the mobile customer portability procedures. The damages claimed have been quantified as approximately 60 million euros. Telecom Italia has filed a reply contesting the claims and submitting a counterclaim for 20 million euros;

- an injunction sought by Telecom Italia to recover approximately 21 million euros for additional costs paid to H3G for the period from July 2010 to February 2011, after the repricing of the termination tariffs on the H3G mobile network (resolution 667/08/Cons).

**Federazione Anti Pirateria Audiovisiva (FAPAV)**

In June 2010, antipiracy group FAPAV commenced proceedings against Telecom Italia in the Rome Court claiming 320 million euros of damages allegedly resulting from its non-prevention of the illicit downloading of films by customers of Telecom Italia 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 Telecom Italia provide the Judicial Authorities with information that identifies the customers involved in the alleged unlawful activities.

These proceedings follow a pre-trial procedure at the end of which the Rome Court excluded both any liability of Telecom Italia for the information it carries, and the obligation to suspend the internet access service of which Telecom Italia is merely supplier. The Court ordered the Telecom Italia to supply all the information in its possession on the alleged unlawful activity and other information that identifies the subjects involved.

Telecom Italia, which has complied with the order filed a reply asking that the claims of the other party be rejected in their entirety. The Italian association of authors and publishers (SIAE) has joined these proceedings to support FAPAV’s position.

**WIND**

In a writ issued in January 2012 Wind commenced proceedings against Telecom Italia claiming damages (90 million euros) arising from alleged unfair competition caused by Telecom Italia’s refusal to activate service requests in the period July 2009 - October 2010; the plaintiff’s main complaint alleges that such strategy of unfair competition was enacted by Telecom Italia both through alleged “technical boycotting” of service activation requests, and through offers and discounts tailored to customers interested in Wind’s offers. Such conduct, with which Telecom Italia has been charged, has previously been the subject of complaints by Wind and Fastweb before the Anti-trust authority, which initiated proceedings A428. Telecom Italia filed a reply challenging the claims made by Wind.

**EUTELIA and VOICEPLUS**

In June 2009, Eutelia and Voiceplus filed a complaint alleging Telecom Italia’s abuse of dominant position in the premium service market (involving the offering to the public of services through so-called Non Geographical Numbers). Plaintiffs sought compensation of approximately 730 million euros for losses suffered.

The Milan Court of Appeals issued an injunction ordering Telecom Italia to cease the alleged abuses in Telecom Italia’s business relations with Eutelia and Voiceplus, relating to the Non Geographic Numbers for which Telecom Italia managed the revenues from the end customers on behalf of such OLOs and according to regulatory requirements. Telecom Italia filed a reply, asking that the request for damages be rejected in its entirety.
**TELEUNIT**

On 29 October, 2009 Teleunit filed a complaint before the Court of Appeal of Milan alleging Telecom Italia’s abuse of dominant position in the premium service market (involving the offering to the public of services through so-called Non Geographical Numbers and Telecom Italia’s regulatory obligation to collect payments, on behalf of these OLOs, from end users). Plaintiff sought damages of approximately 362 million euros for the losses incurred. Telecom Italia has filed a formal reply to dispute plaintiff’s claims.

**POSTE**

Certain action brought by Ing. C. Olivetti & C. S.p.A. (now Telecom Italia) against Poste, the Italian postal service, in relation to non-payment by Poste for services rendered under contracts to supply IT goods and services are still pending. The outcome of the lower court’s judgments was partially favourable to Telecom Italia. The judgments have been appealed by Poste in individual rehearings.

Following these rehearings, a judgment of the Rome Appeal Court confirmed one of the outstanding payables to Telecom Italia, while another judgment of the same Court voided one of the disputed contracts. After this judgment, Poste filed a claim for the return of approximately 58 million euros, opposed by Telecom Italia, given that the judgment of the Italian Supreme Court considering amendment of the above judgment 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 judgment. Accepting this argument, the Rome Court suspended execution.

**Gruppo Elitel Telecom S.p.A.**

A dispute was recently started in Rome by Fallimento Elinet S.p.A. against its former administrators, auditors and auditing companies as well as against Telecom Italia, in relation to which claims were formulated regarding the alleged performance by Telecom Italia, of management and co-ordination activities of the Elitel Group (alternative operator present on the market, in which Telecom Italia has never had any type of interest), allegedly also enacted by playing the card of trade receivables management. The receiverships of Elitel s.r.l. and of Elitel Telecom S.p.A. (at the time the parent company of the Elitel Group) were also party to these proceedings. The economic claims advanced by the three receiverships amount to a total of 282 million euros. Telecom Italia filed a reply, challenging the claims of the plaintiffs.

**Greece—DELAN**

During 2009, Carothers Ltd., as successor of Delan Cellular Services SA (Delan), started legal proceedings, seeking interim injunctive measures and on the merits, against Wind Hellas before the Greek courts. Wind Hellas in turn served Telecom Italia International with an impleader for compulsory intervention, allegedly on the basis of the indemnification obligations contained in the stock purchase agreement for the sale of the Greek subsidiary by Telecom Italia. The hearing for the pleading of the cases against Wind Hellas and against Telecom Italia International on the basis of the indemnity provisions was held on 1 June, 2011. After the hearing on the merits of both the case commenced by Carothers Ltd. against Wind Hellas and the case commenced by Wind Hellas against Telecom Italia International based on the alleged indemnification obligations contained in the related stock purchase agreement for the sale of Wind Hellas by Telecom Italia, the Judge determined that the court lacked jurisdiction on Telecom Italia International (whose contractual indemnification obligation falls under the law of New York and is subject to arbitration), while ordering Wind Hellas to pay damages to Carothers for an overall amount of approximately 85 million euros (including costs and interests accrued).

**Germany—AOL arbitration**
In October 2011 Telecom Italia, TIDE and AOL signed a settlement agreement for the termination, free of any payment by the Telecom Italia Group, of arbitration proceedings brought by AOL LLC and AOL Europe Sarl for reimbursement of damages exceeding 2 million euros and regarding the AOL’s broadband activities in Germany. In December 2011 the Arbitration Panel terminated the proceedings.

Germany—Telefónica arbitration

On 23 February, 2012, Telecom Italia and Telecom Italia Deutschland Holding GmbH (TIDE) entered into a settlement with Telefónica Germany, aimed at preventing a potential litigation related to compensation claims proposed by Telefónica in connection with the share purchase agreement for the sale of the holding in HanseNet, signed by the Telecom Italia Group in 2009, as well as resolving the arbitration started in 2011 by Telefónica against Telecom Italia and TIDE. On the basis of such agreement, a capital amount of approximately 40 million euros formerly deposited in escrow was withdrawn by Telecom Italia, while approximately 4.5 million euros were paid to Telefónica and approximately 16 million euros retained in escrow to cover certain potential future liabilities. On the basis of such arrangements Telefónica has withdrawn the aforementioned request for arbitration. Thereafter, the arbitration panel ordered the closing of the proceeding.

Brazil – Opportunity arbitration

Telecom Italia and Telecom Italia International were sued by certain companies belonging to the Opportunity Group and their principals ("Opportunity"), before an arbitral tribunal under the Rules of the International Chamber of Commerce. Opportunity seeks recovery of damages suffered as a consequence of an alleged breach by the defendants of a certain Settlement Agreement entered into in 2005. In particular, Opportunity holds that, notwithstanding a specific covenant in the Settlement Agreement, the defendants would have aided and abetted a scheme aimed at destroying the reputation and the financial soundness of Opportunity. At the current early stage, the plaintiffs have not yet quantified their damages request, nor submitted any evidence to support their claim. The defendants believe that the claim is groundless and lacks any merit and are preparing their defenses.

b) Other information

Dispute concerning the licence fee 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 damages caused by the Italian State through appeal judgment No. 7506/09 by the Consiglio di Stato (Council of State) that, according to Telecom Italia, violates the principles of EU law.

The main claim is based on EU case law that recognises the right to claim liability of the State for violation of rights protected by EU law and breached by a final judgment, in respect of which no other remedy may be applied. The aforementioned final appeal judgment denied Telecom Italia’s right to restitution of the licence fee for 1998 (386 million euros for Telecom Italia and 143 million euros for Tim, plus interest). Telecom Italia’s request had, already been rejected by the Lazio Regional Administrative Court despite the favourable binding opinion of the ECJ on 23 February, 2008. The ECJ acknowledged the existence of a conflict between (i) EC Directive 97/13 on general authorisations and individual licences in the telecommunications services industry, and (ii) the national regulations deferring for 1998 the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The damages claimed are around 529 million euros, plus legal interest and revaluation.

The Avvocatura di Stato filed a challenge and submitted a counterclaim for the same sum. The case, as regards the main claim, was preliminarily reviewed by the Court, which declared the inadmissibility of Telecom Italia’s main claim (damages for manifest breach of EU law pursuant to law 117/88). The Court’s
decision was overturned by the Court of Appeals of Rome (after appeal by Telecom Italia) which declared Telecom Italia’s claim admissible. Consequently the proceedings will continue on both claims made by Telecom Italia.

The case brought by Telecom Italia to the Consiglio di Stato on 15 January, 2011 for revocation of the judgement that is subject of the proceedings is pending.

**Mobile Telephony: Investigations**

The audit of prepaid SIM cards activated in 2005-2008 and incorrectly associated with a customer ID continued. The activities performed led to a reduction of approximately 65% of “non-compliant” SIM-cards compared to the beginning of the 2011 (as of 31 March, 2012 a reduction of 49% compared to the beginning of 2012).

A new process which involves post-sales blocking of all the remaining cards was introduced in July 2011 and continued until December 2011. As a result of this process, the cards subject to post-sales blocking can no longer be used for commercial operations such as top-ups, participation in offers, contractual profile changes, etc. until they have been processed. When the identification activities commenced, approximately 5.5 million SIM-cards were not correctly associated with an ID and, at the beginning of 2011, approximately 723 thousand cards were still to be properly identified. As a result of the actions taken, by the end of 2011 only 248 thousand SIM-cards are still to be properly identified (126 thousand SIM-cards as of 31 March, 2012).

At the end of March 2012, the final phase of the remediation process had begun, with the aim of completing, by 30 June, 2012, the termination or the regularization of any SIM-card that at that date, will still be incorrectly associated with a customer ID.

In relation to a different matter, on 21 March, 2012 Telecom Italia was served notice of the conclusion of the preliminary enquiries pursuant to art. 415 bis of the code of criminal procedure, from which it emerged that Telecom Italia is currently under investigation by the Milan Public Prosecutor pursuant to Legislative Decree 231/2001 for the alleged charge of receiving stolen goods (art. 648 of the criminal code) and fraud (art. 491 bis) of which fourteen employees of the so-called “canale etnico” of Telecom Italia are charged, jointly with several dealers (to a total of 99 individuals subject to investigation for having made fake registrations of about 109,000 SIM-cards).

In relation to this investigation, Telecom Italia, as the party damaged by such actions, filed a complaint and additional claims in 2008 and 2009 and promptly suspended the employees involved.

As the party harmed by these activities Telecom Italia will be bringing a civil action.

On 20 April, 2012, Telecom Italia was notified by the Milan Public Prosecutor of the conclusion of a preliminary investigation under the Italian Code of Criminal Procedure in which three previous executives of Telecom Italia (including Mr. Luca Luciani, who as of 20 April, 2012 was the CEO of Tim Participações S.A., the listed and principal holding company of the Tim Brasil business area, Tim Participações, were charged with obstruction of supervisory activity. The charges relate to (i) the alleged unlawful renewal of prepaid SIM-cards after their normal termination date from 2006 to 2008, in the amount of 223,000 lines or 0.19% of market share in 2006; 2,742,000 lines or 1.88% of market share in 2007; and 2,345,000 lines or 1.64% of market share in 2008, and (ii) around one million SIM-cards which allegedly were not refilled in the 12 months after their activation (184,000 lines in 2005; 445,000 lines in 2006; 335,000 lines in 2007; and 78,000 lines in 2008). Telecom Italia is continuing to review the documentation relating to the investigation received from the Milan Public Prosecutor.
On 4 May, 2012, Mr. Luca Luciani resigned from Tim Brasil and Tim Participações and gave up all mandates he had with any companies within the Telecom Italia Group.

Telecom Italia is under investigation for the same charges under Legislative Decree 231/2001. The review of the numerous investigation documents has recently started. As the review proceeds, Telecom Italia will be able to give its initial assessment of the facts. Management does not believe this matter will materially impact the consolidated financial statements.

On 11 June, 2012, Telecom Italia assumed the status of defendant, pursuant to Legislative Decree 231/2001, having received a notice of commencement of trial. The preliminary hearing will be held in Milan on 29 June, 2012.

Also Mr. Luca Luciani, like other parties involved, received the same measure. The three previous executives are being prosecuted for “hindering the exercise of the functions of the Public Supervisory Authority”.

**Teletu**

In 2012 Telecom Italia commenced proceedings in the Rome Court against the telecommunication operator Teletu. Telecom Italia is claiming damages of approximately 93 million euros arising from the alleged unlawful refusal by Teletu to have Teletu clients activate accounts with Telecom Italia.

**Other liabilities related to the sale of assets and shareholdings**

With respect to contracts for the sale of assets and companies the Telecom Italia Group has indemnified the purchasers, against liabilities deriving from legal, tax, pension and labor law issues, such indemnities are commensurate to a percentage of the purchase price.

Against the aforementioned contingent liabilities, amounting to approximately 1,100 million euros, for those cases in which a payout is thought probable, 111 million euros have been set aside as provision for risk.
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, 2011 and 2010

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, 2011 and 2010, which have been extracted or derived from the audited Consolidated Financial Statements of the Telecom Italia Group included in the 2011 Telecom Italia Annual Report (which is incorporated by reference).

The financial information described below should be read in conjunction with the 2011 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>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>29,957</td>
<td>27,571</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>-603</td>
<td>5,818</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>-2,624</td>
<td>4,132</td>
</tr>
<tr>
<td>Profit (loss) from continuing operations</td>
<td>-4,267</td>
<td>3,582</td>
</tr>
<tr>
<td>Profit (loss) from Discontinued operations/Non-current assets held for sale</td>
<td>-13</td>
<td>-7</td>
</tr>
<tr>
<td>Profit (loss) for the year</td>
<td>-4,280</td>
<td>3,575</td>
</tr>
<tr>
<td>Profit (loss) attributable to owners of the Parent(1)</td>
<td>-4,726</td>
<td>3,121</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>6,095</td>
<td>4,583</td>
</tr>
</tbody>
</table>

Financial Ratios:

- Operating profit (loss)/Revenues (ROS) = -21.1%

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) = 78,369

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)(2):

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Share</td>
<td>-0.24</td>
<td>0.16</td>
</tr>
<tr>
<td>Savings Share</td>
<td>-0.24</td>
<td>0.17</td>
</tr>
</tbody>
</table>

Of which:

- From continuing operations:
  - Ordinary Share = -0.24
  - Savings Share = -0.24

- From Discontinued operations/Non-current assets held for sale:
  - Ordinary Share = -
  - Savings Share = -

Dividends:

- per Ordinary Share = 0.043 (3)
- per Savings Share = 0.054 (3)

(1) Exceptional items

(2) Basic and diluted earnings per share (EPS) are calculated as net profit (loss) for the year attributable to owners of the Parent divided by the average number of Ordinary Shares and Savings Shares outstanding for the year.

(3) Dividends paid on Ordinary Shares for the year ended 31 December 2011 and 2010 were 0.043 and 0.058 euros per share, respectively.
Consolidated Statement of Financial Position Data:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>83,859</td>
<td>89,040</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Equity attributable to owners of the Parent</td>
<td>22,791</td>
<td>28,819</td>
</tr>
<tr>
<td>• Non-controlling interests</td>
<td>3,904</td>
<td>3,736</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>26,695</td>
<td>32,555</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>57,164</td>
<td>56,485</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>83,859</td>
<td>89,040</td>
</tr>
<tr>
<td><strong>Share capital(4)</strong></td>
<td>10,604</td>
<td>10,600</td>
</tr>
<tr>
<td><strong>Net Financial Debt carrying amount(5)</strong></td>
<td>30,819</td>
<td>32,087</td>
</tr>
<tr>
<td><strong>Adjusted Net Financial Debt(5)</strong></td>
<td>30,414</td>
<td>31,468</td>
</tr>
</tbody>
</table>

Employees, number in the Group at year-end, including personnel with temporary work contracts:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</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>84,154</td>
<td>84,200</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>-</td>
</tr>
</tbody>
</table>

Statistical Data:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic (Italy) Business Unit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-line network connections</td>
<td>16,745</td>
<td>17,609</td>
</tr>
<tr>
<td>Physical accesses (Consumer and Business)</td>
<td>14,652</td>
<td>15,351</td>
</tr>
<tr>
<td>Broadband accesses</td>
<td>9,089</td>
<td>9,058</td>
</tr>
<tr>
<td>Of which retail broadband accesses</td>
<td>7,125</td>
<td>7,175</td>
</tr>
<tr>
<td>Mobile lines</td>
<td>32,227</td>
<td>31,018</td>
</tr>
<tr>
<td><strong>Brazil Business Unit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile lines</td>
<td>64,070</td>
<td>51,015</td>
</tr>
<tr>
<td><strong>Argentina Business Unit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-line network connections</td>
<td>4,141</td>
<td>4,107</td>
</tr>
<tr>
<td>Broadband accesses</td>
<td>1,550</td>
<td>1,380</td>
</tr>
<tr>
<td>Mobile lines</td>
<td>20,342</td>
<td>18,212</td>
</tr>
</tbody>
</table>

(1) 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.

(2) 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 13,264,375,078 for the year ended 31 December, 2011 and 13,239,883,276 for the year ended 31 December, 2010; and
- Savings Shares was 6,026,120,661 for the years ended 31 December, 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

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shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. The Group’s profit (loss) is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.

(3) Telecom Italia’s dividend coupons for the year ended 31 December, 2011, were clipped on 21 May, 2012, and were payable from 24 May, 2012.

(4) Share capital represents share capital issued 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 December, 2011 and 31 December, 2010 is calculated as follows

<table>
<thead>
<tr>
<th>As of 31 December,</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions of euros)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>35,860</td>
<td>34,348</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>6,091</td>
<td>6,882</td>
</tr>
<tr>
<td><strong>GROSS FINANCIAL DEBT (A)</strong></td>
<td><strong>41,951</strong></td>
<td><strong>41,230</strong></td>
</tr>
<tr>
<td><strong>NON-CURRENT FINANCIAL ASSETS (B)</strong></td>
<td><strong>(2,949)</strong></td>
<td><strong>(1,863)</strong></td>
</tr>
<tr>
<td>Current financial assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Securities other than investments</td>
<td>(1,007)</td>
<td>(1,316)</td>
</tr>
<tr>
<td>— Financial receivables and other current financial assets</td>
<td>(462)</td>
<td>(438)</td>
</tr>
<tr>
<td>— Cash and cash equivalents</td>
<td>(6,714)</td>
<td>(5,526)</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT FINANCIAL ASSETS (C)</strong></td>
<td><strong>(8,183)</strong></td>
<td><strong>(7,280)</strong></td>
</tr>
<tr>
<td><strong>FINANCIAL ASSETS (D = B + C)</strong></td>
<td><strong>(11,132)</strong></td>
<td><strong>(9,143)</strong></td>
</tr>
<tr>
<td><strong>NET FINANCIAL DEBT CARRYING AMOUNT (A + D)</strong></td>
<td><strong>30,819</strong></td>
<td><strong>32,087</strong></td>
</tr>
<tr>
<td><strong>Reversal of fair value measurement of derivatives and related financial liabilities/assets</strong></td>
<td><strong>(405)</strong></td>
<td><strong>(619)</strong></td>
</tr>
<tr>
<td><strong>ADJUSTED NET FINANCIAL DEBT</strong></td>
<td><strong>30,414</strong></td>
<td><strong>31,468</strong></td>
</tr>
</tbody>
</table>

Financial Information prepared in accordance with IFRS as of, and for the three months ended, 31 March, 2012 and 2011

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, 2012 and 2011; and

(ii) with respect to the statement of financial position information, the unaudited financial data as of 31 March, 2012 and the audited financial data as of 31 December, 2011.

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, 2012, are not necessarily indicative of results that may be expected for the entire year.

Furthermore in the three month period ended 31 March, 2012 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.
## Separate Consolidated Income Statement Data:

<table>
<thead>
<tr>
<th></th>
<th>2012 (Unaudited)</th>
<th>2011 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>7,392</td>
<td>7,073</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,619</td>
<td>1,505</td>
</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td>1,177</td>
<td>1,048</td>
</tr>
<tr>
<td>Profit from continuing operations</td>
<td>720</td>
<td>652</td>
</tr>
</tbody>
</table>

Profit (loss) from Discontinued operations/Non-current assets held for sale: 
- 2012: 
- 2011: 

Profit for the period: 
- 2012: 720
- 2011: 652

Profit attributable to owners of the Parent (1): 
- 2012: 606
- 2011: 549

### Investments:

- **Capital expenditures**: 
  - 2012: 954
  - 2011: 901
- **Financial**: 
  - 2012: -
  - 2011: -

### Financial Ratios

- Operating profit/Revenues (ROS) (%): 
  - 2012: 21.9%
  - 2011: 21.3%

### 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): 
  - 2012: 78,085
  - 2011: 78,104
- Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number): 
  - 2012: -
  - 2011: -

### Basic and Diluted earnings per Share (EPS)(2):

- **Ordinary Share**: 
  - 2012: 0.03
  - 2011: 0.03
- **Savings Share**: 
  - 2012: 0.04
  - 2011: 0.04

**Of which:**

- **From continuing operations:**
  - **Ordinary Share**: 
    - 2012: 0.03
    - 2011: 0.03
  - **Savings Share**: 
    - 2012: 0.04
    - 2011: 0.04

- **From Discontinued operations/Non-current assets held for sale:**
  - **Ordinary Share**: 
    - 2012: -
    - 2011: -
  - **Savings Share**: 
    - 2012: -
    - 2011: -
### Consolidated Statement of Financial Position Data:

<table>
<thead>
<tr>
<th></th>
<th>As of 31 March, 2012 (Unaudited)</th>
<th>As of 31 December, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>81,194</td>
<td>83,859</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>  Equity attributable to owners of the Parent</td>
<td>23,156</td>
<td>22,791</td>
</tr>
<tr>
<td>  Non-controlling interests</td>
<td>3,918</td>
<td>3,904</td>
</tr>
<tr>
<td>Total Equity</td>
<td>27,074</td>
<td>26,695</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>54,120</td>
<td>57,164</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>81,194</td>
<td>83,859</td>
</tr>
<tr>
<td>Share capital(3)</td>
<td>10,604</td>
<td>10,604</td>
</tr>
<tr>
<td>Net Financial Debt carrying amount (4)</td>
<td>30,979</td>
<td>30,819</td>
</tr>
<tr>
<td>Adjusted Net Financial Debt (4)</td>
<td>30,312</td>
<td>30,414</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)…………………………………… 84,625 84,154
- Employees relating to the consolidated companies considered a Discontinued operations/Non-current assets held for sale (number at period-end)…………………………………………………………… " "
**Statistical Data:**

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>As of 31 March, 2012 (thousands)</th>
<th>As of 31 December, 2011 (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic (Italy) Business Unit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical accesses</td>
<td>21,562</td>
<td>21,712</td>
</tr>
<tr>
<td>Of which retail physical accesses</td>
<td>14,457</td>
<td>14,652</td>
</tr>
<tr>
<td>Broadband accesses</td>
<td>9,075</td>
<td>9,089</td>
</tr>
<tr>
<td>Of which retail broadband accesses</td>
<td>7,092</td>
<td>7,125</td>
</tr>
<tr>
<td>Mobile lines</td>
<td>32,328</td>
<td>32,227</td>
</tr>
<tr>
<td><strong>Brazil Business Unit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile lines</td>
<td>67,204</td>
<td>64,070</td>
</tr>
<tr>
<td><strong>Argentina Business Unit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-line network connections</td>
<td>4,138</td>
<td>4,141</td>
</tr>
<tr>
<td>Broadband accesses</td>
<td>1,566</td>
<td>1,550</td>
</tr>
<tr>
<td>Mobile lines</td>
<td>20,750</td>
<td>20,342</td>
</tr>
</tbody>
</table>

(1) For the purposes of IFRS, “Parent”, as used in this EMTN Programme Prospectus, means Telecom Italia S.p.A.

(2) 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 13,267,508,877 for the three months ended 31 March, 2012 and 13,257,920,702 for, the three months ended 31 March, 2011; and
- Savings Shares was 6,026,120,661 for the three months ended 31 March, 2012 and 2011.

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.

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

(4) 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, 2012 and 31 December, 2011 is calculated as follows:
As of 31 March, 2012 | As of 31 December, 2011  
--- | ---  
(millions of euros)  
Non-current financial liabilities | 34,097 | 35,860  
Current financial liabilities | 5,961 | 6,091  
**GROSS FINANCIAL DEBT (A)** | **40,058** | **41,951**  
**NON-CURRENT FINANCIAL ASSETS (B)** | **(2,416)** | **(2,949)**  
Current financial assets:  
— Securities other than investments | **(674)** | **(1,007)**  
— Financial receivables and other current financial assets | **(497)** | **(462)**  
— Cash and cash equivalents | **(5,492)** | **(6,714)**  
**TOTAL CURRENT FINANCIAL ASSETS (C)** | **(6,663)** | **(8,183)**  
**FINANCIAL ASSETS (D = B + C)** | **(9,079)** | **(11,132)**  
**NET FINANCIAL DEBT CARRYING AMOUNT (A + D)** | **30,979** | **30,819**  
Reversal of fair value measurement of derivatives and related financial liabilities/assets | **(667)** | **(405)**  
**ADJUSTED NET FINANCIAL DEBT** | **30,312** | **30,414**
DIRECTORS, EXECUTIVE OFFICERS AND STATUTORY AUDITORS

**Directors**

On 12 April, 2011 the Shareholders’ Meeting of Telecom Italia elected the present Board of Directors of Telecom Italia.

The Shareholders’ Meeting established the number of Directors at 15 and their term of office for three years, until the Shareholders’ Meeting which will approve the financial statements of Telecom Italia for the year ended 31 December, 2013; set the overall annual remuneration for the Board of Directors at 2,200,000 euros (to be divided among the members thereof in accordance with the resolutions to be adopted by the Board itself); authorised the Directors to continue with the activities specified in their respective curricula vitae, and released them from restrictions on competition, as permitted under Article 2390 of the Italian Civil Code.

On 13 April, 2011, the Board of Directors elected Franco Bernabè as Executive Chairman of the Board and Chief Executive Officer of Telecom Italia S.p.A., Aldo Minucci as Deputy Chairman and Marco Patuano as Domestic Managing Director and Chief Operating Officer of Telecom Italia.

Following the resignation tendered on 6 June, 2011 by Ferdinando Beccalli Falco and the termination on 16 November, 2011 of Francesco Profumo (who was appointed Italian Minister of Education on that day), and given that independent directors had been replaced at its meetings on 4 August, and 1 December, 2011 respectively the Board of Directors approved the proposals by the Nomination and Remuneration Committee (which, among other things, had informally consulted Assogestioni for the purpose), and co-opted Lucia Calvosa and Massimo Egidi as Directors until the next Shareholders’ Meeting (i.e. the Shareholders Meeting to be held on 15 May, 2012).

In such shareholders’ meeting Lucia Calvosa and Massimo Egidi were confirmed in their positions and will, like the other board members, hold the positions until the approval of the financial statements at 31 December, 2013.
Consequently, the Board of Directors of Telecom Italia was composed as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franco Bernabè</td>
<td>63</td>
<td>Executive Chairman and Chief Operating Officer/Director</td>
<td>2011</td>
</tr>
<tr>
<td>Aldo Minucci</td>
<td>65</td>
<td>Deputy Chairman/Director</td>
<td>2011</td>
</tr>
<tr>
<td>Marco Patuano</td>
<td>47</td>
<td>Domestic Managing Director and Chief Operating Officer/Director</td>
<td>2011</td>
</tr>
<tr>
<td>César Alierta Izuel</td>
<td>67</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>Lucia Calvosa(1)</td>
<td>50</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>Massimo Egidì(1)</td>
<td>69</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Jean Paul Fitoussi(1)</td>
<td>69</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Gabriele Galateri di Genola</td>
<td>65</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Julio Linares López</td>
<td>66</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Gaetano Miccichè</td>
<td>61</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Renato Pagliaro</td>
<td>55</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Mauro Sentinelli(1)</td>
<td>65</td>
<td>Director</td>
<td>2011</td>
</tr>
<tr>
<td>Luigi Zingales(1)</td>
<td>49</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><strong>Directors:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franco Bernabé</td>
<td>63</td>
<td>Executive Chairman and Chief Executive Officer (1)</td>
<td>2011</td>
</tr>
<tr>
<td>Marco Patuano</td>
<td>47</td>
<td>Domestic Managing Director and Chief Operating Officer (1)</td>
<td>2011</td>
</tr>
<tr>
<td><strong>Managers(2):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simone Battiferri</td>
<td>44</td>
<td>Head of Top Clients and Public Sector</td>
<td>2012</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 Ciurlì</td>
<td>49</td>
<td>Head of Purchasing</td>
<td>2009</td>
</tr>
<tr>
<td>Antonino Cusimano</td>
<td>47</td>
<td>Head of Legal Affairs</td>
<td>2008</td>
</tr>
<tr>
<td>Andrea Mangoni</td>
<td>48</td>
<td>Chief Financial Officer and Head of Administration, Finance and Control &amp; International Development</td>
<td>2009</td>
</tr>
<tr>
<td>Antonio Migliardi</td>
<td>53</td>
<td>Head of Human Resources and Organisation</td>
<td>2008</td>
</tr>
<tr>
<td>Giuseppe 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>45</td>
<td>Head of National Wholesale Services</td>
<td>2011</td>
</tr>
</tbody>
</table>

(1) Appointed by the Board of Directors on 13 April, 2011.

(2) On 4 May, 2012, Mr. Luca Luciani, the CEO of Tim Participações and executive officer of Telecom Italia, resigned from Tim Brasil and Tim Participações, giving up all his mandates in the Group’s companies. Please see “Recent developments”.
### Board of Statutory Auditors

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 15 May, 2012, and will remain in office until approval of the 2014 annual financial statements.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrico Maria Bignami(1)</td>
<td>Chairman</td>
<td>2012</td>
</tr>
<tr>
<td>Gianluca Ponzellini</td>
<td>Acting Auditor</td>
<td>2012</td>
</tr>
<tr>
<td>Sabrina Bruno(1)</td>
<td>Acting Auditor</td>
<td>2012</td>
</tr>
<tr>
<td>Salvatore Spiniello</td>
<td>Acting Auditor</td>
<td>2012</td>
</tr>
<tr>
<td>Ferdinando Superti Furga</td>
<td>Acting Auditor</td>
<td>2012</td>
</tr>
<tr>
<td>Roberto Capone (1)</td>
<td>Alternate Auditor</td>
<td>2012</td>
</tr>
<tr>
<td>Franco Patti (1)</td>
<td>Alternate Auditor</td>
<td>2012</td>
</tr>
<tr>
<td>Vittorio Giacomo Mariani</td>
<td>Alternate Auditor</td>
<td>2012</td>
</tr>
<tr>
<td>Ugo Rock</td>
<td>Alternate Auditor</td>
<td>2012</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.

- **Sabrina Bruno**
  - Chairman of the Board of Auditors of De Longhi S.p.A.
  - member of the Supervisory Board of Intesa Sanpaolo S.p.A.

- **Gianluca Ponzellini**
  - Chairman of the Board of Auditors of Telecom Italia Media S.p.A.; Director of Fondiaria SAI S.p.A.

- **Salvatore Spiniello**
  - 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 Telecom Italia 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 addition the Board of Auditors appointed on 15 May, 2012 will act as Supervisory Panel on the 231 Organisational Model, as permitted by Law No. 183 of 12 November, 2011.

In order to make available the broad range of information needed by the Board of Auditors to perform its control function effectively, Telecom Italia 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 Telecom Italia 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 Telecom Italia’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 Telecom Italia or the Telecom Italia 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 Italian 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 100%-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. Gigliola Bonino, Director, resident in Turin, 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. 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**

Mr. Andrea Balzarini, and Ms. Gigliola Bonino are managers of Telecom Italia S.p.A. Moreover Messers. Adriano Trapletti and Antonio Sica are managers 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 (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.

Considering that according to the Board evaluation none of TI Finance’s subsidiaries has a material interest for the purposes of art. 319 (paragraph 3) of the Law dated 10 August, 1915, as amended, TI Finance’s is therefore exempted under art. 317 of the aforeside law from preparing consolidated financial statements.

The unconsolidated 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, 2012 to date TI Finance has purchased in the market a nominal amount of 11.6 million euros of its 812,545,000.00 euros 7.25% Notes due April 2012 and 80.6 million euros of its 758,716,000.00 6.875% Notes due January 2013.

On 14 March, 2012 matured and were repaid, reducing by the same amount TI Finance's cash deposits with banks, the outstanding 107,715,000.00 euros floating rate Notes.

On 24 April, 2012 the 812,545,000.00 euros 7.25% Notes (of which 11.6 million euros in principal amount had been repurchased beginning of the year) matured and were repaid reducing by the same amount TI Finance's cash deposits with banks.
### SELECTED FINANCIAL INFORMATION OF TI FINANCE FOR THE YEARS ENDED 31 DECEMBER, 2011(1) AND 2010

#### Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December, 2011</th>
<th>As of 31 December, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(euro)</td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A) Formation expenses</strong></td>
<td>5,755,176.31</td>
<td>7,087,064.05</td>
</tr>
<tr>
<td><strong>B) Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>39,502.58</td>
<td>43,255.15</td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Shares in affiliated undertakings</td>
<td>1,483,904,598.68</td>
<td>1,530,611,436.30</td>
</tr>
<tr>
<td>— Loans to affiliated undertakings</td>
<td>1,649,974,454.04</td>
<td>1,735,934,687.72</td>
</tr>
<tr>
<td>— Shares in undertakings with which the company is linked by virtue of participating interests</td>
<td>223,493.66</td>
<td>302,541.34</td>
</tr>
<tr>
<td>— Investments held as fixed assets</td>
<td>11,909,826.07</td>
<td>3,915,913,186.71</td>
</tr>
<tr>
<td><strong>Total B)</strong></td>
<td>3,146,051,875.03</td>
<td>7,182,805,107.22</td>
</tr>
<tr>
<td><strong>C) Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Amounts owed by affiliated undertakings</td>
<td>202,485,366.41</td>
<td>790,570,669.67</td>
</tr>
<tr>
<td>— Other debtors</td>
<td>89,814,969.75</td>
<td>21,860,507.68</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests</td>
<td>2,595,210,040.98</td>
<td>1,857,148,602.74</td>
</tr>
<tr>
<td>— Other investments</td>
<td>373,473,743.51</td>
<td>363,221,727.68</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>2,986,133,910.32</td>
<td>1,055,479,458.18</td>
</tr>
<tr>
<td><strong>Total C)</strong></td>
<td>6,247,118,030.97</td>
<td>4,088,280,965.95</td>
</tr>
<tr>
<td><strong>D) Prepayments and accrued income</strong></td>
<td>240,415.24</td>
<td>238,433.50</td>
</tr>
<tr>
<td></td>
<td>9,399,165,497.55</td>
<td>11,278,411,570.72</td>
</tr>
</tbody>
</table>

(1) TI Finance’s selected financial data as of and for the year ended 31 December, 2011 have been extracted from Telecom Italia Finance’s audited financial statements for the year ended 31 December, 2011 (the 2011 Financials) 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 4 April, 2012. The 2011 Financials have been prepared according to the new Luxembourg accounting principles and therefore the presentation of the selected financial data is different from previous year. For detail on changes and reclassifications refer to page 32 to 50 of the 2011 Financials.
### Shareholders’ Equity and Liabilities

#### A) Capital and reserves

<table>
<thead>
<tr>
<th>Description</th>
<th>As of 31 December, 2011</th>
<th>As of 31 December, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribed capital</td>
<td>542,090,241.00</td>
<td>542,090,241.00</td>
</tr>
<tr>
<td>Reserves:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Legal reserve</td>
<td>11,163,715.87</td>
<td>4,812,715.87</td>
</tr>
<tr>
<td>— Other reserves</td>
<td>865,769,812.13</td>
<td>865,769,812.13</td>
</tr>
<tr>
<td>Profit or loss brought forward</td>
<td>182,000,613.97</td>
<td>61,337,977.52</td>
</tr>
<tr>
<td>Result for the financial year</td>
<td>69,919,778.31</td>
<td>127,013,636.45</td>
</tr>
</tbody>
</table>

**Total A)** ........................................... 1,670,944,161.28 1,601,024,382.97

#### B) Provisions

<table>
<thead>
<tr>
<th>Description</th>
<th>As of 31 December, 2011</th>
<th>As of 31 December, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other provisions</td>
<td>2,413,800.61</td>
<td>11,850,402.02</td>
</tr>
</tbody>
</table>

#### C) Not subordinated debts

**Non convertible notes:**
- becoming due and payable after less than 1 year... 1,084,447,898.86 2,163,189,802.49
- becoming due and payable after more than 1 year.. 1,973,462,987.15 3,156,921,305.33

**Amounts owed to credit institutions:**
- becoming due and payable after less than 1 year... 283,995,538.39 7,154,453.24
- becoming due and payable after more than 1 year.. 449,370,979.10 433,461,649.81

| Trade creditors                    | 123,147.72              | 144,630.76              |

**Amounts owed to affiliated undertakings**
- becoming due and payable after less than 1 year... 2,553,776,871.95 2,607,219,910.92
- becoming due and payable after more than 1 year.. 1,360,715,910.12 1,292,000,000.00

| Tax and social security            | 96,806.20               | 400,717.95              |

**Other creditors:**
- becoming due and payable after less than 1 year... 12,827,861.87 433,052.33
- becoming due and payable after more than 1 year.. 6,954,153.29 4,559,173.32

**Total C)** ......................................... 7,725,772,154.65 9,665,484,696.15

#### D) Accruals and deferred income

<table>
<thead>
<tr>
<th>Description</th>
<th>As of 31 December, 2011</th>
<th>As of 31 December, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>35,381.01</td>
<td>52,089.58</td>
</tr>
</tbody>
</table>

**Total** ............................................. 9,399,165,497.55 11,278,411,570.72
### Income Statements

<table>
<thead>
<tr>
<th></th>
<th>As of 31 December, 2011 (euro)</th>
<th>As of 31 December, 2010 (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net turnover</td>
<td>365,695.68</td>
<td>201,056.68</td>
</tr>
<tr>
<td>Income from financial fixed assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— derived from affiliated undertakings</td>
<td>116,655,110.36</td>
<td>115,723,943.38</td>
</tr>
<tr>
<td>— other income and participating interests</td>
<td>-</td>
<td>3,143,917.36</td>
</tr>
<tr>
<td>Income from financial current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— derived from affiliated undertakings</td>
<td>3,474,000.00</td>
<td>-</td>
</tr>
<tr>
<td>— other income</td>
<td>193,162.08</td>
<td>2,488,815.30</td>
</tr>
<tr>
<td>Other interest and other financial income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— derived from affiliated undertakings</td>
<td>637,682,203.87</td>
<td>502,946,788.97</td>
</tr>
<tr>
<td>— other interest receivable and similar income</td>
<td>185,783,177.56</td>
<td>112,784,060.66</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>100,447.42</td>
<td>77,872.70</td>
</tr>
<tr>
<td>Loss for the financial year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>944,253,796.97</strong></td>
<td><strong>737,366,455.05</strong></td>
</tr>
</tbody>
</table>

|                      |                                |                                |
| **Expenses**         |                                |                                |
| Raw materials and consumables | 12,721.57                     | 10,421.74                      |
| Other external charges | 967,283.84                     | 3,941,921.12                   |
| Staff costs:         |                                |                                |
| — Wages and salaries | 868,230.51                     | 674,444.40                     |
| — Social security costs | 91,473.03                     | 83,047.67                      |
| — Social security costs relating to pensions | 33,745.41                     | 18,854.19                      |
| — Other social security costs | 2,540.70                     | -                              |
| Value adjustments:   |                                |                                |
| — on formation expenses and on tangible and intangible fixed assets | 1,357,288.46                  | 1,923,491.60                   |
| Other operating charges | 95,878.72                     | 403,815.27                     |
| Value adjustments and fair value adjustments on financial fixed assets | 51,051,395.45                 | 10,871,606.43                  |
| Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities | 23,326,021.32                 | 10,890,300.18                  |
| Interest payable and similar charges: |                            |                                |
| — concerning affiliated undertakings | 123,098,879.92                | 77,117,962.80                  |
| — other interest payable and similar charges | 672,845,319.77                | 498,088,248.13                 |
| Extraordinary charges | 6,189.62                      | 868.19                         |
| Tax on profit or loss | 177,050.34                    | 1,388,312.38                   |
| Other taxes not included in the previous caption | 400,000.00                    | 4,939,524.50                   |
| Profit for the financial year | 69,919,778.31                 | 127,013,636.45                 |
| **Total Expenses**   | **944,253,796.97**              | **737,366,455.05**              |
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.

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 construed to be, legal or tax advice. It 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. 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.

The statements herein regarding Italian taxation are based on the laws in force in Italy as of the date of this EMTN Programme Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The taxation of financial instruments, including the Notes, has been recently reformed and is further described below. Given that the reform is very recent, it cannot be excluded, however, that in the near future, the Italian tax authorities may further amend or clarify the tax treatment of interest and capital gains on Notes.

Tax treatment of Notes issued by Telecom Italia

Decree No. 239 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.

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 20%.

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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, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, 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*).

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (a *Fund*) or a SICAV established in Italy and either (i) the fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority 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 20% will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the *Collective Investment Fund Tax*).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December, 2005) 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 without a permanent establishment in Italy to which the Notes are connected, 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 20% (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.

**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 20% 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, 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.
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 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 20% pursuant to Presidential Decree No. 600 of 29 September, 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, the withholding tax may be applied at 20%. 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 20%. 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.

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 non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

If the Notes are issued by a non-Italian resident Issuer, the 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 (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for regional tax purposes) 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 20%. 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, where 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 20% 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 a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December, 2005) 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 the 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 incorporated 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 20%.

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.

*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.

*Wealth Tax*

According to Article 19 of Decree of 6 December, 2011, No. 201 ("Decree No. 201/2011"), converted with Law of 22 December, 2011, No. 214, Italian resident individuals holding financial assets – including the
Notes – outside of the Italian territory are required to pay a wealth tax at the rate of 0.1 per cent for years 2011 and 2012 and at the rate of 0.15 per cent for subsequent years (the tax is determined in proportion to the period of ownership). The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial assets held outside of the Italian territory. Taxpayers are enabled to deduct from the tax a tax credit equal to any wealth taxes paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

Stamp taxes and duties

According to Article 19 of Decree No. 201/2011, a proportional stamp duty applies on a yearly basis at the rate of 0.1 per cent for year 2012 and at the rate of 0.15 per cent for subsequent years on the market value or – in the lack of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). The stamp duty cannot be lower than Euro 34.2 and, in year 2012 only, cannot exceed the amount of Euro 1,200. Based on the wording of the law, it may be understood that the stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

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 1 March, 2001.

Luxembourg taxation

The following summary is of a general nature only and 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. The information contained within this section is limited to Luxembourg withholding tax issues and 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.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l’emploi) as well as personal income tax (impôt sur le revenu) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding tax

(i) Luxembourg non-resident Noteholders

Under Luxembourg tax law currently in effect and subject to the laws of 21 June, 2005, as amended (the Savings Laws) implementing the EU Savings Directive on taxation of savings income in the form of interest payments and ratifying several agreements concluded between Luxembourg and certain dependent and associated territories of the EU Member States (the Territories), there is no Luxembourg withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but
unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Savings Laws, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to (or under certain circumstances for the immediate benefit of) an individual beneficial owner or a residual entity, as defined by the Savings Laws, which are resident of, or established in, another EU Member State or some of the Territories will be subject to a withholding tax, unless the beneficiary of the interest payments elects for the exchange of information procedure or, in the case of an individual beneficial owner, for the tax certificate procedure.

Where withholding tax is applied, it is levied at a current rate of 35 per cent. 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. 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 Savings Laws are currently subject to withholding tax of 35%.

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

(ii) Luxembourg resident Noteholders

Under the Luxembourg tax law currently in effect and subject to the law of 23 December 2005, as amended (the Relibi Law), there is no withholding tax on payments of principal, premium or interest made to Luxembourg individual residents or to certain residual entities holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. 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 Relibi law will be subject to 10% Luxembourg withholding tax.

Income Taxation

(i) 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 of the Notes, or realise capital gains on the sale of any Notes.

Non-resident corporate Noteholders or individual Noteholders acting in the course of the management of a professional or business undertaking, who have a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

(ii) Taxation of Luxembourg residents

(a) Luxembourg resident individuals
Luxembourg resident individuals, acting in the course of the management of their private wealth, are subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual Noteholder has opted for the application of a 10% (self applied) tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established 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. 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. However, any portion of such gain corresponding to accrued but unpaid interest income will be subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

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 in accordance with the Relibi Law will be credited against their final income tax liability.

(b) 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.

A corporate Noteholder that is governed by the law of 11 May, 2007 on family estate management companies, as amended, or by the law of 17 December, 2010 on undertakings for collective investment, or by the law of 13 February, 2007 on specialised investment funds, as amended, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

Net wealth taxation

A corporate Noteholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which/whom such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the Noteholder is governed by (i) the law of 11 May, 2007 on family estate management companies, as amended, or (ii) the law of 17 December, 2010 on undertakings for collective investment, or (iii) the law of 13 February, 2007 on specialised investment funds, as amended, or (iv) the law of 22 March, 2004 on securitisation, as amended, or (v) the law of 15 June, 2004 on venture capital vehicles, as amended.

An individual Noteholder, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

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.

However, a nominal registration duty may be due upon the registration of the Notes in Luxembourg in the case of legal proceedings before Luxembourg courts or in case the Notes are produced before an official Luxembourg authority, or in the case of a registration of the Notes on a voluntary basis.
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 Noteholder 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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated 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 T1 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.

**Dealers Transacting with the Issuers**

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.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or the Guarantor, or the Issuers’ or the Guarantor’s affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers or the Guarantor routinely hedge their credit exposure to the Issuers or the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.
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 issue of the Notes by Telecom Italia under the Programme, up to a maximum aggregate amount equal to euro 4 billion and until 28 February, 2013, has been duly authorised by a resolution of the Board of Directors of Telecom Italia dated 19 January, 2012.

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 6 May, 2010.

Manager responsible for financial reporting

The manager responsible for preparing the corporate financial reports of Telecom Italia (Andrea Mangoni – Head of Administration, Finance and Control & International Development Function) 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 2011 Telecom Italia Annual Report and the 2010 Telecom Italia Annual Report;

(c) the audited unconsolidated financial statements of TI Finance in respect of the financial years ended 31 December, 2010 and 31 December, 2011;

(d) the Telecom Italia Group’s Quarterly Report at 31 March, 2012;
(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, 2012 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, 2011. There has been no material adverse change in the financial position or prospects of each of the Issuers since 31 December, 2011.

Legal and Arbitration Proceedings

Save as disclosed in the section “Description of Telecom Italia — Litigation” on pages 139 to 149, 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 years ended 31 December, 2010 and 31 December, 2011, 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, 2010 and 31 December, 2011 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 réviseur d’entreprises agréé, as set forth in their reports thereon and included therein, and incorporated by reference elsewhere herein. PricewaterhouseCoopers S.à r.l. (Luxembourg) is a member of the Institut des Réviseurs d’Entreprises and is on the public register report by the Commission de Surveillance du Secteur Financier. For the avoidance of doubt, the cash flow statements for the 12 months ended 31 December, 2010 and the 12 months ended 31 December, 2011 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.
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AUDITORS

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