

EMTN PROGRAMME PROSPECTUS

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



TELECOM ITALIA S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

TELECOM ITALIA FINANCE S.A.

(incorporated with limited liability under the laws of the Grand-Duchy of Luxembourg)

€20,000,000,000

Euro Medium Term Note Programme

unconditionally and irrevocably guaranteed in respect of Notes issued by

Telecom Italia Finance S.A. by

TELECOM ITALIA S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

Under this €20,000,000,000 Euro Medium Term Note Programme (the **Programme**), Telecom Italia S.p.A. (**Telecom Italia**) and Telecom Italia Finance S.A. (**TI Finance** and, together 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.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview 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.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

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, as amended (the **Prospectus Act 2005**) 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.

References in the two base prospectuses to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to 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 certain other information which is 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 will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

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

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 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 and the Coupons (all as defined in "*Terms and Conditions of the Notes*"). Telecom Italia shall indemnify each Noteholder and Couponholder against (A) any tax, assessment or governmental charge which is imposed on such Noteholder or Couponholder by (or by any authority in or of) the Republic of Italy (**Italy**) with respect to any Note 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 new EMTN Programme base 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.

Arranger

J.P. MORGAN

Dealers

**BANCA IMI
BNP PARIBAS
CRÉDIT AGRICOLE CIB
J.P. MORGAN
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

**BARCLAYS
CITIGROUP
DEUTSCHE BANK
MEDIOBANCA S.p.A.
UNICREDIT BANK**

The date of this EMTN Programme Prospectus is 30 June 2015.

IMPORTANT INFORMATION

This EMTN Programme Prospectus comprises two base prospectuses for the purposes of Article 5.4 of the Prospectus Directive: (i) the base prospectus of Telecom Italia; and (ii) the base prospectus of TI Finance. *Prospectus Directive* means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

The Issuers and the Guarantor accept responsibility for the information contained in this EMTN Programme Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. 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.

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 each 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 at 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.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS EMTN PROGRAMME PROSPECTUS AND OFFERS OF NOTES GENERALLY

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*”.

The Notes may not be a suitable investment for all investors. Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisors, whether it:

- (i) has 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;
- (ii) has 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) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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 advisors to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of

borrowing and (3) other restrictions apply to its purchase of pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The 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*”).

PRESENTATION OF INFORMATION

All references in this EMTN Programme Prospectus document to *euro*, *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, *Sterling* and *£* refer to pounds sterling 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.

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STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation 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 Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation 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 Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview 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. This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, as amended (the **Prospectus Regulation**).

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 is Via Gaetano Negri 1, 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 2015-2017 strategic objectives. Factors beyond its control may prevent it from successfully implementing its strategy.
- Specific factors that may prevent Telecom Italia from achieving its objectives include (i) strategic risks associated with global and domestic economic growth, Telecom Italia’s ownership chain, competition in the telecommunication services market, technological and political developments; (ii) operational risks relating to the efficiency and effectiveness of resource allocation; (iii) financial risks whereby 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 and continuing volatility in the international credit

markets may limit Telecom Italia's ability to refinance its financial debt; and (iv) compliance risks associated with operating in a heavily regulated industry, regulatory decisions and changes in the regulatory environment could materially adversely affect its business.

Each such risk 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 plc

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 plc
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.
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 “ <i>Form of the Notes</i> ”.
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:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (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 the reference rate set out in the applicable Final Terms. <p>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.</p>

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

Interest on Floating Rate 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.

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 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.

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:

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 will be €100,000 (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 <i>pari passu</i> 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 <i>pari passu</i> 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.
Rating:	The Programme has been rated Ba1 by Moody's Investors Service España S.A. (Moody's), BB+ by Standard & Poor's Credit Market Services France SAS (S&P) and BBB- by Fitch Ratings Limited (Fitch). Moody's, S&P and Fitch are established in the EU and registered under the CRA Regulation. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. 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.
Listing and admission to trading:	<p>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.</p> <p>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.</p> <p>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).</p>

Governing Law:

The Notes, the Coupons and the Trust Deed and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law, save, in respect of Notes issued by Telecom Italia, for the provisions contained in Condition 15 of "*Terms and Conditions of the Notes*" and the provisions of the Trust Deed concerning the meeting of Noteholders and the appointment of the *rappresentante comune* are subject to compliance 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*".

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuers and the Guarantor may become insolvent or otherwise unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuers or the Guarantor becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside of the Issuers' and the Guarantor's control. The Issuers and the Guarantor have identified in this EMTN Programme Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes.

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.

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).

Telecom Italia presents below:

- 1) *Telecom Italia's main objectives as set out in Telecom Italia's 2015-2017 business and strategic plan (the 2015-2017 Plan); and*
- 2) *factors that may prevent Telecom Italia from achieving its objectives. For purposes of presenting its risk factors Telecom Italia has identified its risks based on the main risk categories, set out in the Committee of Sponsoring Organisation of the Treadway Commission¹:*
 - *strategic risks;*
 - *operational risks;*
 - *financial risks; and*
 - *compliance risks.*

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 Telecom Italia's control may prevent it from successfully implementing its strategy.

On 20 February 2015, Telecom Italia presented its updated 2015–2017 Plan, which envisages an increase in its innovative investment programme. For further information, see "*Description of Telecom Italia – Strategy*".

Telecom Italia's ability to implement and achieve its strategic objectives and priorities may be influenced by certain factors, including factors outside of its control. Such factors include:

- the continuing effects of slow economic growth in the principal markets in which Telecom Italia operates, including, in particular, its core Italian market;

¹ CoSO Report-ERM Integrated Framework 2004.

- the impact of regulatory decisions and changes in the regulatory environment in Italy, Brazil and other countries in which Telecom Italia operates;
- the impact of political developments in Italy, Brazil and other countries in which Telecom Italia operates;
- Telecom Italia's ability to successfully meet competition on both the price and innovation capabilities of new products and services;
- 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;
- Telecom Italia's ability to successfully implement its internet and broadband strategy;
- Telecom Italia's ability to successfully achieve its debt reduction and other targets;
- the impact of fluctuations in currency exchange and interest rates and the performance of the equity markets in general;
- the outcome of litigation, disputes and investigations in which Telecom Italia is involved or may become involved;
- Telecom Italia's ability to build up its business in adjacent markets and in international markets (particularly in Brazil), due to its specialist and technical resources;
- Telecom Italia's ability to achieve the expected return on the investments and capital expenditures it has made and continues to make in Brazil;
- the amount and timing of any future impairment charges for Telecom Italia's authorisations, goodwill and other assets;
- Telecom Italia's ability to manage and reduce costs;
- any difficulties which Telecom Italia may encounter in its supply and procurement processes, including as a result of the insolvency or financial weaknesses of Telecom Italia's suppliers; and
- the costs Telecom Italia may incur due to unexpected events, in particular where its insurance is not sufficient to cover such costs.

As a result of these uncertainties there can be no assurance that the business and strategic objectives identified by Telecom Italia's 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, Telecom Italia's goodwill may be further impaired, which could result in further significant write-offs.

The following sets out more specific factors that may prevent Telecom Italia from achieving its objectives.

STRATEGIC RISKS

Continuing weak global economic recovery, in particular the continuing weakness of the Italian economy over the past few years, has adversely affected Telecom Italia's business and continuing global and European economic weakness could further adversely affect Telecom Italia's business and therefore have a negative impact on its operating results and financial condition.

Telecom Italia's business is dependent to a large degree on general economic conditions in Italy and in its other principal market, Brazil, 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 years have had an adverse impact on Telecom Italia's business, particularly in Italy.

The economic recession that Italy has experienced in recent years has weighed, and may continue to weigh heavily on the development prospects of Telecom Italia's core Italian market.

Continuing uncertainty about global economic conditions poses a significant risk as consumer and business customers postpone spending in response to tighter credit, negative financial news (including high levels of unemployment) and declines in income and asset values, which could have a material negative effect on the demand for Telecom Italia's products and services. 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 Telecom Italia's 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's strategy includes certain extraordinary transactions intended to strengthen the Group's financial position such as the disposal of Telecom Italia's current stake in the Sofora-Telecom Argentina group. Telecom Italia's ability to complete these transactions may be adversely impacted by factors outside Telecom Italia's control, including political and regulatory developments as well as general economic and market conditions. In particular, the disposal of the current stake in the Sofora-Telecom Argentina group is conditional upon obtaining certain required regulatory approvals. Telecom Italia cannot provide assurance that the required governmental and regulatory approvals will be obtained within the expected timeframe or that completion of the disposal of the Sofora-Telecom Argentina group will be made on the agreed terms.

Risks associated with Telecom Italia's ownership chain.

Until 18 June 2015, Telco S.p.A. (**Telco**) was Telecom Italia's largest shareholder, holding an interest of approximately 22.3 per cent. of its voting rights. Since 28 April 2007, the shareholders of Telco (being Assicurazioni Generali S.p.A. (also in the name and on behalf of the Telco shareholders which are also companies within the Assicurazioni Generali S.p.A. group (the **Generali Group**)), Mediobanca – Banca di Credito Finanziario S.p.A. (**Mediobanca**), Intesa Sanpaolo S.p.A. (**Intesa Sanpaolo**) and Telefónica S.A. (**Telefónica**)) were part of a shareholders' agreement (the **Telco Shareholders' Agreement**) that has been significant for Telecom Italia, as it identified, among other things, the criteria for the composition of the slate of candidates for appointment to the Board of Directors of Telecom Italia to be submitted to shareholders' meeting.

Following the Demerger (as defined herein), the termination of the Telco Shareholders' Agreement and the clearances from the relevant regulatory authorities (see "*Description of Telecom Italia – Telco Shareholder Agreement*"), with effect from 18 June 2015, four newly-incorporated beneficiary companies, Telco AG S.r.l., Telco TE S.p.A., Telco MB S.r.l. and Telco IS S.r.l. (the **Beneficiary Companies**), each wholly controlled by the corresponding Telco shareholders, were allocated shareholdings in Telecom Italia in proportion to each shareholder's respective stake in Telco as follows: 14.72% to Telco TE S.p.A., owned by Telefónica, 4.31% to Telco AG S.r.l., owned by the Generali Group, and 1.64% to each of Telco MB S.r.l. and Telco IS S.r.l. owned by Mediobanca and Intesa Sanpaolo, respectively.

On the basis of publicly available information, Telefónica earmarked its shareholding in Telecom Italia both to serve its 750 million euros exchangeable bond due July 2017 and as consideration for the benefit of Vivendi S.A. (**Vivendi**), in connection with its purchase of the Brazilian company, GVT (**GVT**). On 24 June 2015, Vivendi announced that it received 1.11 billion ordinary shares (8.24%) of Telecom Italia's ordinary share capital, in exchange for 4.5% of the share capital of Telefónica Brasil, in accordance with the option

given to it as part of the sale of GVT to Telefónica, which closed on 28 May 2015. Separately, Vivendi reported that it increased its ordinary shares in Telecom Italia from 1.90% recently purchased, with an additional stake of 4.76% purchased on 22 June 2015 up to 6.66% (5.6% of which are the subject of a hedging agreement consisting of a put option granted by Vivendi and a call option sold by Vivendi, which have a maximum duration of three years and will be settled, in Vivendi's discretion, either in shares or in cash) representing a global cash payment of approximately €1 billion. As a result, as at the date of this EMTN Programme Base Prospectus, Vivendi publicly declared that it owns 14.90% of Telecom Italia's ordinary shares and has thus replaced Telefónica as Telecom Italia's largest shareholder.

Separately, on the basis of publicly available information, as of 22 June 2015 Generali also reduced its shareholding in Telecom Italia (through Telco AG S.r.l.) from 4.31% to 0.08%.

Furthermore, Mediobanca and Intesa Sanpaolo have also publicly stated their non-binding intention to sell and/or possible interest in selling their respective shareholdings in Telecom Italia. Following the termination of the Telco Shareholders' Agreement and in light of the further potential changes to the resulting Telecom Italia shareholding structure, as at the date of this EMTN Programme Base Prospectus, the composition of Telecom Italia's shareholding remains subject to further change.

Any changes in its shareholding structure may result in future shareholders (or shareholders acting in concert) of Telecom Italia having the power to influence on matters to be decided by a vote of the shareholders of Telecom Italia. Furthermore, the interests of any such shareholder(s) could be different from the interests of Telecom Italia's other ordinary shareholders, and it is possible that certain decisions might be taken that may be influenced by the needs of any such shareholder(s). In addition, to the extent that any future shareholder(s) have a significant stake in Telecom Italia and operate in a similar market to that of Telecom Italia, this could result in legal or regulatory proceedings or affect regulatory decisions in countries where the Telecom Italia Group operates and/or may wish to operate if any such shareholder is also an operator or competitor in those jurisdictions.

Competition Risks

Strong competition in Italy or other countries where Telecom Italia operates may further reduce its core market share for telecommunications services and may cause reductions in prices and margins, thereby having a material adverse effect on Telecom Italia's 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. Competition remains intense and there is entrenched competition from international and other telecommunications operators who have been present in the Italian market for some time and who compete directly with Telecom Italia's fixed-line and mobile telephony businesses and for broadband services.

Moreover, convergence has enabled lateral competition from information technology (**IT**) and 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 Telecom Italia faces in its Italian domestic fixed-line, mobile telephony and broadband businesses.

In Telecom Italia's core Italian market, the competitive landscape has resulted in continuous erosion of traditional service revenues in particular due to price competition. Price competition in Telecom Italia's principal lines of business has led, and could lead, to:

- further price and margin erosion for Telecom Italia's traditional products and services;

- a continuing loss of market share in Telecom Italia's core markets; and
- loss of existing or prospective customers and greater difficulty in retaining existing customers.

In addition, competition on innovative products and services in Telecom Italia's Italian domestic fixed-line, mobile telephony and broadband businesses, has led, and could lead to:

- the obsolescence of existing technologies and more rapid deployment of new technologies;
- an increase in costs and payback periods related to investments in new technologies that are necessary to retain customers and market share; and/or
- difficulties in reducing debt and funding strategic and technological investments if Telecom Italia cannot generate sufficient profits and cashflows.

Although Telecom Italia continues to take steps to realise additional efficiencies and to rebalance its revenue mix through the continuing introduction of innovative and value added services, 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.

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. Telecom Italia's markets are characterised by rapid and significant changes in technology, customer demand and behaviour, and as a result feature a constantly changing competitive environment. 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 Telecom Italia's markets who do not have to maintain an installed base of older equipment.

As a result, if Telecom Italia is unable to effectively anticipate, react to or access technological changes in its telecommunications markets it could lose customers, fail to attract new customers or incur substantial costs in order to maintain its customer base or to maintain revenues from that customer base, all of which could have a material adverse effect on Telecom Italia's business, financial condition and results of operations.

In addition to competitive pressures, as a result of the increasing substitution of data services in place of traditional voice and short message service (SMS) communications, Telecom Italia's traditional voice and SMS markets have also been decreasing and are expected to continue to decrease due to growing competition from alternative modes of telecommunication.

Telecom Italia faces increasing competition from non-traditional data services on new voice and messaging over the internet technologies, in particular over-the-top (OTT) applications, such as Skype, Google Talk, FaceTime and WhatsApp. These applications are often free of charge, other than for data usage, accessible via smartphones, tablets and computers, and allow their users to have access to potentially unlimited messaging and voice services over the internet, bypassing more expensive traditional voice and messaging services such as SMS, which have historically been a source of significant revenues for fixed and mobile network operators such as Telecom Italia. With the growing share of smartphones, tablets and computers in

Italy as well as Telecom Italia's principal international market of Brazil, an increasing number of customers are using OTT applications services in substitution for traditional voice and/ or SMS communications.

Historically, Telecom Italia has generated a substantial portion of its revenues from voice and SMS services, particularly in its mobile business in Italy, and the substitution of data services for these traditional voice and SMS volumes has had and is likely to continue to have a negative impact on Telecom Italia's revenues and profitability. As a result of these and other factors, Telecom Italia faces a mobile market in which price pressure remains intense.

In the long term, if non-traditional mobile voice and data services or similar services continue to increase in popularity, as they are expected to do, and if Telecom Italia and other mobile network operators are not able to address this competition, this could contribute to further declines in average revenue per user and lower margins across many of Telecom Italia's products and services, thereby having a material adverse effect on Telecom Italia's business, results of operations, financial condition and prospects.

The mobile communications markets have matured and competition has increased.

Although mobile communications markets have reached maturity levels in Telecom Italia's domestic market in the voice services segment, the mobile broadband business continues to keep pace with previous levels of growth. However, such change has had an adverse effect on revenues from Telecom Italia's mobile services.

The continuing evolution of the mobile telecommunications markets in which Telecom Italia operates will depend on a number of factors, many of which are outside Telecom Italia's control. These factors include:

- the activities of Telecom Italia's 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 Telecom Italia's 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 has resulted in increased expenses to retain customer loyalty. In addition, if Telecom Italia is unable to satisfactorily offer better value to Telecom Italia's customers, Telecom Italia's market share and revenues could decline. Furthermore, in the last two years Telecom Italia has experienced a significant deterioration in the Italian mobile market, with a strong increase in the level of competition and nearly unprecedented price pressure in comparison with previous periods; a continuation of such price pressure will have an adverse effect on Telecom Italia's current and future revenues and results of operations.

If the mobile telecommunications markets in which Telecom Italia operates perform worse than expected, or if Telecom Italia is unable to retain its existing customers or stimulate increases in customer usage, Telecom Italia's financial condition and results of operations may be harmed. In particular, its goodwill may be further impaired, which could result in further significant write-offs.

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

The continuing development of internet and broadband services is a key element of Telecom Italia's strategic objectives and a means to increase the use of Telecom Italia's networks in Italy and abroad. Telecom Italia's strategy includes the development of broadband and value added services in order to offset the continuing

decline of traditional voice services. Telecom Italia's ability to successfully implement this strategy may be affected if:

- internet usage in Italy continues to grow more slowly than anticipated, for reasons such as changes in internet users' preferences or lower than expected penetration rate growth for PCs, tablets, smartphones and other internet connected devices;
- broadband and fibre penetration does not grow as Telecom Italia 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/fibre connections superior to those that Telecom Italia can offer; and
- Telecom Italia 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, 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 telecommunications 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 to partners' ecosystems) integrated with a wide range of connectivity options and end-to-end service-level agreements (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 could be negatively affected.

Telecom Italia is subject to risks associated with political developments in countries where it operates.

Telecom Italia may be adversely affected by political developments in Italy and in the countries where it has made significant investments. Certain of these countries have political and legal systems that are less predictable than in Western Europe. Political or economic upheaval or changes in laws or in their application in the countries outside Italy where Telecom Italia has significant investments may harm the operations of the companies in which Telecom Italia has invested and impair the value of these investments.

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

In 2012, regulations relating to the special powers on share ownership in the sectors of defence and national security, and regarding strategic assets in the energy, transport and communication sectors were published and became effective (Law Decree n. 21 of 15 March 2012, adapted through modifications of Law n. 56 of 11 May 2012).

Further to the enactment of such regulations, art. 3 of Presidential Decree n. 85 of 25 March 2014 identified the following as strategic assets in the communication sector:

- 1) dedicated networks and the access of a public network to final customers in connection with metropolitan networks, service routers and long distance networks;
- 2) assets used for the provision of access for final customers to services that fall within the obligations of universal service and broadband and ultrabroadband services;
- 3) dedicated elements, even if not in exclusive use, for connectivity (phone, data, video), security, control and management concerning fixed telecommunications access networks.

Presidential Decree n. 86 of 25 March 2014 sets out the procedures for handling special powers in the communication sector.

As a result, the rules presently in force provide for:

- the power of the Italian government to impose conditions and possibly to oppose the purchase, for any reason whatsoever, by non-EU citizens, of controlling shareholdings in companies which hold the aforementioned types of assets. Such purchase will be permitted solely on condition of reciprocity with the purchaser's home country. Until the end of the 15-day period from notice of the purchase, within which conditions may be imposed, or the power to oppose the initiative exercised, the voting rights (and any rights other than the property rights) connected to shares whose sale entails the transfer of control, will be suspended. The same rights will be suspended in the case of any non-compliance with or breach of the conditions imposed on the purchaser, for the whole of the period in which the non-compliance or breach persists. Any resolutions adopted on the determining vote of said shares or holdings, as well as the resolutions or acts adopted that breach or that do not comply with the conditions imposed, will be null and void;
- a power of veto by the Italian government (including in the form of the imposition of prescriptions or conditions) over any resolution, act or transaction which has the effect of modifying the ownership, control or availability of said strategic assets or of changing their destination, including resolutions for the merger, demerger or transfer of registered offices abroad, the transfer of the company or business units which contain the strategic assets, or their assignment by way of guarantee. Resolutions or acts adopted breaching said prescriptions shall be null and void. The government may also order the company and any other party to restore the antecedent situation at their own expense.

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.

OPERATIONAL RISKS

Telecom Italia faces numerous risks in both the efficiency and effectiveness of resource allocation. Operational risks related to Telecom Italia's business include those resulting from inadequate internal and external processes, fraud, employee error, failure to document transactions properly, loss or disclosure of critical or commercial sensitive data or personal identification information, and system failures. These events could result in direct or indirect losses and in adverse legal and regulatory proceedings, and could harm Telecom Italia's reputation and operational effectiveness.

Telecom Italia has in place risk management procedures designed to detect, manage and monitor at a senior level the evolution of these operational risks. 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 Telecom Italia's reputation.

System and network failures could result in reduced user traffic and reduced revenue and could harm Telecom Italia's reputation. In addition, Telecom Italia's operations and reputation could be materially

negatively affected by cyber-security threats or Telecom Italia's failure to comply with data protection legislation.

Telecom Italia's success largely depends on the continued and uninterrupted performance of its information technology, network systems and certain hardware and datacenters that it manages for its clients. Telecom Italia's technical infrastructure (including Telecom Italia's network infrastructure for fixed-line and mobile telecommunications services) is vulnerable to damage or interruption from information and telecommunications technology failures, power loss, floods, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at Telecom Italia's facilities, system failures, hardware and software failures, computer viruses and hacker attacks could affect the quality of Telecom Italia's services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could negatively affect Telecom Italia's levels of customer satisfaction, reduce Telecom Italia's customer base and harm Telecom Italia's reputation.

In addition, Telecom Italia's operations involve the processing and storage of large amounts of customer data on a daily basis and require an uninterrupted, accurate, permanently available, real-time and safe transmission and storage of customer and other data in compliance with applicable laws and regulations. The proper functioning of, including the prevention of unauthorised access to, Telecom Italia's networks, systems, computers, applications and data, such as customer accounting, network control, data hosting, cloud computing and other information technology systems, is critical to Telecom Italia's operations. Telecom Italia may be held liable for the loss, release, disclosure or inappropriate modification of the customer data stored on its equipment or carried by its networks. Information technology systems failure, the interruption of service availability, industrial espionage, cyber-attack or data leakage, in particular relating to customer data, could seriously limit Telecom Italia's ability to service Telecom Italia's clients, result in significant compensation costs for which indemnification or insurance coverage may not, or may not to the full extent, be available, result in a breach of laws and regulations under which Telecom Italia operates or lead to fines, and could cause long-term damage to Telecom Italia's business and reputation.

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

Telecom Italia must continue to maintain, improve and upgrade its existing networks in a timely and satisfactory manner in order to retain and expand its customer base in each of its markets. A reliable and high quality network is necessary to manage churn by sustaining Telecom Italia's customer base, to maintain strong customer brands and reputation and to satisfy regulatory requirements, including minimum service requirements. The maintenance and improvement of Telecom Italia's existing networks depends on its ability to:

- upgrade the functionality of its networks to offer increasingly customised services to its customers;
- increase coverage in some of its markets;
- expand and maintain customer service, network management and administrative systems;
- expand the capacity of its existing fixed copper and mobile networks to cope with increased bandwidth usage; and
- upgrade older systems and networks to adapt them to new technologies.

In addition, due to rapid changes in the telecommunications industry, Telecom Italia's network investments may prove to be inadequate or may be superseded by new technological changes. Telecom Italia's network investments may also be limited by market uptake and customer acceptance. If Telecom Italia fails to make adequate capital expenditures or investments, or to properly and efficiently allocate such expenditures or investments, the performance of Telecom Italia's networks, both in real terms and in relative terms as

compared to its competitors, could suffer, resulting in lower customer satisfaction, a diminution of brand strength and increased churn.

Many of these tasks are not entirely under Telecom Italia's control and may be affected by applicable regulations. If Telecom Italia fails to maintain, improve or upgrade its networks, its services and products may be less attractive to new customers and Telecom Italia may lose existing customers to competitors, which could have a material adverse effect on its business, financial condition and results of operations.

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. If any of these matters are resolved against Telecom Italia, they could, individually or in the aggregate, have a material adverse effect on Telecom Italia's results of operations, financial condition and cash flows in any particular period.

Telecom Italia is subject to numerous risks relating to legal, tax, competition and regulatory proceedings in which it is currently a party or which could develop in the future. Telecom Italia is also the subject of a number of investigations by judicial authorities. Such proceedings and investigations are inherently unpredictable. Legal, tax, competition and regulatory proceedings and investigations in which Telecom Italia is, or may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on its results of operations and/or financial condition and cash flows in any particular period. Furthermore, Telecom Italia's involvement in such proceedings and investigations may adversely affect its reputation.

Risks associated with internet usage by Telecom Italia's customers could cause it losses and adversely affect Telecom Italia's reputation.

Any illegal, illicit or unethical use of the internet or other data transmission facilities Telecom Italia provides access to by its customers may cause it to be involved in civil liability proceedings or lead to an unfavourable public perception of Telecom Italia's brand or services. Any such event could result in direct or indirect losses, legal and/or regulatory proceedings directed against Telecom Italia, and materially harm its reputation.

While in most countries in which Telecom Italia operates the provision of internet access, data transmission and hosting services, including the operation of websites with self-generated content, is regulated under a limited liability regime with respect to the content (including in particular, the content protected by copyright or other intellectual property laws) that Telecom Italia transmits or makes available to the public in its capacity as a technical service provider, regulatory changes have been introduced in Europe and elsewhere imposing additional obligations upon Telecom Italia in its capacity as a technical service provider, including the duty to block access to certain websites upon certain events. The honouring of such duties is associated with significant cost, and any failure on Telecom Italia's part to comply with them could have a material adverse effect on its business and reputation.

FINANCIAL RISKS

Telecom Italia's leverage is such that deterioration in cash flow could change the expectations of Telecom Italia's ability to repay its debts and an 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 consolidated gross financial debt was 40,482 million euros at 31 March 2015 compared with 37,054 million euros at 31 December 2014. Telecom Italia's consolidated net financial debt was 29,003 million euros at 31 March 2015 compared with 28,021 million euros at 31 December 2014. Telecom Italia's high leverage continues to be a factor in its strategic decisions as it has been for a number of years and the reduction of Telecom Italia's leverage remains a key strategic objective. As a result, however, Telecom Italia

is reliant on cost cutting and on free cash flow to finance critical technology improvements and upgrades to its network, although it is taking steps to raise additional capital to support critical investment.

Due to the competitive environment and continuing weak economic conditions, there could be a 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, Standard & Poor's (S&P) and Fitch, 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 us, 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 a deterioration in the performance of the telecommunications sector, unfavourable fluctuations in interest rates and/or exchange rates, further disruptions in the capital markets, particularly the debt capital markets, and, in a broader sense, continuing weakness in general economic conditions at the sovereign level could have a significant effect on Telecom Italia's ability to reduce its debt and Telecom Italia's ability to refinance existing debt through further access to the financial markets. As a result of the reduction of debt being a key element of Telecom Italia's strategy, the failure to reduce debt could be viewed negatively and could adversely affect Telecom Italia's credit ratings.

The management and development of Telecom Italia's business will require it to make significant further capital and other investments. If Telecom Italia is unable to finance its capital investments as described above, it may therefore need to 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 Telecom Italia's leverage it could adversely affect Telecom Italia's credit ratings.

Fluctuations in currency exchange and interest rates and the performance of the equity markets in general 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 Euro zone, 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) may adversely affect Telecom Italia's consolidated results. A rise in the value of the Euro relative to other currencies in certain countries in which Telecom Italia operates or has made investments will reduce the relative value of the revenues or assets of Telecom Italia's operations in those countries and, therefore, may adversely affect Telecom Italia's operating results and 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 the British pound. In accordance with Telecom Italia's risk management policies, it 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 derivatives transactions hedging its interest rate exposure to changes in interest rates in order to manage the volatility of its income statement, while remaining within predefined target levels. However, no assurance can be given that fluctuations in interest rates will not adversely affect Telecom Italia's results of operations or cash flows.

Furthermore, an increase in sovereign spreads, and in the default risk this reflects, in the countries where Telecom Italia operates, may affect the value of Telecom Italia's assets in such countries.

Telecom Italia may also be exposed to financial risks such as those related to the performance of the equity markets in general, and – more specifically – risks related to the performance of the share price of the Group companies.

COMPLIANCE RISKS

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

Telecom Italia's fixed and mobile telecommunications operations, as well as its broadband services, are subject to regulatory requirements in Italy and its international operations are subject to regulation in their host countries. In Italy, Telecom Italia is the only operator subject to universal service obligations, which requires it to provide fixed line public voice telecommunications services in non-profitable areas. 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.

Pursuant to this regulatory framework the Italian regulator in charge of supervising the telecommunications, radio and television broadcasting sectors (Autorità per le Garanzie nelle Comunicazioni – **AGCom**) is required to identify operators with Significant Market Power (**SMP**) on the basis of Market Analyses proceedings (as defined below). The framework has established criteria and procedures for identifying remedies necessary to safeguarding competition to be imposed on operators with SMP in the relevant markets identified by the corresponding European Commission (**EC**) recommendation. The general regulatory approach is mainly focused on the regulation of Telecom Italia's wholesale business, while the regulation of retail markets has been largely withdrawn.

Within this regulatory framework the main risks Telecom Italia faces include:

- lack of predictability concerning both the timing of regulatory proceedings and their outcome;
- decisions with retroactive effect (i.e. review of prices past years following an administrative judgment); and
- underestimation by AGCom of the permitted regulatory return on capital invested.

A new “round” of market analyses should be conducted every three years (**Market Analyses**), in order to cope with the evolutions of market conditions and technological developments and to set the rules for the subsequent three-year period. Respect for this timetable by AGCom is essential to providing regulatory predictability.

However, this regulatory review process is not always carried out following the required schedule. For example, the third round of Market Analyses for the access markets was expected to be concluded by the end of 2012, in order to set the rules for the 2013-2015 period. AGCom launched the third review of the fixed access markets in September 2012, in order to set wholesale access fees for both copper and fibre-based services for the 2013-2015 period but, as at the date of this EMTN Programme Prospectus, the market analysis process, extended several times by AGCom, is still in progress. At the beginning of 2013, AGCom only set the access fees for 2013, while postponing a decision on the 2014-2016 access fees to a separate proceeding. Meanwhile, AGCom launched two public consultations (in April 2013 and February 2014) and on 13 February 2015, AGCom launched its third public consultation about a completely new proposal on wholesale access prices for the 2014–2017 period. This approach has created a high level of uncertainty for

market operators and the lack of certainty about price development inevitably leads to uncertainties about the “willingness” to invest.

In addition, AGCom is primarily focusing its regulatory efforts on the development of FTTCab competition, while the recent “ultrabroadband Plan” approved by the Italian government aims to effect the FTTB/FTTH solutions. This adds uncertainty to the whole scenario.

In addition, in the mobile market AGCom launched the fourth round of Market Analyses for mobile termination rates in January 2014, which is still in progress, while the fixed termination rates Market Analysis only started on 20 April 2015.

As a result, AGCom is late on all Market Analyses processes (i.e. on all seven markets of the subject of the 2007 Recommendation). This delay unequivocally positions against the regulatory principles established by the EU framework, particularly those of transparency and predictability.

Regulatory uncertainty and regulatory changes imposed on Telecom Italia would not only have an adverse effect on its revenues, but could also make it difficult to take important decisions on investment. Regulation is a key factor in evaluating the likelihood of returns on investments and therefore in deciding where to invest limited resources.

Moreover, rules and economic conditions are also uncertain and unstable owing to long and undefined administrative disputes.

For example, the Council of State (*Consiglio di Stato*) has published a number of judgments on fixed and mobile termination rates, as well as on wholesale access prices following complaints by some alternative operators. According to these judgments, AGCom has conducted a review of already established decisions considered as closed (e.g. 2010-2012 access charges), leading to a change in the regulation and/or prices, with retroactive effect.

In addition the Italian antitrust authority (*Autorità Garante per la Concorrenza ed il Mercato* — **AGCM**) may also intervene in Telecom Italia’s business, setting fines and/or imposing changes in its service provision operating processes and in the offers it makes. As an example, on 27 March 2013 AGCM initiated proceedings around an alleged anti-competitive agreement between companies providing network maintenance services to Telecom Italia, possibly aimed at artificially raising the underlying costs. Subsequently, AGCM extended the proceedings to Telecom Italia in order to determine whether Telecom Italia was involved in the agreement. Telecom Italia proposed a number of undertakings in order to make clear the correctness of its behaviour. These proposed commitments included, *inter alia*, the provision of information, the implementation of new procedures, and certain additional measures. However AGCM did not accept these undertakings. To date, the proceedings remain pending. The closing of the proceedings has been postponed to 31 July 2015.

Telecom Italia’s Brazilian Business Unit is also subject to extensive regulation. Telecom Italia’s international operations therefore confront similar regulatory issues to those Telecom Italia faces in Italy, including the ability of regulators to impose obligations and conditions on how Telecom Italia operates its businesses in Brazil and to take decisions that can have an adverse effect on Telecom Italia’s results, including setting, and in particular reducing, the mobile termination rates that Telecom Italia can charge. As a result, the decisions of regulators or the implementation of new regulations in Brazil and the costs of Telecom Italia’s compliance with any such decisions or new regulations, may limit its flexibility to respond to market conditions and to competition and changes in its cost base which could individually, or in the aggregate, have a material adverse effect on Telecom Italia’s business and results of operations.

In Brazil, Telecom Italia operates under authorisations granted by the competent authorities. As a result, Telecom Italia is obliged to maintain minimum quality and service standards. Telecom Italia’s failure to comply with all the requirements imposed by the *Agência Nacional de Telecomunicações* (**ANATEL**) and

by the Brazilian government may result in the imposition of fines or other government actions, including the suspension of commercial services for a given period.

As a result of the continuous evolution of the regulatory regime affecting various parts of Telecom Italia's business in Italy and in Telecom Italia's international operations, Telecom Italia is unable to clearly predict the impact of any proposed or potential changes in the regulatory environment in which it operates in Italy, Brazil and its other international markets. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. Changes in laws, regulations or government policies 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 Telecom Italia's authorisations, or those of third parties, could adversely affect Telecom Italia's future operations in Italy and in other countries where Telecom Italia 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 both in Italy and abroad. These authorisations specify the types of services the operating company holding such authorisation may provide. 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 that may, however, be affected by political and regulatory factors.

Many of these authorisations are revocable for public interest reasons. In addition, Telecom Italia's current authorisations to provide networks and services require it to satisfy certain obligations, including minimum specified quality levels and service and coverage conditions. Telecom Italia's failure to comply with these obligations could result in the imposition of fines or even in the revocation or forfeiture of the authorisation. In addition, the need to meet scheduled deadlines may require it to expend more resources than otherwise budgeted for in respect of a particular network build-out.

Additional authorisations may also need to be obtained if Telecom Italia expands its services into new product areas, and such authorisations may be related to auctions (e.g. in the assignment of spectrum right of use) or otherwise prove expensive or require significant cash outlays, or entail certain terms and conditions, such as requirements related to coverage and pricing, with which Telecom Italia may not have previously had to comply. If Telecom Italia is unable to obtain such authorisations within the expected timeframe, at a commercially acceptable cost, or if the authorisations include onerous conditions, this could have a material adverse effect on Telecom Italia's business, financial condition and results of operations.

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 investment.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES ISSUED UNDER THE PROGRAMME.

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

A 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:

Risks applicable to all Notes.

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. 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.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes to which Condition 4(g) (Change of Interest Basis) applies are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this 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 in such circumstances, 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 in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

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

Risks related to Notes generally.

Set out below is a description of material risks relating to the Notes generally.

The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

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 and without regard to the interests of particular 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.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

Withholding under the EU Savings Directive.

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is 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).

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above (the **Amending Directive**). The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the EC has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through a Member State 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 (as defined in the Conditions of the Notes) 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 Savings Directive.

U.S. Foreign Account Tax Compliance Act Withholding

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the ICSDs), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (FATCA) will affect the amount of any payment received by the ICSDs as more fully detailed in “*Taxation – Foreign Account Tax Compliance Act*”. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The relevant Issuer’s obligations under the Notes are discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the ICSDs (as holder of the Notes) and the relevant Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an IGA) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

The value of the Notes could be adversely affected by a change in English law or administrative practice.

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 and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the Minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

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 in excess of the minimum Specified Denomination 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 would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, 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 at or in excess of the minimum Specified Denomination 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 description of the material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

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.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

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 or the ability of the Issuers, the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuers, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuers, the Guarantor or 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, suspended 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), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). 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 is set out on the cover of this EMTN Programme Prospectus.

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.

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. An overview 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 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.

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 Terms and Conditions contained in the EMTN Programme Prospectus dated 7 July 2014, pages 52 to 81 (inclusive), prepared by the Issuer in connection with the Programme;
- the audited consolidated annual financial statements for each of the financial years ended 31 December 2014 and 2013 of the Telecom Italia Group (the **2014 Telecom Italia Annual Report** and the **2013 Telecom Italia Annual Report**, respectively);
- the unaudited consolidated interim financial information as at and for the three months ended 31 March 2015 of the Telecom Italia Group (the **Telecom Italia Group’s Quarterly Report at 31 March 2015**); and
- the audited unconsolidated annual financial statements for each of the financial years ended 31 December 2014 and 2013 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 other information incorporated by reference that is not included in the cross-reference list below, is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

The Issuers and (in the case of Notes issued by TI Finance) the Guarantor will provide upon request, without charge, 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:

Document	Information incorporated	Location
Telecom Italia’s Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December 2014	Financial information concerning Telecom Italia Group’s assets and liabilities, financial position and profits and losses:	

Document	Information incorporated	Location
	Consolidated Statements of Financial Position	pp. 156-157
	Separate Consolidated Income Statements	p. 158
	Consolidated Statements of Comprehensive Income	p. 159
	Consolidated Statements of Changes in Equity	p. 160
	Consolidated Statements of Cash Flows	pp. 161-162
	Notes to the Consolidated Financial Statements	pp. 163-322
	Certification of the Consolidated Financial Statements pursuant to art. 81-ter of Consob Regulation 11971 of 14 May 1999, with Amendments and Additions	p. 323
	Independent Auditors' Report	pp. 324-325
Telecom Italia's Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December 2013	Financial information concerning Telecom Italia Group's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp. 146-147
	Separate Consolidated Income Statements	p. 148
	Consolidated Statements of Comprehensive Income	p. 149
	Consolidated Statements of Changes in Equity	p. 150
	Consolidated Statements of Cash Flows	pp. 151-152
	Notes to the Consolidated Financial Statements	pp. 153-304
	Certification of the Consolidated Financial Statements pursuant to art. 81-ter of Consob Regulation 11971 of 14 May 1999, with Amendments and Additions	p. 305

Document	Information incorporated	Location
	Independent Auditors' Report	pp. 306-307
Telecom Italia Group's Quarterly Report as at 31 March 2015	Financial information concerning Telecom Italia Group's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp. 58-59
	Separate Consolidated Income Statements	p. 60
	Consolidated Statements of Comprehensive Income	p. 61
	Consolidated Statements of Changes in Equity	p. 62
	Consolidated Statements of Cash Flows	pp. 63-64
	Notes to the Consolidated Financial Statements	pp. 65-105
	Declaration by the Manager Responsible for Preparing the Corporate Financial Reports	p. 106
TI Finance's Audited Unconsolidated Annual Financial Statements for the Financial Year Ended 31 December 2014	Financial information concerning TI Finance's assets and liabilities, financial position and profits and losses:	
	Balance sheet	pp. 7-8
	Profit and Loss Account	p. 9
	Cash flow Statement	p. 10
	Explanatory Notes to the Financial Statements	pp. 11-34
	Declaration by Manager Responsible for Financial Reporting	p. 35
	Independent Auditor's report	pp. 36-37
TI Finance's Audited Unconsolidated Annual Financial Statements for the Financial Year Ended 31 December 2013	Financial information concerning TI Finance's assets and liabilities, financial position and profits and losses:	
	Balance sheet	p. 7

Document	Information incorporated	Location
	Profit and Loss Account	p. 8
	Cash flow Statement	p. 9
	Explanatory Notes to the Financial Statements	pp. 10-33
	Declaration by Manager Responsible for Financial Reporting	p. 34
	Independent Auditor's report	pp. 35-36

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 depository (the **Common Depository**) for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

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, 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, 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 (other than Temporary Global Notes) and on all interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

“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 or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes 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 on a date subsequent to the Issue Date of such further Tranche, 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 such time as the Tranches are consolidated and form a single Series, which shall not be prior to 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.

No Noteholder 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.

The Issuers and the Guarantor may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event a supplement to this EMTN Programme Prospectus or a new EMTN Programme Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

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*]

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

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 30 June 2015 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (the **Prospectus Directive**) (the **EMTN Programme Prospectus**). 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. 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. The EMTN Programme Prospectus has been published 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 EMTN Programme Prospectus dated 7 July 2014 which is incorporated by reference in the EMTN Programme Prospectus dated 30 June 2015. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) and must be read in conjunction with the EMTN Programme Prospectus dated 30 June 2015 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **EMTN Programme Prospectus**), including the Conditions incorporated by reference in the EMTN Programme Prospectus. 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. The EMTN Programme Prospectus has been published 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 (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). 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. (a) Series Number: []
(b) Tranche Number: []
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 20 below, which is expected to occur on or about [date]][Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount of Notes admitted to trading:
(a) Series: []
(b) Tranche: []
4. Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5. (a) Specified Denominations: []

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))

(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].”)

(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.)*
6. (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.)

7. Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]
8. Interest Basis: [[]% Fixed Rate]
[●] per cent. to be reset on [●] [and [●]] and every [●] anniversary thereafter]
[[[] month [LIBOR/EURIBOR] +/- []% Floating Rate]
[Zero Coupon]
(see paragraph 13/14/15 below)
9. Redemption/Payment Basis: [100 per cent.][●]
10. Change of Interest Basis: [Applicable/Not Applicable]

[If applicable, specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there][Not Applicable]
- (a) Switch Option: [Applicable – [specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies]/[Not Applicable]

(The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 14 on or prior to the relevant Switch Option Expiry Date)

(If not applicable, delete the remaining subparagraphs of this paragraph)
- (b) Switch Option Expiry Date: [●]
- (c) Switch Option Effective Date: [●]
11. Put/Call Options: [Investor Put]
[Issuer Call]
[(see paragraphs 16/17 below)]
[Not Applicable]
12. [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)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable]/[Not Applicable]/(if a Change of Interest Basis applies): [Applicable for the period starting from [and

including] [●] ending on [but excluding] [●]])

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

- (a) Rate(s) of Interest: []% per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date
(Amend appropriately in the case of irregular 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] []][Not Applicable]
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year][Not Applicable]
[Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)]

14. Floating Rate Note Provisions [Applicable/Not Applicable]/(if a Change of Interest Basis applies): [Applicable for the period starting from [and including] [●] ending on [but excluding] [●]])

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

- (a) Specified Period(s)/Specified Interest Payment Dates: [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (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]

- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (f) Screen Determination: Rate Reference Rate: [] month [LIBOR/EURIBOR]
*(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)
(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: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) Linear Interpolation [Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (i) Margin(s): [+/-] []% per annum
- (j) Minimum Rate of Interest: []% per annum
- (k) Maximum Rate of Interest: []% per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]

15. 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) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

16. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption []
Date(s):
- (b) Optional Redemption [[] per Calculation Amount]
Amount:
- (c) If redeemable in part:
- (i) Minimum Redemption [] per Calculation Amount
Amount:
- (ii) Maximum Redemption [] per Calculation Amount
Amount:
- (d) Notice periods): []
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
17. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption []
Date(s):
- (b) Optional Redemption [] per Calculation Amount
Amount:
- (c) Notice periods: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
18. Final Redemption Amount: [] per Calculation Amount

19. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount
- [(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is higher than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)]*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20. Form of Notes:
2. (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]
- (N.B. The exchange upon notice/at any time options 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]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*
- (b) New Global Note: [Yes][No]
21. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this item relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 14(c) relates)*
22. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]

THIRD PARTY INFORMATION

[[Relevant third party information] has been extracted from [specify source]. [Each of the][The] Issuer [and the Guarantor] 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: _____
Duly authorised

By: _____
Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) 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 [the Luxembourg Stock Exchange's][] [regulated]market and listed on [the Official List of the Luxembourg Stock Exchange][] 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 [the Luxembourg Stock Exchange's][] [regulated]market and listed on [the Official List of the Luxembourg Stock Exchange][] with effect from [].] [Not Applicable.]

- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

[The Notes to be issued [[have been]/[are expected to be]] rated/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*].

Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

(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)

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. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

4. **YIELD** (*Fixed Rate Notes only*) [] [Not Applicable]

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

[Not Applicable][Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

6. **OPERATIONAL INFORMATION**

(i) ISIN: []

(ii) Common Code: []

(iii) Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

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

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

(vi) Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

(vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have

been met.]]

7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Date of [Subscription] Agreement: []
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA Not Applicable]]

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 (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 30 June 2015 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 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 30 June 2015 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).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, 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. Global Notes do not have Coupons or Talons attached on issue.

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) 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) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

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 30 June 2015 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu), are available for viewing at www.telecomitalia.it 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 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.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. 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 or a combination of any of the foregoing, depending upon the Interest 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 any two directors of TI Finance in the case of Notes issued by TI Finance.

Subject as set out below, title to the Notes 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 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 Part B of 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 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 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;

Change of Interest Basis means, if applicable, the change of Interest Basis of the Notes as specified in the relevant Final Terms and in accordance with the provisions set out in Condition 5.3 (*Change of Interest Basis*);

Interest Basis has the meaning given in the applicable Final Terms;

Permitted Encumbrance means:

- (a) any encumbrance existing on the date on which agreement is reached to issue the first Tranche of the Notes;
- (b) any encumbrance over or affecting any asset acquired by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor after the date on which agreement is reached to issue the first Tranche of the Notes and subject to which such asset is acquired, if:
 - (A) such encumbrance was not created in contemplation of the acquisition of such asset by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor; and
 - (B) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor;

- (c) any encumbrance over or affecting any asset of any company which becomes an obligor after the date on which agreement is reached to issue the first Tranche of the Notes, where such encumbrance is created prior to the date on which such company becomes an obligor, if:
 - (A) such encumbrance was not created in contemplation of that company becoming an obligor; and
 - (B) the amount thereby secured has not been increased in contemplation of, or since the date of, that company becoming an obligor;
- (d) any netting or set-off arrangement entered into by any member of the Telecom Italia Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances;
- (e) any title transfer or retention of title arrangement entered into by any member of the Telecom Italia Group in the normal course of its trading activities on the counterparty's standard or usual terms;
- (f) encumbrances created in substitution of any encumbrance permitted under sub-paragraphs (b)(A) and (b)(B) of this definition over the same or substituted assets provided that (1) the principal amount secured by the substitute encumbrance does not exceed the principal amount outstanding and secured by the initial encumbrance and (2) in the case of substituted assets, if the market value of the substituted assets at the time of the substitution does not exceed the market value of the assets replaced;
- (g) encumbrances created to secure:
 - (A) loans provided, supported or subsidised by a governmental agency, national or multinational investment guarantee agency, export credit agency or a lending organisation established by the United Nations, the European Union or other international treaty organisation, including, without limitation, the European Investment Bank, the European Bank for Reconstruction and Development and the International Finance Corporation; or
 - (B) Project Finance Indebtedness,

provided that the encumbrance is created on an asset of the project being financed by such loans (and/or on the shares in, and/or shareholder loans made to, the company conducting such project) or, as the case may be, such Project Finance Indebtedness, and remains confined to that asset (and/or shares and/or shareholder loans);
- (h) encumbrances arising out of the refinancing of any Capital Markets Indebtedness secured by any encumbrance permitted by the preceding sub-paragraphs, provided that the amount of such Capital Markets Indebtedness is not increased and is not secured by an encumbrance over any additional assets;
- (i) any encumbrance arising by operation of law;
- (j) any encumbrance created in connection with convertible bonds or notes where the encumbrance is created over the assets into which the convertible bonds or notes may be converted and secures only the obligation of the issuer to effect the conversion of the bonds or notes into such assets;

- (k) any encumbrance created in the ordinary course of business to secure Capital Markets Indebtedness under hedging transactions entered into for the purpose of managing risks arising under funded debt obligations such as credit support annexes and agreements;
- (l) any encumbrance over or affecting any asset of Telecom Italia to secure Capital Markets Indebtedness under a Permitted Leasing Transaction, provided that the aggregate Capital Markets Indebtedness secured by all such encumbrances does not exceed €1,000,000,000;
- (m) any encumbrance created on short-term receivables used in any asset-backed financing;
- (n) any encumbrance on real estate assets of Telecom Italia, any of its Subsidiaries or any person to which such real estate assets may be contributed by Telecom Italia or any of its Subsidiaries in connection with the issuance of any indebtedness, whether such indebtedness is secured or unsecured by such real estate assets or any other assets of such person to which real estate assets have been contributed by Telecom Italia or any of its Subsidiaries; and
- (o) any other encumbrance securing Capital Markets Indebtedness of an aggregate amount not exceeding 10 per cent. 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 and Couponholders against (A) any tax, assessment or governmental charge imposed on any such Noteholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder 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 the EMTN Programme base prospectus or, where so required by the relevant authority, a new EMTN Programme base 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
- (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

(a) Interest Payment Dates

Each Floating Rate 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. In the Conditions, **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.

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 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 at the day 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 (being either the London interbank offered rate (**LIBOR**) or the Euro-zone interbank offered rate (**EURIBOR**), as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) 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. In particular, if the Relevant Screen Page is not available or if, in the case of sub-clause 5.2(b)(B) no offered quotation appears or, in the case of sub-clause 5.2(b)(B), fewer than three offered quotations appear, in each case as at the Specified Time, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 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. If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

(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 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.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating 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 Floating Rate 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:

"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 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"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) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) 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 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 promptly be notified to each stock exchange on which the relevant Floating Rate 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.

(g) **Determination or Calculation by an agent appointed by the Trustee**

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) and (e) above, the Trustee may (at the expense of the relevant Issuer) appoint an agent to do so and in doing so, such agent 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, such agent 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.

(h) **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 an agent appointed by 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 other Paying Agents and all Noteholders 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 or the Couponholders shall attach to the Agent or, if applicable, the Trustee or any agent appointed by the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Change of Interest Basis

If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 5.1 or Condition 5.2, each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a **Switch Option**), having given notice to the Noteholders in accordance with Condition 14 (Notices) and delivering such notice to the Paying Agent and the Calculation Agent on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

Switch Option Expiry Date and **Switch Option Effective Date** shall mean any date specified as such in the applicable Final Terms provided that any date specified in the applicable Final Terms as

a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified by the Issuer pursuant to this Condition and in accordance with Condition 14 (*Notices*) prior to the relevant Switch Option Expiry Date.

5.4 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 (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

6.2 Presentation of definitive Notes 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)).

Fixed Rate Notes in definitive form (other than 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 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 either on such Global Note 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 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 Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

- (f) 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 will be redeemed at least at par by the relevant Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

7.2 Redemption for tax reasons

Subject to Condition 7.5, 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 not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate 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 to make available at its specified office to the Noteholders (i) 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 (ii)

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 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 as being applicable 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 (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected 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 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.

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.

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 depository 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:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield (as indicated in the relevant Final Terms) expressed as a decimal; and

^y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be 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 will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days 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 will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days 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 will be 365).

7.6 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 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.

7.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured 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 7.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

7.8 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(b) 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 and Coupons by or on behalf of 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 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 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 or Coupon presented for payment by or on behalf of a holder who is liable for such Taxes in respect of such Note or Coupon by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of such Note 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 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) in respect of any Note 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 or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) in respect of any Note 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 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 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 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 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 any Note 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.

Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to any agreement entered into pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or any official interpretations thereof (**FATCA Withholding**). Neither the Issuer nor any other person will be required to pay additional amounts on account of any FATCA Withholding.

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 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 fulfil 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 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 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 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, COUPONS AND TALONS

Should any Note, 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, 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. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

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. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer 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 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 such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and 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 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 5 per cent in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than one-half in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that, at any meeting the business of which includes the modification of certain provisions of the Notes 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 or the Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds or at any adjourned such meeting the quorum shall be one or more persons holding or representing not less than one-third 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 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, 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 and Couponholders against (A) any tax, assessment or governmental charge imposed on any such

Noteholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder 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 and Couponholders against (A) any tax, assessment or governmental charge imposed on any such Noteholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder 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 laws, legislation, rules and regulations of the Republic of Italy (including without limitation Legislative Decree No. 58 of 24 February 1998, as amended) for convening meetings of the Noteholders to consider any matter affecting their interests, including any modifications of the Conditions or of any provisions of the Trust Deed. The above provisions are subject to compliance with mandatory laws, rules and regulations of the Republic of Italy in force from time to time.

The quorum and the majorities for passing resolutions at any such meetings are established by Article 2415 of the Italian Civil Code, Legislative Decree No. 58 of 24 February 1998 and Telecom Italia's by-laws.

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 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, 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 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 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 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 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 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 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 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 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 the date from which interest starts to accrue 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 Securities and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law, save, in respect of Notes issued by Telecom Italia, for Condition 15 and the provisions of the Trust Deed concerning the meeting of Noteholders and the appointment of the *rappresentante comune* in respect of the Notes which are subject to compliance 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

- (a) Subject to Condition 19.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (a **Dispute**) and accordingly each of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance), to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 19.2, each of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) 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) irrevocably appoints TMI Telemedia International Limited at Watchmaker Court, 33 St John's Lane, London EC1M 4DB, as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of TMI Telemedia International Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by

the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process 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 an 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 29 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 Via Gaetano Negri 1, 20123 Milan, Italy. Its telephone number is +39-02-85951. Headquarters and secondary office are at Corso d'Italia 41, Rome, Italy.

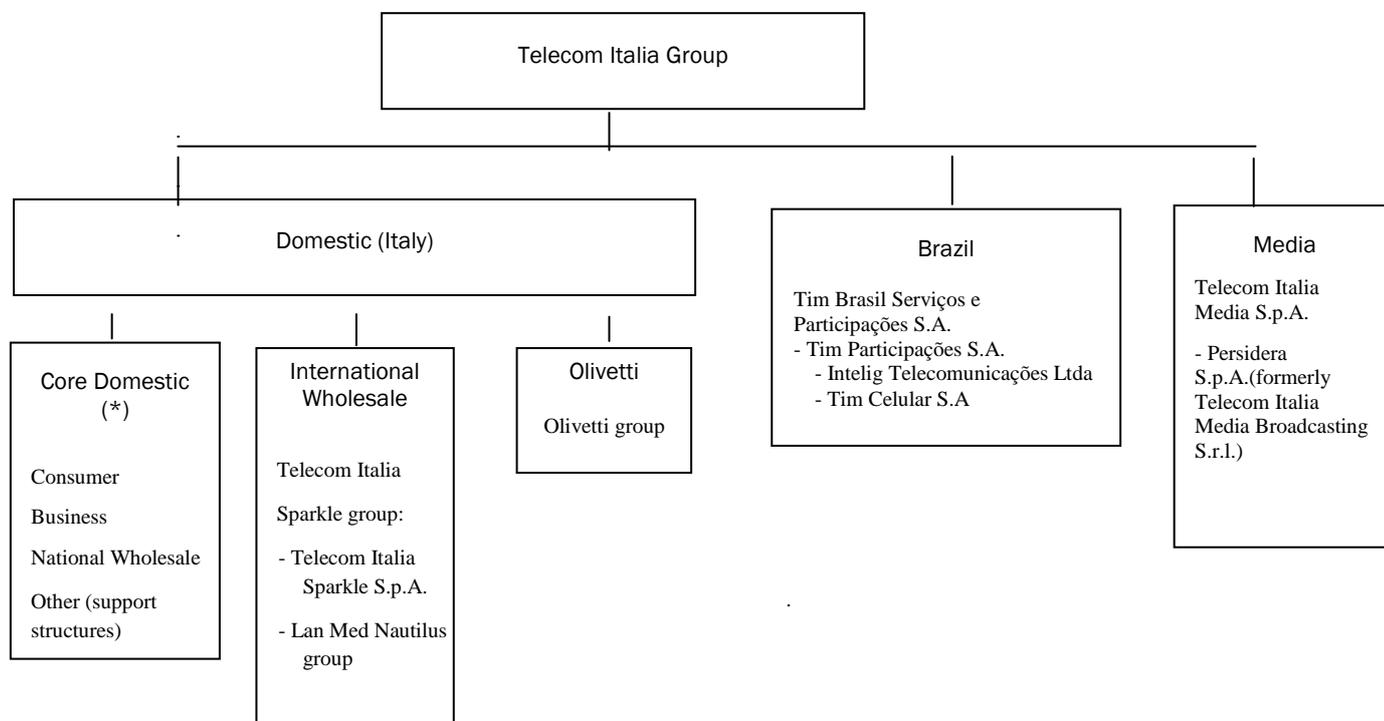
Telecom Italia complies with applicable Italian corporate governance rules. For additional details on corporate governance of the Telecom Italia Group, reference should be made to the corporate website: www.telecomitalia.com, where, in the “Corporate” channel (under “Governance” –“Governance system”),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

Telecom Italia’s business objectives can be found in article 3 of its by-laws.

Overview of the Telecom Italia Group’s Major Business Areas

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

The following is a chart of the Telecom Italia Group’s Business Units as of 31 March 2015:



(*) Main subsidiaries: Telecom Italia S.p.A., Telenergia S.p.A., Telecontact Center S.p.A., TI Digital Solutions S.p.A., HR Services S.r.l., and TI Information Technology S.r.l.

Telco Shareholders' Agreement

Overview

The information contained herein regarding the Telco Shareholders' Agreement 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.

Telco Shareholders' Agreement

The shareholders of Telco (formerly, Telecom Italia's largest shareholder) were part of a shareholders' agreement since 28 April 2007 that has been significant for Telecom Italia, as it identified, among other things, the criteria for the composition of the slate of candidates for appointment to the Board of Directors of Telecom Italia to be submitted to the Shareholders' Meeting.

Based on publicly available information, on 16 June 2014 the Italian shareholders of Telco, being Assicurazioni Generali S.p.A. (also in the name and on behalf of the Telco shareholders which are also Generali Group companies), Mediobanca and Intesa Sanpaolo, exercised their right to request the demerger of Telco, pursuant to the Telco Shareholders' Agreement.

On 26 June 2014 the board of directors of Telco approved a transaction consisting of a non-proportional partial demerger (the **Demerger**) pursuant to the terms of the deed of demerger (the **Deed of Demerger**), as a result of which the Beneficiary Companies, each wholly controlled by each of the Telco shareholders, would be allocated shareholdings in Telecom Italia in proportion to each shareholder's respective stake in Telecom Italia then held by Telco as follows: 14.72% to Telco TE S.p.A., owned by Telefónica, 4.31% to Telco AG S.r.l., owned by the Generali Group, and 1.64% to each of Telco MB S.r.l. and Telco IS S.r.l. owned by Mediobanca and Intesa Sanpaolo, respectively. The Demerger was approved by the Telco shareholders in an extraordinary general meeting called on 9 July 2014.

On 17 June 2015, the Telco Deed of Demerger was executed and on 18 June 2015, it was registered with the Milan and Trieste Companies' Register. As a result, the Telco Shareholders' Agreement in force between the shareholders in Telco ceased to have effect from 18 June 2015 and the ordinary shares previously held by Telco in Telecom Italia were allocated to the Beneficiary Companies in the proportions set out above. For further information, see "*Risks associated with Telecom Italia's ownership chain*".

Completion of the Demerger was also subject to the requisite clearances from the following authorities: *Conselho Administrativo de Defesa Econômica (CADE)* (Brazilian antitrust authority); *Agência Nacional de Telecomunicações (ANATEL)* (Brazilian telecommunications authority); *Comision Nacional de Defensa de la Competencia (CNDC)* (Argentine antitrust authority) and, for those matters which fall within its scope of responsibility, *Istituto per la Vigilanza sulle Assicurazioni (IVASS)* (Italian insurance regulatory authority), each of which have been obtained.

Furthermore, as part of the Demerger process, on 27 February 2015 Telco fully repaid the bank loan facility (in an amount equal to approximately 677 million euros including accrued interest) and the subordinated bonds held by the shareholders (in an amount equal to approximately 1,878 million euros including accrued interest) utilizing the financial resources made available through shareholders' loans for an overall amount of approximately 2,555 million euros, which have been disbursed by the shareholders proportionally to their respective shareholding. Upon the repayment of the bank loan facility, the pledge over the ordinary shares of Telecom Italia granted by Telco in favor of the lending banks was cancelled and, thus, the option agreement concerning the right to acquire the above mentioned ordinary shares of Telecom Italia in case of enforcement of the pledge has been terminated.

Share Capital

The table below contains a breakdown of the share capital of Telecom Italia as at 31 March 2015:

	Number of Shares	Value (€)
Issued, paid and relevant filing made with the Company Register		
Ordinary Shares ⁽¹⁾	13,470,955,451	7,409,025,498.05
Savings Shares ⁽¹⁾	6,026,120,661	3,314,366,363.55
Total.....	19,497,076,112	10,723,391,861.60

Note:

(1) All shares are without par value.

Recent developments

Restructuring and relaunch of Olivetti S.p.A. (“Olivetti”)

On 14 May 2015, the Telecom Italia subsidiary Olivetti presented to the Trade Unions a plan for the restructuring and relaunch of the company based on the new 2015-2017 Industrial Plan focused on a radical transformation of the company through the project for the merger of the company with Telecom Italia Digital Solutions (**TIDS**) which will give life to a single Telecom Italia Centre which will oversee innovation in digital technology and the verticals of strategic interest.

The 2015-2017 Industrial Plan is divided into two main phases:

- a) restructuring of Olivetti in 2015;
- b) merger by incorporation of TIDS and launch of the new company structure.

Telecom Italia announced Initial Public Offering of up to 40% of INWIT

On 21 May 2015, Telecom Italia announced its intention to proceed with an Initial Public Offering (the **Offering**) of up to 40% of the ordinary shares in its fully owned telecom infrastructure subsidiary, Infrastrutture Wireless Italiane S.p.A. (**INWIT**).

INWIT owns, operates and leases wireless infrastructure (**Towers**) and generates revenues from the lease of the space and services on such Towers in particular to mobile telecom operators. The Towers have historically been part of Telecom Italia’s asset base, but were contributed into INWIT on 26 March 2015 (with effective date on April 1, 2015). As at 31 December 2014, the number of Towers was 11,519, all located throughout Italy.

Telecom Italia and INWIT appointed Banca IMI, Deutsche Bank AG, London Branch and Mediobanca as Joint Global Coordinators and Joint Bookrunners and UBS Limited as Joint Bookrunner.

The Offering consists entirely of a secondary offering of INWIT shares by Telecom Italia, who will receive all of the proceeds of the Offering. The intended Offering and admission to listing of the Shares on the *Mercato Telematico Azionario of Borsa Italiana* were conditional upon the clearance by the relevant Italian authorities (*Commissione Nazionale per le Società e la Borsa* or **CONSOB** and Borsa Italiana).

On 3 June 2015, Telecom Italia announced that, subject to the necessary regulatory approvals from CONSOB, the price range of the initial public offering of shares in INWIT was set as between a non-binding minimum amount of 1,950 million euros and a binding maximum amount of 2,340 million euros, equal to a

minimum price of 3.25 euros per share and a maximum price of 3.90 euros per share. CONSOB provided its approval (*nulla osta*) of the Offering prospectus on 4 June 2015.

On 18 June 2015, Telecom Italia announced the sale of a stake in INWIT after the conclusion of the Offering on 17 June 2015. The sale price of the INWIT shares was identified at 3.65 euros per share, making the total value of the Offering (on the basis of the offer price) approximately 875.3 million euros, including any greenshoe options exercised and before commissions and expenses. The greenshoe option may be exercised within 30 days of the start of trading, scheduled for 22 June 2015, by the *Consorzio per il Collocamento Istituzionale* (the post-offer syndicate of underwriters). Net of such option, the total value of the Offering (calculated on the basis of the offer price) will be approximately 795.7 million euros, again before commissions and expenses.

The total amount raised through the Offering, all to be assigned to the Telecom Italia (as the selling shareholder) based on the offer price and net of the maximum commissions payable to the *Consorzio per l'Offerta Pubblica* and the *Consorzio per il Collocamento Istituzionale* (the pre- and post-offer syndicates of underwriters, respectively) will be approximately 779.8 million euros. This revenue will increase to a total of approximately 857.8 million euros if the greenshoe option is exercised within the timeframe indicated above.

Telecom Italia Media: Council of State provisional decision on fourth frequency

On 28 May 2015, the meeting of the board of directors of Telecom Italia Media, chaired by Severino Salvemini, acknowledged the resignation of Ms. Paola Schwizer (independent) from the office of member of the board of directors.

Taking into account that the resigning Director held the position of Chairwoman of the Control and Risk Committee, the Board of Directors proceeded to supplement the Committee by appointing Director Chiara Della Penna.

The Control and Risk Committee, which at the first possible meeting will proceed to appoint its Chairperson, therefore comprises Directors Massimo Bergami, Chiara Della Penna and Lorenzo Gorgoni, all possessing the requirements of independence pursuant to the Consolidated Law on Financial Intermediation and the Corporate Governance Code of Borsa Italiana.

On 28 May 2015, the board of directors of Telecom Italia Media examined, among other things, the issues of the progress of the court proceedings regarding the failure to assign Telecom Italia Media Broadcasting S.r.l. (now Persidera S.p.A.) the fourth frequency in the process of converting the networks from analogue to digital, started by the company with its appeal for the reform of the Lazio Administrative Court judgement, still pending before the Council of State, also in the light of the partial judgement issued on 6 May 2015 in which the exceptions on non-receivability, ineligibility and inadmissibility presented by the opposing parties in the proceedings were rejected.

The board of directors of Telecom Italia Media will continue to carefully monitor the development of the proceedings in the interest of the company and all its shareholders, awaiting the hearing, set for 2 July 2015, to evaluate the effects of the related decision in the proceedings relating to the merger by incorporation of Telecom Italia Media S.p.A. into Telecom Italia S.p.A..

Business Unit

Key financial data prepared in accordance with IFRS for the three-month period ended 31 March 2015

As at 31 March 2015, the Telecom Italia Group was organised by business segment as follows:

- (i) **Domestic Business Unit:** operates as the consolidated market leader in voice and data services on fixed and mobile networks for final retail customers and other wholesale operators. In the

international field, the Business Unit develops fibre optic networks for wholesale customers (in Europe, the Mediterranean and South America). Olivetti operates in the area of office products and services for Information Technology. It carries out Solution Provider activities to automate processes and business activities for small and medium-size enterprises, large corporations and vertical markets;

- (ii) **Brazil Business Unit:** provides services in the area of UMTS, GSM and LTE technologies in the Brazilian market. Moreover, with the acquisitions and subsequent integrations into the group of Intelig Telecomunicações, Tim Fiber RJ and Tim Fiber SP (now merged into Tim Celular S.A.), the services portfolio has been extended by offering fibre optic data transmission using full IP technology such as DWDM and MPLS and by offering residential broadband services;
- (iii) **Media Business Unit:** operates in the management of digital multiplexes, as well as the provision of accessory services and digital signal broadcasting platforms to third parties.
- (iv) **Other Operations:** includes finance companies and other minor companies not strictly related to the core business of the Telecom Italia Group.

The table below sets forth revenues, operating profit (loss) and capital expenditures by Business Units, for the three months ended 31 March 2015 and 2014 and number of employees as of 31 March 2015 and 31 December 2014:

	Domestic	Brazil	Media	Other Operations	Adjustments and Eliminations	Consolidated Total
	(millions of Euros, except number of employees)					
Revenues ⁽¹⁾						
1st Quarter 2015.....	3,631	1,411	21	-	(10)	5,053
1st Quarter 2014.....	3,728	1,451	15	-	(6)	5,188
Operating profit (loss)						
1st Quarter 2015.....	814	163	3	(2)	1	979
1st Quarter 2014.....	990	181	(1)	(3)	-	1,167
Capital Expenditure (on an accrual basis)						
1st Quarter 2015.....	676	287	1	-	-	964
1st Quarter 2014.....	493	189	2	-	-	684
Number of employees at year-end ⁽²⁾						
As of 31 March 2015.....	52,965	12,765	87	20	-	65,837
As of 31 December 2014.....	53,076	12,841	89	19	-	66,025

(1) Revenues are total revenues of the various business units of the Telecom Italia Group before elimination of intercompany sales (but after elimination of sales between companies within the same major business area).

(2) The number of employees at period-end excludes employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale, and includes personnel with temporary work contracts.

As at 31 March 2015, the Telecom Italia Group Business Units were engaged in the following activities:

- (a) The **Domestic Business Unit** operates as the consolidated market leader in Italy in providing telephone and data services on fixed-line and mobile networks for final retail voice customers and other wholesale operators. In the international field, the Domestic Business Unit develops fibre optic networks for wholesale customers (in Europe, the Mediterranean and South America). Olivetti operates in the area of office products and services for Information Technology. It carries out Solution Provider activities to automate processes and business activities for small and medium-size enterprises, large corporations and vertical markets.

The principal operating and financial data of the Domestic Business Unit is reported according to three cash-generating units (CGU):

- **Core Domestic:** includes all telecommunications activities pertaining to the Italian market. Revenues are broken down 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" organizational model are as follows:
 - **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 and also public telephony;
 - **Business:** consists of voice, data, and internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets;
 - **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;
 - **Other (Support Structures):** includes:
 - **Operations:** covering technological innovation and processes of development, engineering, building and operation of network infrastructures, real estate properties and plant engineering, delivery processes and assurance for customer services; development of the information technology strategy, guidelines and plan; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers;
 - **Staff & Other:** services carried out by staff functions and other support activities performed by support companies of the Group that are also offered to the market and other Business Units.
 - **International Wholesale:** includes the activities of the Telecom Italia Sparkle group which operates in the market for international voice, data and internet services for fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets;
 - **Olivetti:** operates in the sector of office products and information technology services. It is a solution provider for the automation of business processes and activities for SMEs, large corporations and vertical markets. Its market is focused primarily in Europe, Asia and South America.
- (b) The **Brazil Business Unit.** The Telecom Italia Group operates in the mobile and fixed telecommunications sector in Brazil through the Tim Brasil group which offers mobile services using UMTS, GSM and LTE technologies. With the acquisitions of the 700MHz and 2.5GHz radiofrequencies, the focus is on speeding up the development of 3G and 4G networks. Moreover, with the acquisitions of Intelig Telecomunicações, Tim Fiber RJ and Tim Fiber SP (now merged into Tim Celular S.A.), the portfolio of services has been expanded by offering fibre optic data transmission using full IP technology such as DWDM and MPLS and offering residential broadband services.
- (c) The **Media Business Unit** operates in the management of Digital Multiplexes, as well as the provision of accessory services and digital signal broadcasting platforms to third parties.

Discontinued operations/Non-current assets held for sale

On 13 November 2013 the Telecom Italia Group accepted the offer, made by the Fintech group, for the entire controlling interest held in the Sofora - Telecom Argentina group, held by Telecom Italia and through its subsidiaries Telecom Italia International and Tierra Argentea. As a result and in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), during the fourth quarter of 2013 the

Sofora-Telecom Argentina group has been treated as Discontinued operations/Non-current assets held for sale.

The average exchange rate used for the translation into euro of the Argentine peso (expressed in terms of units of local currency per 1 euro) was 9.78805 in the first quarter of 2015 and 10.39657 in the first quarter of 2014.

	(millions of euros)		(millions of Argentine pesos)	
	1st Quarter	1st Quarter	1st Quarter	1st Quarter
	2015	2014	2015	2014
Income statement impacts of the Sofora – Telecom Argentina group:				
Revenues.....	906	718	8,872	7,466
Operating profit (loss).....	269	203	2,630	2,110

Strategy

Strategic Priorities and Objectives for the 2015–2017 Plan

On 20 February 2015, Telecom Italia presented its updated 2015–2017 Plan, which envisages an increase in its innovative investment programme.

The plan includes the following strategic priorities over the next three years:

Domestic market

The main strategic priorities in the domestic market are:

- to accelerate the roll out of next-generation networks, with a strong focus on investments relating to innovative networks and services, where the main areas of innovative technology development are:
 - the development of fixed ultrabroadband with optic fibre;
 - the development of mobile ultrabroadband (LTE);
 - the creation of new data centres to support cloud services and to introduce innovation in IT systems for new offer and business models;
 - the development of international connections in fibre (Telecom Italia Sparkle);
 - the transformation activities to simplify and upgrade the infrastructure, to achieve a structural reduction in operating costs;
- to implement a bundled services offering (n-play offering) strategy to defend fixed traditional services, drive mobile broadband to fixed broadband substitution and further expand fixed broadband and fibre penetration through video services, including basic to premium content;
- to move to a single brand: simplification of the fixed, mobile and internet offer under the TIM brand;
- labour cost restructuring to combine efficiency and HR development by:
 - rightsizing;

- insourcing;
- use of the new “Jobs Act” for workforce mix evolution, in order to recruit new professional skills needed as a result of the creation of new technology infrastructure networks; and
- to further proceed in the structural efficiency path in the 2015-2017 period.

Brazil

The main strategic priorities in the Brazilian market are:

- to enhance network quality to increase returns through optimizing capital expenditure, mainly focused on 4G and 3G networks;
- to exploit the mobile internet growth opportunity: innovative investments will enable the growth of innovative revenues (data and content);
- to pursue a business transformation oriented to:
 - improve commercial efficiency;
 - network costs optimization;
 - process-driven efficiency; and
- to increase the economic sustainability of services provided to corporate clients and accelerate the growth of residential Ultra Broadband (Live TIM).

Competition in the domestic market

The market

- In the second half of 2014, in the Italian TLC market there were signals of a slowdown in the high competitive pressure - extremely intense during 2013 - characterized by a significant use of pricing as a lever, which has led in the last few years to an ongoing decline in the traditional service components, particularly voice service.
- The key element in the evolution of the market continues to be the increased penetration of broadband, particularly mobile, also facilitated by the greater spread of next-generation handsets.
- The development of broadband services has also led to an evolution towards increasingly complex competition, with more inter-relationships between players of different markets. This has opened the field to competition from non-traditional operators (in particular Over the Top companies—OTTs—and producers of electronic and consumer devices), as well as giving telecommunications’ operators the opportunity to develop new “over the network” services (mainly in the IT and media fields).
- For the telecommunications operators, in addition to the core competition with the other traditional operators in the sector (including mobile virtual operators (MVOs)), which has confirmed its greater quantitative impact on market trends, there has been increased competition from OTTs and device producers which take advantage of their full understanding of the evolution of consumer trends, consumer electronics and software environments and which operate entirely in the digital world, basing their behaviour on competition approaches that are completely different to those of TLC players.

- Over time, therefore, the legacy telecommunications operators' business models are changing to meet the challenges from the new entrants and to exploit new opportunities:
 - in media, broadcasters, who are vertically integrated players, continue to dominate the scene; however, with the Web becoming increasingly important as a complementary distribution, they are increasingly under pressure from OTTs and from telecommunications and consumer electronics companies;
 - in the Information Technology market, the decline in revenues is driving the various players towards the cloud computing “growth oasis”, with the goal of developing and protecting their market shares in their core business. Telecommunications operators are expected to strengthen in this sector, including through partnerships;
 - in the Consumer Electronics market, producers can develop services that can be used through the internet, building on handset ownership and management of the user experience, breaking the relationship between customers and TLC operators and competing with the media and OTTs, thanks to game consoles and set-top boxes, for the role of net enabler through the living room screen;
 - OTTs have, for some time now, been leading the transformation of the methods of use of TLC services (including voice), increasingly integrating them with media and IT.

Conversely with regard to the positioning of the telecommunications operators in converging markets, there are a number of aspects at different levels of evolution:

- the development of innovative services in the IT market, specifically in Cloud services;
- the development of new Digital Services, particularly referring to Entertainment (eg. TV over IP), Smart Home, Digital Advertising, Mobile Payments and Digital Identity.

Competition in Fixed-Line Telecommunications

The fixed-line telecommunications market continues to see a significant decline in voice revenues due to the reduction in rates and the progressive shift of voice traffic to mobile. In recent years all the operators have attempted to at least partially counter this by concentrating mainly on the ability to innovate their offering by developing the penetration of broadband and introducing bundled voice and broadband services deals (double play), in a highly competitive environment with consequent pricing pressure.

The evolution of the competitive product offering has also been influenced by consolidation, among competitors, of an approach based on the control of infrastructure (above all Local Loop Unbundling—LLU). The main fixed operators are now also offering mobile services, including as MVOs.

In 2014, the migration of customers from fixed-line to mobile telephony services continued, as well as the migration to alternative communications solutions (Voice Over IP, messaging, e-mail and social network chat). For years, both for private consumers and small and medium businesses, mature traditional voice services have been replaced by value-added content and services based on the internet protocol. This shift has been facilitated by the use of the internet and changes in user preferences, by the spread of broadband, personal computers and other connected devices, and by the quality of the service.

Competition in the Italian fixed telecommunications market is characterized by the presence, in addition to Telecom Italia, of a number of operators such as Wind-Infostrada, Fastweb, Vodafone-TeleTu, BT Italia and Tiscali, that have different business models focused on different segments of the market.

At the end of December 2014, physical accesses in Italy numbered approximately 20.6 million (full-infrastructured OLOs and FWA-Fixed Wireless Access included), a decrease of approximately 0.5 million compared to 2013. The growing competition in the access market has led to a gradual reduction in Telecom Italia's market share.

In the broadband market, at the end of December 2014 fixed broadband and fibre customers in Italy reached a penetration rate on physical accesses of approximately 69%, an increase of 3 percentage points compared to 2013.

The spread of broadband services is driven not only by the penetration of personal computers and of other connected devices (eg. Smart Tv), but also by the growing demand for speed and access to new IP based services (Voice over IP, Content—particularly Video, social networking services, etc.).

Revenues continued to decline in the data transmission segment, which suffered the effects of competition that has led to a reduction in average prices.

Competition in Mobile Telecommunications

The mobile market, saturated and mature in its traditional component of voice services, had a decrease in terms of number of lines, that may be associated with rationalization of customer's second and third SIMs (at the end of December 2014 mobile lines in Italy numbered approximately 94 million, a decrease of approximately 3% compared to 2013; nevertheless the penetration rate remains high at approximately 157% of the population).

The decreasing trend in revenues from components of traditional services such as voice and messaging continues, as these components are impacted by the strong competition among TLC operators using pricing as a lever – extremely intense in 2013 with signals of slowdown in the second part of 2014 – and by the growing expansion of “communication apps”. Mobile broadband continues to grow and, though it is unable to offset the drop in revenues from traditional services, represents the main strategic and business opportunity for the mobile TLC industry, also due to the launch of LTE ultra-broadband.

In 2014, the growth in mobile broadband and ultra-broadband customers continued, both large and small screen, with a high penetration rate on mobile lines, especially as a result of the increasing spread of smartphones and tablets.

Alongside innovative services that have already been introduced 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 and ultra-broadband with major potential for growth in the medium term, such as machine to machine and mobile payment.

Competition in the Italian mobile telecommunications market is mainly characterized by the presence of Telecom Italia and the other operators who own their networks (Vodafone, Wind, H3G), which are focused on different segments of the market or have different strategies.

In addition to these operators, the field also includes MVOs, of which PosteMobile is the most important player. These operators currently have a limited share of the market, but continue to enjoy significant growth compared to network operators.

Competition in the Brazilian Market

At the end of 2014, the Brazilian mobile market reached 280.7 million lines; this is 3.6% more than at the end of 2013 and a penetration rate of 138% of the population (134.4% in 2013). Net total line increases in 2014 were 9.6 million lines, representing an increase of 0.3 million net lines compared to 2013.

The Brazilian mobile telecommunications industry is highly competitive and TIM Brasil's main competitors are Claro S.A., under the brand name Claro, Telefônica Brasil S.A., under the brand name Vivo, TNL PCS S.A. and 14 Brasil Telecom Celular S.A., under the brand name Oi.

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For further information and updates on the competition in the domestic and Brazilian markets see the Telecom Italia Group's Quarterly Report at 31 March 2015 incorporated herein by reference.

THE REGULATORY FRAMEWORK

The EU regulatory framework

Telecom Italia's operations in the European Union (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 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 State without the need of further national implementation. Recommendations and communications, on the other hand, are not legally binding although they have to be taken into account by national regulatory authorities.

The European Commission (EC) began liberalizing the telecommunications market to competition in the late 1980s and early 1990s. In Italy, as well as in all the main EU Member States, liberalization opened up competition for 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; authorization; the universal service and users' rights; privacy and data protection directives) was adopted in 2002, regulating all forms of fixed and wireless telecommunications, 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 EC adopted a new 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). In October 2014, the EC adopted the third Recommendation which identifies only five wholesale markets susceptible to ex-ante regulation: call termination at fixed location (market 1), call termination on mobile networks (market 2), local access at fixed location (market 3a), central access at fixed location for mass-market products (market 3b), high-quality access at fixed location (market 4).

The EU regulatory framework obliges national regulatory authorities (NRAs, in Italy **AGCom**) to run market analyses before imposing appropriate obligations on individual operators having Significant Market Power (SMP) according to the specific EU guidelines. A company is deemed to have SMP when, either individually or jointly with others, it enjoys a position equivalent to dominance, which is 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%.

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 EC 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. With respect to remedies, the EC 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 EC, BEREC and the NRA then have to cooperate to find a solution within three months. Neither the EC nor BEREC are able to make a binding intervention. Should a NRA decide not to

amend or withdraw a draft measure after the EC expresses serious doubts, it must provide a “reasoned justification”.

The EU legal framework was revised in November 2007, with the aim of defining a new European regulatory framework for the sector.

The revision of the framework established a set of rules composed of the “Better Regulation Directive” (Directive 2009/140/EC, amending the “Framework”, “Access” and “Authorization” directives) and the “Citizens’ Rights Directive” (Directive 2009/136/EC amending the “Universal Service” and “E-Privacy” directives and the Regulation 2006/2004 on Consumer Protection Cooperation) to be transposed into national laws of the 27 EU Member States by May 25, 2011 and by the Regulation—which was directly applicable—establishing the new European Telecoms Authority BEREC”. The new EU telecoms rules were officially adopted on 18 December 2009.

The revised directives were transposed into the Italian legal framework by means of the “Legge Comunitaria 2010”; the Italian government was delegated the authority to adopt measures aiming at transposing the revised directives. The Legislative Decrees of 28 May 2012 (no. 69 and 70) transposing the EU 2009 regulatory framework entered into force on 1 June 2012.

The EC adopted in 2010 a Communication, the “Digital Agenda for Europe” (**DAE**), fixing the long term strategies of the Union for Broadband distribution and development. The DAE sets a list of objectives in term of Broadband coverage, service availability and degree of utilization by customers to be reached between 2013 and 2020.

In parallel the EC undertook many interventions aimed at removing any regulatory obstacle to reach the goals of DAE.

In particular during 2013 the EC began revising the regulatory framework governing harmonization of the radio spectrum, rights of end users, net neutrality and European mobile roaming (the Telecom **Single Market Regulation** hereafter TSM Regulation). The negotiations between Member States, the European Parliament and EC to define the final text of the TSM Regulation started in the second half of March 2015 and they are still not concluded. The final text will be likely limited to net neutrality and mobile roaming. Regarding net neutrality the draft text under discussion envisages, amongst others, a ban on uncompetitive blocking of content and services. Regarding mobile roaming, the draft text envisages the abolishment of any roaming surcharge on top of domestic prices (see below for more details).

In September 2013, the EC published a Recommendation “on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment”. The Recommendation suggests imposing Equivalence of Input (**EoI**) for the application of the regulatory remedy of non-discrimination and defines the criteria to lift price regulation of NGAN wholesale services as: (a) application of EoI, (b) possibility for alternative operators to technically and economically replicate SMP operator’s retail offers; and (c) presence of significant competitive constraints exerted by the legacy copper access network or by alternative networks.

On 6 May 2015, the new EC, which took office in November 2014, presented the Digital Single Market (**DSM**) Strategy for Europe which represents EC’s overarching vision on digital issues for the next years. The main objective of the strategy is to reduce the barriers within Europe and expand the digital markets. The DSM sets out key actions in various fields, including telecoms, media, e-commerce and post which the EC will deliver by the end of 2016.

One key action regards the review of the EU regulatory framework for electronic communications, for which legislative proposals are expected in 2016. The review includes more effective spectrum coordination at EU level, creating incentives for investment in high-speed broadband, ensuring a level playing field for all market players, traditional and new.

The EC hopes that the achievements of the DSM will drive both supply and demand for high-speed broadband services and will contribute to achieving the Digital Agenda targets and increasing GDP and jobs.

Telecommunication Regulatory Framework in Italy

The legal basis for the electronic communications sector in Italy is as follows:

- the “Electronic Communications Code” (**ECC**), which transposed into national law the EU Access, Authorization, Framework and Universal Service directives;
- “Data Protection Code”;
- the “Consolidated Law on Radio-Television” containing the principles regulating the organization of radio-television system and its convergence with different means of interpersonal and mass communications;
- Law 36 of 22 February 2001 aimed at protecting the population from the effects of the exposure to electric, magnetic and electromagnetic fields and the decree of the President of the Council of Ministers (Decreto del Presidente del Consiglio dei Ministri— “DPCM”) 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”;
- the “Consumer Code”;
- Law 18 June 2009, no. 69 providing measures to simplify the procedures for the installation and development of optical fibre networks (Article 1 “Broadband”);
- Decree Law 6 July 2011, no. 98, enacted by Law 15 July 2011, no. 111 further simplifying the procedure for the installation of small mobile equipment (0.5 sq. meters of radiator area) and low power equipment (7 watt);
- Decree Law 18 October 2012 no. 179 (enacted by Law 17 December 2012 no. 221) providing for further broadband networks funding to cancel the digital divide, measures to accelerate the roll-out of mobile fourth generation networks and administrative simplifications for optical fibre layout;
- implementation Decrees for “Golden Power” rules (Law no. 56/2012) redefining the State powers for the safeguard of national interest in the strategic sectors of energy, transports and telecommunications;
- Legislative Decree no. 21/2014 (implementation of Directive 2011/83/UE on consumers’ rights) defining the rules for distance contracts, with specific reference to the right of withdrawal and the acquisition of consumer’s express consent to be bound to the contract. Furthermore the Decree attributes to the **AGCM** the evaluation of sanctions for unfair commercial practices;
- Decree Law no. 145/2013 “Destinazione Italia” (enacted by Law no. 9/2014) containing measures for the use of new techniques for the simplification of the layout of broadband and ultra-broadband telecommunications networks;
- Decree Law no. 91/2014 “Competitività” (enacted by Law no. 116/2014), establishing the obligation for the Ministry of Environment to approve Guidelines for the calculation of the level of electromagnetic emissions of mobile telephony equipment and aimed at supporting the development of LTE/4G networks. Furthermore, the Decree establishes discounts on the costs of electricity for specific categories of business users, including Telecom Italia;

- Decree Law no. 133/2014 “Sblocca Italia” (enacted by Law no. 164/2014), introducing fiscal benefits in favor of operators installing ultra-broadband networks; and
- Law no. 190/2014 “Legge di stabilità 2015”, fixing terms and conditions for the oncoming auction for the “L Band” frequencies (1452-1492 MHz) to be used for mobile broadband services.

The Ministry for Economic Development is responsible for the general policy in the electronic communications sector and AGCom is the national regulatory authority with responsibility for ensuring fair competition in the telecom market and protecting customers.

TELECOMMUNICATION REGULATION IN ITALY

In July 2008, Telecom Italia proposed to AGCom several commitments 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 providing 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**) when they purchase 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 competitive conditions in the migration towards new generation networks.

At the beginning of 2008, Telecom Italia created its Open Access department, a separate operating 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 initiatives focused on three main areas:

- technical-organizational domain: solutions for the improvement of the internal delivery processes;
- cultural-behavioral 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, also required the creation of a governance system. In particular, the following bodies were set up: an independent body (the **Supervisory Board**); the AGCom Undertakings’ Monitoring Group for the monitoring of the work in progress (**GMI**), 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, organizational and economic issues raised by the transition to the Next Generation Network.

As a consequence of its Undertakings, Telecom Italia set up in 2010 a New Delivery Process (**NDP**) in order to offer additional efficiency and transparency in the equality of treatment of Alternative Network Operators

(AltNets) and retail customers. In particular, the new process allows for identical operating procedures in the treatment of retail and wholesale customers where services cannot be activated due to a lack of required network resources.

In November 2011, three years after the formalization of the Undertakings, AGCom recognized that Telecom Italia had fully implemented all the Undertakings, and certain antitrust proceedings against Telecom Italia were suspended following the approval of the Undertakings.

The AltNets can voluntarily join the NDP for the wholesale services they are interested in (Bitstream, Local Loop Unbundling, Shared Access) and they must align their operational Systems and internal processes to the NDP. At the end of 2014, many AltNets had joined the NDP for different wholesale services: 58 operators for the Asynchronous Transfer Mode (ATM) bitstream service; 33 for Ethernet bitstream; 13 for Easy IP; 14 for WLR; 4 for Shared Access (SA); and 22 for LLU services. GMI continues to monitor the implementation of the Undertakings.

Telecom Italia's Operational Separation model will continue to ensure equality of treatment (both in economic and technical terms), the promotion of an "Equivalence Culture", through personnel formation programs, and transparency to alternative network operators for both Copper and Fiber Access Network.

Market analyses

Following a first round (2006-2007) and a second round (2007-2010) of market analyses, a third round was started by AGCom in 2010. As at the date of this EMTN Programme Prospectus the third round has not been completed. In particular, the market analysis of the fixed interconnection market has started only last 20 April 2015, and with respect to the fixed access and the terminating segments of the leased lines market, the analyses are continuing despite the proceedings being launched respectively in September 2012 and November 2013. With respect to the mobile market, in February 2014, AGCom started the fourth round of market analysis, which is still in progress. A description of the market analyses is described below together with the main recent developments regarding the electronic communications markets.

• Retail-fixed markets

At the end of 2009, AGCom concluded the second round of market analyses. AGCom imposed in the retail access market a requirement of prior notification and charges approval by AGCom. Telecom Italia's retail offers must pass a margin squeeze price test to be approved. The test assesses whether the alternative operators can implement the same service at similar price using Telecom Italia's wholesale services and owned network components.

In September 2010, AGCom set new rules for the assessment of Telecom Italia's retail offers, including non-standard offers for public tenders, tailored offers for top business customers and bundles (multiple-play offers).

The new margin squeeze price test methodology is based on a test developed on the basis of the following key principles:

- (i) the margin squeeze test takes into consideration the most efficient technology and network architecture (representing the most efficient inputs that can be used by AltNets to replicate Telecom Italia's offers) and a combination of wholesale inputs (LLU, WLR, bitstream, etc.);
- (ii) the evaluation of network and downstream AltNets' costs on the basis of avoidable costs or long run incremental costs;
- (iii) application of the price test to the whole bundles, taking into account the overall cost of provisioning, irrespective of the replicability of each component of the bundle; and

- (iv) an ad hoc assessment of offers within tenders, taking into account the most efficient network architecture that could be used by AltNets to compete in a specific context.

In October 2013 AGCom set rules for the margin squeeze price test of Telecom Italia's fibre-based retail access offers.

In the frame of the market analyses still in progress, AGCom proposed the deregulation of retail access markets as well as the application of an *ex post* margin squeeze test of the retail charges.

Telecom Italia retail offers

In 2014 Telecom Italia continued its price scheme simplification introducing new tariffs approved by AGCom. For business customers, starting from 1 July 2014, the basic offer consists of a single per minute charge for both national and fixed to mobile calls, plus a set-up fee.

For the residential customers basic offer, starting from 1 November 2014 Telecom Italia introduced a single price for all national and fixed-to-mobile calls. The set-up fee has been eliminated. The scheme provides also for a rebate of 50% on all national calls for a monthly usage exceeding three hours per month.

The tables below summarize the standard offer schemes described above:

Business prices

€cent/minute (VAT not included)	Prices until	Prices from
	31/12/2013	01/07/2014
Local.....	0.0	10.0
National.....	0.0	10.0
Fixed-Mobile (TIM, Vodafone, Wind, H3G, etc.).....	3.0	10.0
Set up fee (€cent).....	20.0	10.0

Consumer prices

€cent/minute (VAT 22% included)	Prices from	Prices from
	31/12/2013	1/11/2014
Local and national	5.04(*)	10.0 (*)
Fixed-Mobile (TIM, Vodafone, Wind, H3G, etc.).....	5.04	10.0
Set up fee (€cent).....	5.04(*)	0.0

(*) Over 3 hours/month: 50% discount.

From 1 November 2014 the monthly rental for the basic PSTN line for residential customers was increased from 17.54 €/month to 18.54 €/month (VAT 22% included).

Wholesale markets

- Wholesale fixed access markets

In December 2009, following the conclusion of the second round of market analyses, AGCom confirmed Telecom Italia as having SMP in all **wholesale access markets** (markets 4 and 5/2007 Recommendation), i.e. in the provision of Local Loop Unbundling (**LLU**), bitstream and Wholesale Line Rental (**WLR**) services. As a result, AGCom confirmed all obligations on wholesale access services which utilize the legacy

copper network by imposing a network price cap mechanism. To implement this obligation AGCom developed a specific technical-economic model, a bottom-up long-run incremental costs (**BU-LRIC**) model featuring current cost accounting (**CCA**).

AGCom is responsible for the setting of the allowed rate of return on the capital employed in the provision of wholesale services (the weighted average cost of capital (**WACC**), calculated with the capital asset pricing methodology, which is to calculate the charges of the regulated wholesale services. As of today the WACC has been fixed at the value of 9.36% (a new rate of 9.18% is under consultation).

In September 2012, AGCom launched the 3rd round of market analysis on wholesale and retail access markets (markets 1, 4 and 5 of 2007 Recommendation) to set the regulatory framework for the wholesale access services over the copper and fibre network for the 2013-2015 period (Decision 390/12/CONS).

However, AGCom launched three public consultations on the 2013 pricing of the following services: WLR, bitstream and LLU, anticipating the results of the analysis to be carried out during the third round of market analyses. As a consequence, the first draft Decision on the third round of market analyses on the wholesale access market on copper and fibre networks (Decision 238/13/CONS) focused on setting prices and the WACC value for the 2014-2016 period (instead of the 2013-2015 period).

In December 2013, AGCom approved the final decisions on Telecom Italia's economic and technical conditions for the 2013 copper network access services offer (Decisions no. 746/13/CONS and no. 747/13/CONS).

For the year 2013, the LLU rental fee was set at 8.68 €/month (-6.5% compared to 2012) and, the naked bitstream rental fee at 15.14 €/month (-22.4% compared to 2012).

Telecom Italia challenged before the Regional Administrative Court (Lazio TAR) the decisions on the 2013 wholesale access prices complaining, inter alia, about the lack of appreciation of the WACC— notwithstanding the financial crisis of the preceding few years. The Lazio TAR, rejected the appeals; Telecom Italia challenged these decisions before the Council of State.

With respect to the WLR fee, AGCom set the price at 11.14 €/month (-4.8%) and published its final decision only on September 1, 2014, with retroactive effect for the year 2013.

With respect to the Sub-Loop Unbundling service (**SLU**), AGCom set the 2013 monthly charge at 5.79 €/month.

Regarding the SLU access regulation, in the final statement on the definition of the wholesale access prices for the year 2013, AGCom enforced new obligations for the sharing and building of new street-cabinets in addition to the obligation to provide technical specifications for the introduction of multi-operator vectoring architectures (the Multi-Operator Vectoring solution **MOV**) for **VDSL2** Vectoring² services.

In April 2014, AGCom set out in detail the modality for the co-location and co-investments in Telecom Italia's street cabinets.

As at the date of this EMTN Programme Prospectus, the third market analysis proceeding, which has been extended several times by AGCom, is still in progress.

In the scope of this proceeding, on 13 February 2015, AGCom submitted for national public consultation the modifications of the Decision 238/13/CONS where, inter alia, new wholesale access prices for years 2014-2017 are defined. The consultation expires on 14 April 2015, following which AGCom will notify a new

² Very-high-bit-rate digital subscriber line 2 (VDSL2) is an access technology that exploits the existing infrastructure of copper wires that were originally deployed for traditional telephone service as a way of delivering very high speed internet access. Vectoring is a method that employs the coordination of line signals for reduction of crosstalk levels and improvement of VDSL performance.

draft decision to the EC and the Italian antitrust authority (AGCM) for comments. According to the European regulatory framework, if the EC does not raise serious doubts relating to compliance of the draft measure with the EU regulatory framework, AGCom can adopt the final decision. In detail, AGCom submitted for public consultation two different regulatory scenarios; a) the "Alpha Scenario" in which the market is considered national, single, homogeneous; b) "Beta Scenario" in which it is recognized that, in some areas of Italy, there are different competitive conditions in comparison with the rest of the territory and, therefore, different regulatory measures and prices are defined in "competitive areas" and "non-competitive areas." The different degree of competitiveness of an area is assessed considering the level of NGA investments of at least two operators (B Areas), compared to the areas where these conditions do not occur (A Areas). The distinction between these two types of areas depends on the reaching of a predefined coverage threshold by at least two ultra-broadband networks.

The following table shows, for each scenario, the 2017 wholesale economic conditions; prices for intermediate years will be calculated as a linear progression between 2013 and 2017 prices (or between 2014 and 2017 prices, assuming that 2014 prices are equal to 2013 ones; the decision about this issue depends on the outcomes of the consultation).

<i>2017 Monthly rental access fees (€)</i>	ALPHA SCENARIO	BETA SCENARIO	
		A areas	B areas
<i>Full LLU</i>	8.69	8.69	≤ 9.40
<i>SLU</i>	5.45	(*)	4.11
<i>SHARED ACCESS</i>	0.73	0.73	0.73
<i>WLR POTS</i>	11.15	11.15	-
<i>WLR ISDN</i>	13.79	13.79	-
<i>BITSTREAM SHARED</i>	6.28	6.28	by negotiation
<i>BITSTREAM NAKED</i>	14.53	14.53	by negotiation
<i>VULA FTTC SHARED</i>	11.33	11.80	11.80
<i>VULA FTTC NAKED</i>	16.87	16.04	16.04

(*) Intermediate value depending on the degree of infrastructure; details are under consultation.

The complete definition of the wholesale and retail access prices (see above) has been affected by several Council of State (*Consiglio di Stato*) rulings on the 2010-2012 copper wholesale access prices and on the 2009 bitstream service.

The first set of judgments was issued between March and April 2013. The Council of State granted the requests filed by the operators Eutelia, Fastweb and WIND, criticizing AGCom's decision to set the WLR and bitstream naked fees using a *retail minus* (where the wholesale charge is calculated using the retail price rebated by a predefined discount i.e. the "minus") method rather than a cost-oriented one, stating that the decision lacked proper ground and justification. Moreover, referring to the calculation of the costs for the corrective maintenance component, the Council of State invited AGCom to assess the impact of contracts based *on forfait* terms within the BU-LRIC model.

On 20 June 2014, AGCom submitted for public consultation the findings of the procedure by which the wholesale access prices for the period May 2010-December 2012 were re-determined following the above Council of State rulings.

On 24 February 2015, AGCom issued the final approval of the decision containing the renewed prices for LLU services as follows:

- 8.65 €/month (reduced from 8.70 €/month) as of 1 May 2010;
- 8.90 €/month (reduced from 9.02 €/month) as of 1 January 2011; and
- 9.05 €/month (reduced from 9.28 €/month) as of 1 January 2012.

The AGCom proceeding would also have to renew the WLR and bitstream prices for the same period; however, AGCom has postponed the decision waiting for the results of a new proceeding, pursuant to a Council of State judgment on 2009 naked bitstream service price issued last November 2014.

The Council of State has in fact partially accepted an appeal filed by an operator about the approval of Telecom Italia's 2009 Reference Offer related to the bitstream service. The Council of State granted the request regarding the method of calculation of the naked bitstream monthly fee, determined by AGCom (Decision no. 71/09/CONS) according to the "*retail minus*" principle, noting a lack of further assessments regarding the correctness and adequacy in calculating the "minus" component (i.e. the percentage of rebate of the retail price to calculate the wholesale charge). In fact, the Council of State required AGCom to analyze the "*minus*" rate.

On 5 March 2015 AGCom launched a public consultation in which, as a result of further investigations, a draft decision confirming the minus in force in 2009 (-20% compared to the retail rental) has been proposed; the consultation period is 30 days.

The effect of the new charges on the income statement of Telecom Italia for 2014 was valued to result in a revenue decrease of approximately 45 million euros.

On 23 December 2014 and on 7 January 2015 AGCom published two decisions launching the public consultations on the approval of the 2014 prices for wholesale unbundled access services, co-location and for WLR. Only the 2014 cost-oriented prices (i.e. one-off fees and co-location prices) are under consultation while the setting of monthly rental fees, based on the BU-LRIC cost model, has been postponed to the 3rd round of market analyses on wholesale and retail access markets mentioned before.

On 28 October 2013, AGCom launched the third round of market analysis on terminating segments of leased lines (market 6/2007 Recommendation) and on 17 November 2014, the relevant public consultation was launched, which closed on 16 January 2015. In the public consultation AGCom proposed to maintain the same regulation as during the previous market analysis cycle, although with a modification of the 2015-2018 prices of Ethernet terminating lines and PDH/SDH terminating lines with speed ≤ 155 Mbit/s (more specifically, a reduction of between RPI-6% and RPI-8.6% per annum). The final decision has not yet been published.

- **Wholesale fixed interconnection markets**

With respect to the fixed call termination, origination and transit services³ (markets 2 and 3 of the 2007 Recommendation; market 2 has been removed from the revised 2014 Recommendation), in November 2013, AGCom approved the cost model to set the glide path for fixed interconnection rates for the period from 1 July 2013 to 1 December 2015.

³ The market 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.

Regulated termination rates applied to all operators, but AGCom confirmed the asymmetrical termination tariffs applied in 2012 until 30 June 2013.

Moreover, the final document set the interconnection fees for both time division multiplexing (TDM) (or legacy network) and IP (Internet Protocol) interconnection. Under the technological neutrality principle, a single tariff applies, regardless of the level of interconnection on the TDM network.

The 2015 prices are entirely set on the basis of a pure BU-LRIC model considering a full IP network.

Interconnection rates for the periods indicated are set forth in the table below:

Interconnection rates (July 2013 – 2015) eurocents/min. (VAT not included)	From July 2013	From July 2014	From July 2015
TI and AltNets Termination	0.104	0.075	0.043
TI Call Origination	0.258	0.205	0.140
TI Transit	0.126	0.111	0.093

Following the EC's comments on the aforesaid final decision, AGCom specified that if a new WACC value were to be adopted under the ongoing (third round) market analysis of markets 1, 4 and 5 of 2007 list (see above), regulated fixed interconnection rates would be modified accordingly.

On 20 April 2015, AGCom started the proceeding related to the third round of market analysis.

- **Wholesale mobile markets**

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 (market 7 of 2007 Recommendation), in November 2011, AGCom published its final decision (decision 621/11/CONS) containing the glide path for the period 1 July 2012 to 1 July 2013, ending with symmetric rates for all mobile operators (0.98 €cents/min).

**Mobile networks voice termination
eurocents/min.**

	Glide path Decision 621/11/CONS		
	From 1.7.2012	From 1.1.2013	From 1.7.2013
Termination on H3G network.....	3.5	1.7	0.98
Termination on Telecom Italia, Vodafone and Wind networks	2.5	1.5	0.98

AGCom's final decision 621/11/CONS was appealed before the Administrative Court by Vodafone, Wind and Telecom Italia regarding the termination values and the provision which envisaged that H3G asymmetry should end as of 1 July 2013 against the EC termination Recommendation provisions. Also, H3G filed an appeal against the Decision requiring the continuation of asymmetric prices. The Administrative Court order confirmed the end of rate asymmetry as of 1 July 2013.

H3G filed an appeal against the Decision no. 621/11/CONS before the Council of State. In January 2014, the Council of State ruled for the annulment of the Decision, thus restoring rate asymmetry in favor of H3G until 1 January 2014.

On 28 May 2014, AGCom issued a new Decision (no. 259/14/CONS) which not only provided for rate asymmetry for the second half of 2013 but also raised the H3G values for the first half of 2013. Consequently, the new H3G mobile termination fees for 2013 were set at 2.06 eurocent/min from 1 January 2013 and 1.34 eurocent/min from 1 July 2013.

Mobile networks voice termination

eurocents/min.	Glide path Decision 259/14/CONS		
	from 1.7.2012	from 1.1.2013	from 1.7.2013
Termination on H3G network.....	3.5	2.06	1.34
Termination on Telecom Italia, Vodafone and Wind networks	2.5	1.5	0.98

Telecom Italia and other operators filed appeals against this decision; in January 2015, all the appeals were rejected and the AGCom’s Decision confirmed.

On 11 February 2014, AGCom launched the 4th round of market analysis on mobile termination rates and on 9 February 2015, AGCom published a public consultation on a draft decision focused on:

- the confirmation of the end of the price asymmetry in favor of H3G, starting from January 2014;
- the introduction of the same obligations applicable to the traditional mobile network operators (MNOs), including price control, for all Full Mobile Virtual Network Operators (MVNOs); and
- the introduction of a moderate annual glide path, confirming the value of 0.98 €cent/min for 2014 for all operators (MNOs and Full MVNOs) and proposing the mobile termination rates as follows:

Voice termination rates on mobile networks (2014-2017)
eurocents/min.

From January 2014	From January 2015	From January 2016	From January 2017
0.98	0.96	0.94	0.92

International roaming

The roaming Regulation 531/2012 (the so called **Roaming III Regulation**) entered into force on 1 July 2012.

The Roaming III Regulation provides for the following measures applicable to roaming services within the EU (extended to European Economic Area countries):

1. transparency measures such as info SMS to customers on the applied retail tariffs;
2. the adoption of retail and wholesale price caps for voice, SMS and data services. The retail caps will remain in force until 2017 and the wholesale caps until the expiry of the new regulation in 2022;
3. the unbundling/decoupling of the roaming services from the domestic services starting from July 2014 (decoupling solution). With the decoupling solution, the customer can buy roaming services separately from domestic services from an alternative roaming provider (MNO or MVNO/reseller);
4. the obligation to provide wholesale roaming access to MNO/MVNO/resellers at regulated prices.

The price caps established under the Roaming III Regulation are:

at wholesale level:

	ROAMING III		
	1 July 2012	1 July 2013	1 July 2014
Voice (Euro Cents/Min)	14	10	5
SMS (Euro cents/sms)	3	2	2
DATA (Euro Cents/MB)	25	15	5

at retail level:

	ROAMING III		
	1 July 2012	1 July 2013	1 July 2014
Voice out (Euro Cents/Min)	29	24	19
Voice in (Euro Cents/Min)	8	7	5
SMS (Euro Cents/sms)	9	8	6
DATA (Euro Cents/MB)	70	45	20

In December 2012 the EC published the implementing regulation (EU n. 1203/2012) indicating Single International mobile subscriber identity (**IMSI**) (reselling of all roaming services) and Local Break Out (**LBO**) (direct access to roaming data service of the visited network) as the decoupling solutions to be implemented by MNOs.

The **Telecom Single Market Regulation** or **TSM Regulation**, among other things, proposes to make certain amendments to the Roaming III Regulation. In particular, the TSM Regulation proposes to reduce roaming charges to zero for retail incoming calls and to exempt those operators which offer roaming services at domestic rates within the EU from the obligation to implement the separate sale of roaming services. On 3 April 2014 the European Parliament approved, in its first reading, a set of amendments to the TSM Regulation proposal, including abolishing any roaming service surcharge on top of domestic service prices for a “fair use” consumption starting from 15 December 2015. This would result in charges billed to the user being the same for usage in any EU country as for usage in his or her home country. Following a BEREC analysis explaining that Parliament’s proposal to abolish international mobile roaming retail charges would not be economically sustainable, in January 2015 the Latvian presidency of the EU Council proposed to abolish the roaming surcharge only for a limited traffic quantity. In accordance with EU legislation procedure the TSM Regulation will be approved and will enter into force on the basis of a full agreement among the EC, the European Parliament and the EU Council. The negotiations to define the final text of the Regulation started in the second half of March 2015 and they are not still concluded.

Quality of service: Measures to test the quality of the data service on fixed networks

AGCom Decision 244/08/CSP and its modifications, namely decision 151/12/CONS introduced the following obligations on quality measures:

- **ISP measurements**: the measures of the access quality of the most common retail offers are made by an independent body, in the geographical areas of the main towns, for each ISP; and
- **End-user measurements**: allows a user to measure his own fixed broadband line performances with dedicated software called Ne.Me.Sys. Each customer can formally certify the quality of his own fixed-line broadband access using this software and can compare the results with the advertised performances. These results could be used by customers to terminate the contract with the ISP without penalties or to claim QoS parameters levels to be restored. If the results are lower than those advertised, the user may submit a complaint to the provider which is obliged to improve the quality within 30 days. The user may terminate the contract without penalties if a second measure confirms the parameters.

Both measurement methods employ the same Network Measurement System, based on a software agent running on a standard personal computer.

Quality of service: Drive test campaigns to test the quality of the data service on mobile networks

- Decision AGCom 154/12/CONS established that drive test campaigns must be carried out every six months in the main towns. From 2014, 40 towns are involved (the two largest towns of each region).
- During the campaigns, the parameters that characterize the quality of the data service on 3G HSDPA mobile networks are measured: Throughput (FTP UL e HTTP DL); Duration (HTTP/HTTPS Browsing); Packet Delay; Packed Loss, Unsuccessful Data Transmission; Jitter.
- From 2015 the video streaming services will also be tested.
- To date, the results of the 2nd half 2013 Campaign are available whilst those of the 1st half 2014 Campaign are being processed.

- In 2013/2014 the data services accessible with the “internet keys” have been the subject of measurement, while in 2015 the measurement will be made on the data services on smartphones.
- Finally, from 2015 measurements will be extended to 4G networks.

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 main companies in the sector including Telecom Italia contribute to the above fund.

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

In March 2008, AGCom published a decision which introduced a new method of calculating the net cost based on historical cost accounting (the previous was based on current cost accounting) in order to reduce the net cost for the provision of USO.

Such a calculation affected credits related to the Universal Service net cost for the years 2004, 2005 and 2006 which were re-calculated and submitted to AGCom under the new methodology. Telecom Italia and Vodafone appealed against this decision.

In September 2011, AGCom confirmed the amounts to be paid by Vodafone for the years 1999-2003. Vodafone filed new appeals against those decisions before the Council of State and before the Regional Administrative Court of Lazio.

With Decision 153/11/CIR, AGCom assessed the 2004 net cost for universal service. AGCom decided the applicability of the sharing mechanism and assessed the net cost for the year 2004 was 25.9 million euros. The contribution rate due by other operators (Vodafone, Wind and Fastweb, Teletu Italia and BT) amounted to 8.7 million euros. Vodafone and Fastweb filed an appeal before the administrative regional court.

With Decision 139/12/CIR AGCom completed the process for the evaluation of the 2005 net cost of universal service. The authority established the applicability of the sharing mechanism and determined the net cost for the year 2005 in total as 25.6 million euros. The contribution rate due by other operators (Vodafone, Wind and Fastweb, Italy TeleTu and BT) amounted to 10.3 million euros. Vodafone, Fastweb and H3G filed an appeal before the administrative regional court.

With Decision 46/13/CIR and Decision 100/14/CIR AGCom did not identify any contribution to be paid for the 2006 and 2007 net cost.

Net costs calculations for the years 2008, 2009, 2010, 2011 and 2012 were submitted by Telecom Italia to AGCom. The auditing of the 2008 and 2009 net costs were completed in March 2014, but AGCom has not yet taken a final decision.

In January 2015, the Administrative Court repealed AGCom’s Decision 01/08/CIR on Universal Service net cost calculation after an appeal filed by Telecom Italia. The AGCom’s Decision retroactively established the methodology to calculate the USO net cost for the years 2004-2007. AGCom could still appeal the Administrative Court’s judgment before the Council of State.

Public Telephony

In April 2010 AGCom confirmed that the criteria regarding the distribution of public payphones in Italy was no longer consistent with current social needs and removed any “quantitative” obligations for Telecom Italia (obligation to provide a certain number of payphones). As a result, Telecom Italia was authorized to remove public payphones after a consultation with local municipalities and interested citizens. At the end of 2014 the total number of public payphones was about 79,000.

Accounting separation and fixed network cost accounting

SMP operators are required to have a transparent accounting system as to their costs. These operators annually provide AGCom with both a description and a report on their cost accounting system to assess their compliance with the requirements of the electronic telecommunications regulatory framework.

Moreover, SMP fixed and mobile operators must maintain an accounting system that separates 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 in September 2005.

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

The weighted average cost of capital employed (WACC) was set by AGCom at 9.36% nominal pre-tax in December 2010 and confirmed in 2014 as for the 2013 accounting; Telecom Italia stated that this underestimated the cost and caused regulated service’s costs to be undervalued and asked for the decision to be reviewed.

The regulatory accounting report for the year 2012 was produced during 2013 and delivered to AGCom in November 2013. The audit was completed in 2015 by the auditor appointed by AGCom.

The regulatory accounting report for the year 2013 was produced during 2014 and delivered to AGCom in March 2015. The audit is about to start.

Accounting separation and mobile network cost accounting

In connection with AGCom’s second round of 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.

The regulatory accounting report for the year 2012 was produced during 2013 and delivered to AGCom at the end of 2013. The audit was completed in March 2015 by the auditor entitled by AGCom.

The regulatory accounting report for the year 2013 was produced during 2014 and delivered to AGCom in March 2015. The audit is about to start.

AGCom’s annual contribution fees

In January 2011, AGCom carried out an assessment of the compliance by Telecom Italia and all the other telecommunications companies in respect to their obligation to pay annual contribution fees to AGCom for the years 2006-2010.

On 1 March 2011, AGCom notified Telecom Italia that the company had not fully paid its operating expenses due for the relevant periods, listing additional accounting items which, in its opinion, should have been included in the cost base used to calculate the fee.

Telecom Italia was therefore required by AGCom to pay an extra sum for the amounts not paid for the period 2006-2010. Telecom Italia appealed this decision before the Regional Administrative Court of Lazio which suspended the terms of the payment until the end of the proceeding.

For the following years, 2011-2013, the authority raised the contribution share from 1.5 per thousand to 2.0 per thousand and Telecom Italia paid (under reserve) 24.2 million euros for the year 2011, 23.0 million euros for the year 2012 and 20.2 million euros for the year 2013 calculated consistently with the methodology used for the 2006-2010 period.

Moreover, Telecom Italia contested the 2011-2013 decisions before the Regional Administrative Court of Lazio 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 base.

On 18 July 2013, the EU Court of Justice, upon a request for an opinion by the Regional Administrative Court of Lazio, published a judgment recalling the principle of Art. 12 of the Authorization Directive (Directive 2002/20/EC) which states that any administrative charges imposed on undertakings, providing a service or a network under the general authorization or to whom a right of use has been granted, shall cover only the administrative costs which will be incurred by the AGCom in the management, control and enforcement of the general authorization.

Moreover, there should be balance between the administrative costs imposed on undertakings and the total cost related to the above mentioned activities. The European Court of Justice also confirmed that any administrative charges imposed on the undertakings shall be objective, transparent and proportionate.

Where national regulatory authorities impose administrative charges, they must publish a yearly overview of their administrative costs and of the total amount of the charges collected. In the light of the difference between the total amount of the charges and the administrative costs, appropriate adjustments must be made.

On 5 March 2014 the Regional Administrative Court of Lazio, recalling the judgment of the EU Court of Justice and in response to Telecom Italia's appeals, repealed the following decisions:

- Decision 99/11/CONS, concerning the lack of payment by Telecom Italia of part of the AGCom contribution (equal to 26.6 million euros not paid by Telecom Italia for which there is a specific provision for liabilities and charges) for the period 2006-2010;
- Decision 599/10/CONS, which established the base and the extent of the contribution to be paid for the year 2011 in which the contribution rate was raised from 1.5 per thousand (set for 2010) to 1.8 per thousand (the 2011 contribution of 24.2 million euros was calculated consistently with the appeal against Decision 99/11/CONS and was paid under reserve).

The above decision stated, among other things, the principle that administrative charges imposed on the undertakings should only finance costs related to activities exclusively related to ex ante regulation of the TLC sector and that there should be balance between the administrative costs imposed on undertakings and the total cost of the activities of ex-ante regulation.

AGCom filed an appeal against the aforementioned Regional Administrative Court of Lazio decision requesting its suspension; the appeal was rejected. In November 2014, a hearing before the Council of State was held and the final ruling was published on 17 February 2015. The Council of State confirmed the previous decision of the Lazio TAR and therefore, the resolution containing the request for the payment related to the period 2006-2010 was annulled.

On 11 March 2014, Decision 547/13/CONS on the payment of AGCom contribution for the year 2014 (calculated on the 2012 financial statement data) was issued.

Notwithstanding the judgment of the Administrative Court, the guidelines for the calculation and the base of payment of the 2014 contribution were changed with respect to those utilized in the previous years. In particular, the amount to be paid was set at 1.40 per thousand of the revenues from sales and services as recorded on the 2012 income statement, including revenues from the sale of equipment and terminals and the revenues paid to third party operators. On 30 April 2014, Telecom Italia paid (under reserve) 14.0 million euros, calculated on a revenues basis consistent with the Lazio TAR decision, applying the AGCom rate of 1.40 per thousand.

In line with the Regional Administrative Court of Lazio sentence and with the EU Authorization Directive, on 21 November 2014, the authority published its first report on the 2013 overview of the administrative costs and of the total amount of the collected charges ("2013 Annual Report") focused on the electronic communications sector. The report highlights that:

- a) the expenses incurred by AGCom for activities attributable to the electronic communications sector amounted to around €40 million (56% of the total AGCom expenditure); and
- b) the authority "collected" from operators of the electronic communications sector amounts that are approximately €4.5 million higher than the costs incurred by AGCom in the same period.

On 5 March 2015, Decision 567/14/CONS on the payment of the AGCom contribution for the year 2015 (calculated on the 2013 financial statement data) was issued. Notwithstanding the judgment of the Administrative Court and the following judgment of the Council of State, the NRA confirmed the use of the financial reporting as payment base and set the contribution rate at 1.15 per thousand, different from the rate of 2 per thousand applied to other markets under AGCom's supervision (e.g. media and publishing). Furthermore, the deadline for the payment was brought forward to 1 April 2015. On that date Telecom Italia paid, with reservations, 6.5 million euros for the 2015 AGCom contribution. This value was obtained using the rate of 1.15 per thousand and a payment base calculated in accordance with the aforementioned Council of State ruling of 17 February 2015. Telecom Italia is going to challenge the aforementioned Decision before the Lazio TAR.

Broadband and digital divide

Over the last few years, the government has introduced several measures aimed at fostering the development of fixed and mobile broadband through simplified procedures to build the relevant networks.

In this regard, of particular relevance are the laws introducing:

- a light authorization procedure for the deployment of broadband mobile equipment; and
- simplified rules for innovative digging techniques (mini-trenches) for the deployment of optical fibre equipment.

In 2010 the simplification process also affected the authorization procedure for the deployment of electronic communication equipment in "protected areas". Since half of the Italian territory is subject to specific environmental requirement (the "protected areas"), the provisions aiming at accelerating the authorizations are important levers for the growth of broadband over the country.

Since 2011 new laws have been implemented to streamline the administrative procedures for the installation of small and low electromagnetic emission mobile equipment. The deployment of mobile equipment falling within the allowed emission limits is actually exempted from the "Commencement Notice" requirement (**SCIA** - Segnalazione di Inizio Attività) provided for other mobile equipment by the Electronic

Communications Code (SCIA is the simplified notification form for the local authority, to be made at the beginning of the works).

Further important measures to promote the development of fixed and mobile networks were introduced by art. 14 of the Decree Law. 179/2012 (“Further urgent measures for the economic development of the Country”) enacted by Law 221/2012. In particular, regarding the deployment of optical fibre and cables networks, the measures provide for:

- reducing the length of the administrative procedure for the authorizations to dig through the introduction of the tacit approval;
- modifying the rules of the road (*Codice della Strada*) by introducing the use of techniques aimed at limiting environmental impact (through reduction of the depth of excavations); and
- granting a right of access for telecommunication operators to the common parts of buildings to allow the installation of optical fibre.

Art. 14 also modifies the criteria to measure the electromagnetic field allowing a higher flexibility for the installation of radio mobile equipment.

The implementation of these criteria is subject to the adoption of guidelines. As of today, the guidelines have been published only partially, thus limiting the scope of the legal reform.

The new law simplifies the administrative procedures of the Law n. 211/11, providing for the possibility to install mobile equipment with power up to 10 Watts by submitting to the local authority and to the Regional Agency for the Environment only a self-certification.

The Law no. 147 of 27 December 2013 further simplifies the installation of mobile equipment. Equipment respecting the specific limits (uplink of no more than 100 mW emission power and downlink of no more than 5 W emission power and with an occupancy volume of 20 liters) do not require any administrative authorization from the local authority or the Regional Health Agencies.

The Decree Law “Piano destinazione Italia” enacted by Law no. 9 of 21 February 2014 provides for a system of public free grants for the SMEs, through vouchers of €10,000 (for a total budget of €100 million) to be used to buy software and hardware, to develop e-commerce solutions, for BB and UBB connections, for professional training, and for satellite based internet connections.

Moreover, the law provides also for tax rebates (up to €20,000 individually, with a total budget of €50 million), for ultra-broadband mobile or fixed connections with speed higher than 30 Mbps.

The decree law 12 September 2014, no. 133, provides for further measures aimed at developing both mobile and fixed ultra-broadband infrastructures. More in detail the law establishes:

- rebates on the regional taxes for amounts up to the 50% of the investment costs sustained to install ultra-broadband access networks in “white areas” (areas where it is not economically convenient for a private company to install networks);
- further simplification of the authorization procedure to install mobile equipment with specific technical and dimensional characteristics;
- possibility for the local authorities to exempt the network operators from the payment of the local taxes for the use of public grounds;
- in-building works considered as primary urbanization works;
- creation of an infrastructure information system;

- right for the Operators to install aerial fibre optic networks;
- obligation to install digital infrastructure in new or refurbished buildings;
- use of the financial resource for the “ultra-broadband strategic plan” from the Ministry of Economic Development budget.

PRIVACY AND DATA PROTECTION

Telecom Italia must comply with Italy’s Personal Data Protection Code (Legislative Decree 30 June 2003 n. 196), which has been in force since 1 January 2004.

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

The Privacy Code applies to all data processing within Italy and also affects organizations not 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, retained accurately and up to date and must not be excessive or stored for a longer period than needed. Therefore, information systems shall be configured in order to minimize 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 preliminary information on the purposes and modalities of data processing.

Prior consent of the “data subject” is needed 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

Italian communication service providers (CSPs) must comply with strict specific obligations that apply only to the electronic communication sector, which are provided by a specific section of the Privacy Code that transposes the relevant EU Directives.

Notably, with respect to data retention, 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. Currently, 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 data protection authority (*Garante per la protezione dei dati personali*), which requires CSPs to adopt strict security measures.

Moreover, customer profiling in the electronic communications sector is regulated by the Italian data protection authority. CSPs must obtain the consent of the data subject for profiling based on individual and detailed personal data, while prior approval of the Italian data protection authority is needed to process aggregated personal data without the data subject’s consent.

Concerning direct marketing activities, the general rule is the opt-in system. Nevertheless the Privacy Code also 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 in respect of any entities (i.e. subscriber) that have not exercised their right to object by having the respective telephone numbers entered in a public “opt-out register”, which came into force on February 1, 2011.

Finally, CSPs must adopt technical and organizational measures that are adequate in the light of the existing risk, in order to safeguard the security of their services and to take measures when breaches of personal data occur. Such measures must protect personal data against the risk of their accidental or unlawful destruction or loss and of unauthorized access to the data or of processing operations that are either unlawful or inconsistent with the purposes for which the data have been collected.

Under the Privacy Code, in case of a personal data breach, (a security breach leading, accidentally or not, to the destruction, loss, alteration, unauthorized disclosure of or access to personal data transmitted, stored or otherwise processed in the context of the provision of a publicly available communications service) the provider shall inform without delay the Italian data protection authority (currently the Italian data protection authority specified the term in 24 hours for the first communication and in other 3 days for the communication of further details). Moreover, where the breach is likely to adversely affect the personal data or privacy of a subscriber or other individuals, the provider must also inform them within 3 days.

Recent amendments

On 8 May 2014, the data protection authority adopted a general provision relating to "Simplified Arrangements to Provide Information and Obtain Consent Regarding Cookies", that envisages that by June 2, 2015 the concerned entities must be compliant with the simplified arrangements, pursuant to Article 122 of the Privacy Code.

Article 122 of the Privacy Code sets out that storing information, or accessing information already stored in the terminal equipment of subscriber/user (i.e. by cookies or similar tools such as web beacons, web bugs, clear GIFs or others), shall only be permitted on condition that the subscriber/user has given his prior consent after being informed by simplified arrangements.

Subscriber/users' prior consent is not necessary to install the "technical cookies", which are those used exclusively with a view to "carrying out the transmission of a communication on an electronic communications network, or insofar as this is strictly necessary to the provider of an information society service that has been explicitly requested by the contracting party or user to provide the said service".

ANTITRUST IN ITALY

Legislation on competition

Telecom Italia is subject to Italian competition law, and namely the Law of 10 October 1990 no. 287 (“Provisions aiming at protecting competition and the market”) which set up the AGCM.

The AGCM is responsible for:

- (i) applying Law 287/1990 and supervising: (a) restrictive agreements; (b) abuses of a dominant position; and (c) concentrations of enterprises;
- (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 Legislative Decree 6 September 2005 n. 206 concerning unfair commercial practices; and,

(iv) monitoring conflicts of interest in the case of individuals holding government positions.

In addition, AGCM 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.

Antitrust Proceedings

During 2014 two antitrust proceedings continued against Telecom Italia before AGCM:

- **Proceeding “I 757”** started in September 2012 and closed in December 2014, without any fine;
- **Proceeding “I 761”** started in March 2013 and is still ongoing. The end of this proceeding is expected by July 2015.

ANTITRUST ISSUES AT THE EUROPEAN LEVEL

Legislation on competition

Telecom Italia is subject to the European competition law. European competition policy was developed from the three central rules set out in the Treaty on the Functioning of the European Union:

- agreements between two or more independent market operators which restrict competition are prohibited by Article 101 of the Treaty on the Functioning of the European Union (**TFEU** or **Treaty**). This provision covers both horizontal agreements (between actual or potential competitors operating at the same level of the supply chain) and vertical agreements (between firms operating at different levels, i.e. agreement between a manufacturer and its distributor). Only limited exceptions are foreseen in the general prohibition. The most flagrant example of illegal conduct infringing Article 101 is the creation of a cartel between competitors (which may involve price-fixing and/or market sharing).
- Article 102 of the Treaty prohibits firms holding a dominant position on a determined market to abuse that position, for example by charging unfair prices, by limiting production, or by refusing to innovate to the prejudice of consumers.
- State aid distorting competition and trade within the EU are prohibited (art. 107 of the Treaty). State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities. Therefore, subsidies granted to individuals or general measures open to all enterprises are not covered by Article 107 of the Treaty and do not constitute State aid.

Furthermore, the EC Treaty provides that in some circumstances, government interventions are necessary for a well-functioning and equitable economy, stating some exceptions and sector specific rules. The “Guidelines for the application of State aid rules in relation to rapid development of broadband networks” establish that public funding of broadband projects is not considered state aid if one of three exemptions are used:

- the public authority invests under the same conditions that would be applied to a private investor (Market Economy Investor Principle – **MEIP**);
- the public contribution is limited to the compensation of the provision of a service of general economic interest (Services of General Economic Interest principle- **SGEI**);
- it meets certain conditions (promoting the economic development of underdeveloped areas, promoting the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State, facilitating the development of certain activities or areas, promoting culture and heritage conservation).

The EC is empowered by the Treaty to apply these prohibition rules and holds a number of investigative powers to that end (e.g. inspection at business and non-business premises, written requests for information, etc.). It may also impose fines on undertakings which infringe the EU antitrust rules. The main rules on procedures are set out in Council Regulation (EC) 1/2003.

Since 1 May 2004 all national antitrust authorities have also been empowered to fully apply EU antitrust rules (i.e. Articles 101 and 102 of the TFEU) in order to ensure that competition is not distorted or restricted. National courts may also apply these provisions in order to protect the individual rights conferred on citizens by the Treaty. State aids rules, on the contrary, can only be applied by the EC.

As part of the overall enforcement of EU competition law, the EC has also developed and implemented a policy on the application of EU competition law to actions for damages before national courts. It also

cooperates with national courts in order to ensure the coherent application of the EU competition rules within the Member States.

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 the Regulatory Agency for Telecommunications—Agência Nacional de Telecomunicações (**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 authorizations. 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 privatized 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 Brasil, ANATEL developed regulations for mobile communication services (**SMP**—Personal Mobile Services), fixed communications services (**STFC**) and data transmission and multimedia services (**SCM**).

In 2010 virtual mobile operators were allowed to enter the market upon commercial agreements with the established operators.

Authorizations

ANATEL carried out the privatization 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, licenses to provide telecommunications services are granted either under the public regime, by means of a Concession or a Permission, or under the private regime, by means of an Authorization. Only certain fixed-line service providers are currently operating under the public regime (Telefónica, Embratel and Oi, commonly referred to as “Concessionaires”). All the other telecommunications services providers in Brazil are currently operating under the private regime, including all the mobile and data service providers.

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 mobile services were introduced in 2008 while fourth generation mobile services started in 2012.

The authorizations for fixed and mobile services give the Telecom Italia Group (which operates under the brand name TIM Brasil) coverage of the entire country of Brazil allowing it 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.

Until 2016, 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. From 2016, the fixed interconnection rates will follow a cost oriented approach.

In May 2012, ANATEL approved a new regulation which, from January 2014, requires the application of the "Bill and Keep" system for local fixed termination rates, *i.e.*, operators will take rights of tariffs generated on their networks, and no interconnection remuneration will be owed for local calls between two different networks.

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 and it can determine a reference value according to criterion set up by regulation. From January 2013, the reference values set by ANATEL comply with a "glide path" which will lead to incremental cost orientated values in 2019.

Interconnection agreements are subject to prior approval by ANATEL.

- **General Competition Plan (PGMC)**

In November 2012, ANATEL published the General Competition Target Plan (PGMC), introducing tools for market analysis, for the identification of operators with market power and for the consequent imposition of ex-ante obligations.

The decision opens significant market power operators' fixed networks to unbundling and wholesale broadband access, and improves transparency measures by the creation of a Supervisory Board to ensure the respect of the wholesale service quality levels.

Fixed networks in fibre optics will benefit from a regulatory holiday of nine years, which will have to be confirmed after four years, when the relevant markets and the remedies applied to SMP operators should be revised.

In each market, ANATEL imposed a set of asymmetrical obligations to operators having SMP.

The most important measure imposed in the fixed access market is the further opening of wholesale fixed networks through the introduction of access obligations on copper networks (e.g., Leased Lines, bitstream unbundling) for the vertically integrated, fixed operators having SMP: Oi, Telefónica and Telmex.

TIM Brasil was identified as having SMP in the wholesale markets of mobile termination, national roaming and the access to ducts and trenches. The measures applied to an SMP operator in those markets include:

- a glide path on mobile termination rates for the 2013-2015 period, based on a price cap system, with a decrease of almost 50%;
- the obligation to offer the service of national roaming to operators not having SMP: regional licensed CTBC and Sercomtel and national licensed Nextel;
- the obligation to offer the access to own ducts and trenches.

The review of the market analysis and the definition of SMP operators are expected in late 2015.

Main regulatory developments

- **Cost models' implementation**

In 2005, ANATEL issued a ruling for “Accounting Separation and Cost Accounting”, introducing for license holders and groups holding SMP 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 July 2014, ANATEL published the final decision regarding the costing models to set the wholesale reference values for the fixed and mobile access and interconnection services, as well as the maximum values for the Leased Lines (EILD - Industrial Exploitation of the Dedicated Line).

Anatel established that the fixed network usage charges (TU-RL) and mobile network reference values (VU-M) will be cost oriented starting from 2016 to reach the efficient cost level in 2019. For EILD, the efficient cost level must be reached in 2020.

- **Mobile interconnection rate glide path**

In November 2012, TIM Brasil (as well as certain other mobile operators) was identified by ANATEL as having Significant Market Power (SMP) in the wholesale mobile termination markets. The remedies applied to SMP mobile operators include a glide path on mobile termination rate (called VU-M, “Value to Use the Mobile network”), based on a price cap system with a decrease of almost 50% from 2013 to 2015; current termination charge is 0.17 R\$/min (~0.07 €/min).

In July 2014, ANATEL published the final decision regarding the costing model and the reference values of the mobile termination rates that will apply from 2016 to 2019 for the operators with SMP. Following the "glide path" in the decision, the reference value of the MTR will be reduced by 40% in 2016 to R\$0.10/min (~€0.034/min) and 45% in the following years: R\$0.06/min (~€0.019/min) in 2017; R\$0.03/min (~€0.01/min) in 2018; R\$0.02/min (~€0.006/min) in 2019.

Between operators with SMP a “full billing” scheme is applied (i.e. each operator charges the total amount of the traffic terminated on its network). Conversely, between SMP and non SMP operators, an asymmetric scheme applies (so called “partial bill&keep”): each operator only pays the portion of the terminated traffic on the other network that exceeds a threshold percentage determined by the regulator with respect of the total traffic exchanged at the interconnection. Until February 2015, this threshold was set at 80% (i.e., a non SMP operator pays only if the terminated traffic on the “SMP” operator network is more than 80% of the total traffic exchanged at the interconnection).

According to the previous rules, by February 2015, the "partial bill & keep" threshold between SMP and non SMP operators would have decreased to 60% and from February 2016 the "full billing" scheme would have been adopted. To harmonize the evolution of the values of mobile interconnection with the introduction of

cost-oriented values, in February 2015 the regulatory authority (ANATEL) postponed to 2019 the introduction of the "full billing" scheme in the interconnection between operators with market power and without market power, with a progressive decrease of the mentioned threshold over the next years.

- **New allocation of the 700 MHz band**

The auction for the allocation of the 700MHz band (698-806 MHz), for the provision of the fourth generation mobile services and high speed internet was held in September 2014.

TIM Brasil, Claro (Telmex group) and Vivo (Telefónica group) were granted three of the four auctioned national blocks of 10 + 10 MHz; the fourth block remained unsold as the fourth national operator Oi did not participate to the bid. TIM Brasil paid 1,947 million reais.

The frequencies will be available, in every Brazilian town, only a year after the complete "switch-off" of analogue television channels operating in the band and the transition to the digital TV whose channels will be allocated in the lower bands. The analogue TV "switch-off" is planned to be carried out from November 2015 to November 2018.

In the States of São Paulo and Rio de Janeiro, the frequencies will be available at the end of 2018, after the complete switch-off of analogue television in their respective states.

Bid winners are required to cover the costs of the implementing measures to overcome any spectrum interference and the expenses resulting from the reallocation of Digital TV channels. The amount of these costs for each national operator is about 297 million euros.

- **Net Neutrality – “Marco Civil de Internet”**

The "Marco Civil Internet", which came into force in June 2014, constitutes a kind of "constitution" on the use of the internet in Brazil.

Key topics covered in the new regulations are :

- net neutrality;
- collection, use and storage of personal data;
- confidentiality of communications;
- freedom of expression and the treatment of illegal, immoral or offensive contents.

The Marco Civil expressly defers some specific cases regarding Net Neutrality, Privacy and Access Log to implementing decrees that are expected to be approved in 2015.

Main Regulatory Developments in Argentina

In November 2014, a 3G and 4G auction was held. The four prequalified major operators participated. On 17 December 2014, Telecom Personal made the payment of the bid amounts corresponding to the awarded frequency bands. In the case of Lot 8, the payment was made on account of the single and total price offered for the referred Lot which amounted to US\$ 602 million.

On December 2014 a new information technology and communication law (number 27,078 also known as “Argentina digital”) was approved.

According to the new law:

- Telecommunication operators can also provide audiovisual communication services.
- The broadcasting licensees can enter the wholesale and retail telecommunication market.

- An open network provision framework will be applied and interconnection prices will be regulated.
- New asymmetric regulation would be implemented in case of significant market power operators.
- A new regulation authority is going to be established.
- Net neutrality principles are applied.
- A minimum speed of transmission will be imposed.

BROADCASTING REGULATORY FRAMEWORK IN ITALY

Consolidated Act on Broadcasting

Broadcasting in Italy is mainly regulated by the Legislative Decree 31 July 2005 n. 177 and its subsequent modifications. It defines the general principles for the provision of audiovisual media services and the rules to be followed by:

- Content providers for both linear and on demand contents;
- Service providers for interactive services, conditional access (including pay-per-view) and electronic programs guide;
- Network operators.

Following the sale of La7 S.r.l. and MTV Italia S.r.l., the Group operates as a national network operator (Persidera S.p.A the former Telecom Italia Media Broadcasting S.r.l.).

On 30 June 2014, following the business combination with Rete A S.p.A., Telecom Italia Media Broadcasting S.r.l. changed its name to Persidera S.p.A.

Persidera is a “pure” national network operator, not integrated with any content provider. It offers digital terrestrial capacity through five national terrestrial networks (5 MUXes) hosting more than 40 independent TV channels.

Persidera is also subjected to the rules of the new Electronic Communications Code (Legislative Decree no. 70/12 amending Decree 259/03).

The new Electronic Communications Code provides for the application of the principle of neutrality either technological and services for all frequencies used for networks and electronic communications services and assigned after 30 June 2012, with restrictions related to the promotion of cultural and linguistic diversity and media pluralism.

Regarding the resources allocated before 30 June 2012, such as those assigned to Persidera, AGCom and the Ministry of Economic Development (MISE) may allow holders of these rights to present, within 25 May 2016, a request for a review of the restrictions to their rights not expiring within the following five years.

Broadcasting frequencies

In response to the EU infringement procedure 2005/5086, in 2008 the government approved the Law no. 101/08, replacing the special licensing regime for digital terrestrial network operators with an authorization regime compliant with EU Directives.

Following these modifications, all network operators’ licenses were converted into general authorizations with a 20-year duration.

The EC approved the changes introduced by Law 101/08, but asked for more spectrum resources to be assigned to new entrants (the “digital dividend”). In response to these further requests, AGCOM resolution 181/09/CONS set up the criteria for the complete digital conversion of the terrestrial television networks (switch-off).

In this conversion, Telecom Italia Media Group was assimilated to RAI and Mediaset, and TIMB was wrongly assigned only 3 out of the 4 networks managed by the Group before the switch-off, even if all other network operators were assigned networks on a “one-to-one” basis. On 28 June 2012, MISE formally assigned to TIMB the digital rights for 3 MUXes for national broadcasting with the duration of twenty years (December 2032).

Following such conversion, TIMB set up a lengthy litigation and appealed against this decision. The Regional Administrative Court of Lazio rejected the appeal and the TIMB appealed before the Council of State. The decision is still pending.

AGCom resolution 351/13/CONS and subsequent modifications established the National Assignment Plan for Broadcasting Frequencies (“PNAF”—Piano Nazionale di Assegnazione delle Frequenze) which identifies 22 national terrestrial networks with 80% coverage of the national territory.

Three MUXes out of 22 should have been assigned on the basis of an economic bidding procedure, for a period of 20 years. The auction was held in June 2014, and Cairo won 1 MUX for €31,626,000. Rai, Mediaset and Persidera were not entitled to participate in this bid.

Following Law no. 190/2014 “Legge di stabilità 2015”, all frequencies not assigned to national networks operators (i.e. the ones left out in the digital dividend bid) shall be assigned to local broadcasters via a beauty contest procedure. Local networks operators will be favored in the beauty contest, but also the national networks operators are allowed to participate.

Frequency rights fees

Following Law 44/12, AGCom identified the criteria for the definition of frequency rights fees (Decision 494/14/CONS). Persidera contested such criteria, since they produce values that exceed more than 15% of the revenue of the overall market of digital terrestrial capacity and at the same time they favor RAI and Mediaset as vertical integrated network operators.

At the same time, such criteria cannot guarantee the same revenues, requested by Law 44/12, previously guaranteed by the concession fees. Considering frequency rights fees strictly related to infringement procedure 2005/5086, the EC requested to take into consideration the difference between vertical integrated incumbents and the other network operators and the compliance with the principles of proportionality, reasonability and non-discrimination.

MISE approved a decree (published in the Official Journal on 19 January 2015) establishing the payment of 40% of the amount paid in 2013 by network operators, as a deposit for the year 2014, pending the revision of all contribution regimes for network operators and content providers.

LITIGATION

The most significant arbitration cases and legal or fiscal disputes in which the Telecom Italia Group is involved as of the date of this EMTN Programme Prospectus are presented below.

As at 31 March 2015, the Telecom Italia Group has posted liabilities totaling 123 million euros for those disputes described below where the risk of losing the case has been considered probable.

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

In October 2013 the Court of Rome found the three former managers of Telecom Italia Sparkle involved in the proceedings not guilty of cross-border criminal conspiracy and tax evasion and false declaration by the use of invoices or other documents for phantom transactions (the so-called "carousel fraud"). A further 18 defendants were found guilty, and sentenced to prison terms of 20 months to 15 years. In August 2014, the Court of Rome issued its opinion explaining the grounds for its findings and acknowledged that the former managers of Telecom Italia Sparkle did not participate in the "carousel fraud" and the correctness of their actions.

The non-guilty verdict was, however, appealed by the Rome Public Prosecutor's Office, with respect to the standing of the Telecom Italia Sparkle employees, and the date of the hearing before the Court of Appeal has not yet been set.

Telecom Italia Sparkle remains formally under investigation for the administrative offence pursuant to Legislative Decree 231/2001, with the predicate offence of criminal conspiracy and cross-border money laundering.

Following the outcome of the immediate trial, the company requested and obtained from the judicial authority, with an order in June 2014, the release and return of the whole sum of the 72,234,003 euros surety issued in the past in favour of the judicial authority to guarantee any obligations deriving from the application of Legislative Decree 231/2001, and the restitution of the sum of 8,451,000 euros; the sum of 1,549,000 euros, corresponding to the maximum fine payable for the administrative offence, remains under seizure.

The Group made risk provisions in the 2009 consolidated financial statements following the Telecom Italia Sparkle affair, for a total of 86 million euros (72 million euros of which referred to the risk pursuant to Legislative Decree 231/2001). The provisions have been cancelled and were fully released to the income statement in 2014.

With respect to tax risks in February 2014 the *Agenzia delle Entrate* (Lazio regional office) issued three formal notifications of fines for the years 2005, 2006 and 2007, based on the assumption that the telephone traffic in the "carousel fraud" or "missing trader fraud" did not exist. The amount of these fines – equal to 25% of the telephonic traffic acquisition were considered not deductible – total 280 million euros. In this respect, the company filed an appeal to the Provincial Tax Commission in April 2014 and is still waiting for a hearing date to be set. In light of the investigations carried out, and considering the favourable outcome of the associated criminal proceedings, the risk is believed to be only a possibility, so no provisions were made in the 2014 financial statements.

International tax and regulatory disputes

On 22 March 2011, Tim Celular received a notice of a 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. (previously called Maxitel), companies which have been merged over time into Tim Celular with the aim of simplifying the corporate structure in Brazil.

The tax assessment notice provides for:

- 1) the disallowance of the tax effects of the merger of Tim Nordeste Telecomunicações S.A. and Maxitel S.A.; and
- 2) the disallowance of the deduction of the amortization of goodwill relating to the acquisition of Tele Nordeste Celular Participações S.A. (TNC).

The adjustments included in the assessment notice have been challenged by Tim Celular, before the administrative court, with the filing of an initial defence on 20 April 2011. On 20 April 2012, Tim Celular received notification of the decision of the administrative court of first instance which confirmed the findings set out in the assessment notice; Tim Celular filed an appeal against this decision on 21 May 2012, which appeal is pending.

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 are ongoing including claims for significant amounts but with a risk of loss considered not probable (for the aforementioned companies), on the basis of legal opinions issued to the companies.

The most relevant cases relate to the tax deductibility of the goodwill amortization, indirect taxation and contributions to the local regulatory authority (ANATEL). Of the main disputes concerning indirect taxation, several claims regard lowering the tax base due to discounts granted to customers; with reference to ANATEL's claim the regulatory authority alleges that the company did not pay sufficient contributions to the FUST/FUNTEL funds.

Finally, in December 2013, Tim Celular received a notice of tax assessment from the Brazilian Federal District Finance Secretariat for 582 million reais (approximately 180 million euros) at the date of formal notice, including penalties and interest, on account of alleged non-payments of indirect taxes for the years 2008 to 2012. The assessment was served following a decision by the Supreme Court declaring that a state tax incentive was unconstitutional. The company promptly filed an initial defence statement, in administrative proceedings, in January 2014. On the basis of legal opinions, Tim Celular does not consider an unfavourable outcome to be likely.

Investigation by the Public Prosecutor's Office of Monza

A criminal proceeding is currently pending before the Public Prosecutor's Office of Monza as part of the preliminary investigation of a number of subjects, relating to supply under lease and/or sale of assets transactions which allegedly would constitute various offences committed also against Telecom Italia, which filed a charge against persons unknown in 2011. To date, no date has been set for a preliminary hearing. The preliminary investigation judge dropped separate proceedings initiated, amongst others, against three employees/former employees of the company. A former employee of Telecom Italia, amongst others, is apparently still being investigated as part of the main criminal proceedings.

Irregularities concerning transactions for the leasing/rental of assets

With respect to irregularities detected with regard to certain leasing and rental transactions, which in some cases led to disputes relating to direct taxes and VAT, the company set aside in previous years and in the current year provision for risks; the actual amount of the risk provision is around 9.6 million euros.

Administrative offence charge pursuant to Legislative Decree 231/2001 for the Telecom Italia Security Affair

In December 2008 Telecom Italia received a notice of commencement of proceedings for administrative offenses under articles 21 and 25, subsections 2 and 4, of legislative decree no. 231/2001. Following the investigation, by the Public Prosecutor of Milan, former company employees and consultants were 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 the company 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 (plea bargaining) presented by many other defendants, including ex-employees of the Group.

In the preliminary hearing before Section One of the Milan Court of Assizes, Telecom Italia acted in the dual role of civil party and civilly liable party. In fact, on the one hand it was admitted as civil party permitted to establish claims against all the defendants for all charges, and on the other hand Telecom Italia was also cited as the party with civil liability pursuant to article 2049 of the Italian Civil Code for the actions of the defendants in relation to 32 civil parties. Telecom Italia Latam and Telecom Italia Audit & Compliance Services (now incorporated into Telecom Italia) also participated in the hearing as civil parties, having filed appearances since the Preliminary Hearing and brought charges against the defendants for hacking.

After lengthy evidential hearings—which lasted more than a year—22 civil parties filed claims for compensation, against Telecom Italia as civilly liable party, for over 60 million euros (over 42 million euros of which requested by a single civil party). The company itself, as civil party, also through its claims against the defendants, requested that they be found liable for all the damages suffered as a result of the facts of the case.

In February 2013, the Milan Court of Assizes issued its judgement, sentencing certain of defendants to terms of imprisonment ranging between 7 years and 6 months and one year. The Court also recognised that some of the civil parties had suffered non-monetary damages as a consequence of the alleged activities, and sentenced the defendants, jointly and severally with civilly liable party Telecom Italia, to compensate said civil parties in the amount of 270,000 euros (of which 170,000 euros were paid jointly and severally by Pirelli). At the same time the Court also ordered the defendants to pay compensation for monetary and non-monetary damages incurred by the company, granting it a provisional award of 10 million euros. The Court also recognised the existence of non-monetary damages to the companies Telecom Italia Latam and Telecom Italia Audit & Compliance Services, ordering the defendants to pay compensation for damages on an equitable basis of 20,000 euros for each company.

In November 2013, the reasons for the judgement in the court of first instance were published (and for its part, the company decided not to appeal).

To date no date has been set for the appeal hearing.

Antitrust Case A428

At the conclusion of case A428, on 10 May 2013, the Italian antitrust authority—AGCM imposed two administrative sanctions of 88,182,000 euros and 15,612,000 euros on Telecom Italia for abuse of its dominant position. The AGCM concluded that Telecom Italia allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; (ii) offered its access services to final customers at economic and technical conditions that allegedly could not be matched by competitors

purchasing wholesale access services from Telecom Italia itself, only in those geographic areas of Italy where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with the company. Provisions allocated in the consolidated financial statements at 31 December 2013, covered the entire amount of the sanctions and the interest accrued on that date.

Telecom Italia appealed against the decision before the Regional Administrative Court of Lazio (**Lazio TAR**) applying for payment of the fine to be suspended. In particular, it alleged: infringement of its procedural rights to defend itself in the proceedings, claiming that the organisational choices challenged by AGCM and allegedly accounting for the abuse of OLOs in connection with the provisioning processes had been the subject of specific rulings made by AGCom, the circumstance that the comparative examination of the internal/external provisioning processes had in fact shown better results for the OLOs than for the Telecom Italia retail department (hence the lack of any form of inequality of treatment and/or opportunistic behaviour by Telecom Italia), and (regarding the alleged abuse in (ii) above) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In December 2013, the Lazio TAR upheld the application for payment of the fine to be suspended, scheduling a hearing for the discussion of the merits for February 2014, subsequently postponed to March 2014.

In May 2014, the judgement of the Lazio TAR was published, rejecting Telecom Italia's appeal and confirming in full the fines imposed in the original order. In September 2014 Telecom Italia appealed against this decision to the *Consiglio di Stato* (Italian Council of State).

With sentence no. 2479 of 15 May 2015 the Council of State rejected the appeal filed by Telecom Italia against the fine imposed by AGCM, and determined that the decision at first instance was immune by the defects reported and thus confirmed the decision of AGCM.

Telecom Italia has already proceeded to pay the fines and the accrued interest.

* * *

In many proceedings described in the paragraphs below, in addition to the amount that has been accrued, 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, investigations and reviews described below, unless specifically noted otherwise, on the basis of the information available as at the date hereof and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, 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 I757

On 12 September 2012, the AGCM started an investigation against Telecom Italia, Wind and Vodafone to ascertain the existence of an agreement restrictive of competition aimed at excluding from the market the new operator BIP Mobile S.r.l.

BIP Mobile, which intended to present itself as the first “low cost” virtual operator, did not have its own sales network, since it accessed the market using a multibrand distribution channel. According to the complaint it submitted to AGCM, the company has been faced with cancellations by retailers that distribute mobile telephony services of various operators, allegedly induced by pressures that were supposedly “the fruit of a concerted strategy between Telecom Italia, Vodafone and Wind”.

On 20 December 2013, the AGCM decided to extend the investigation to examine the conduct of Telecom Italia and Wind with regard to potential violations of article 101 of the Treaty on the Functioning of the European Union (TFEU) arising from supplementary commercial agreements signed by each of them with some multibrand dealers; those agreements provide extra incentives to the dealer while granting to the telecom operator the right to terminate the relationship if the dealer markets the products or services of operators other than those already marketed at the time the agreement is signed.

On 9 April 2014, Telecom Italia presented a proposal of undertakings. AGCM, having determined that the proposed undertakings were not manifestly without merit, published them on 22 April 2014 for the purposes of the market test.

Upon completion of the investigation, on 11 December 2014, the authority issued two separate rulings. With the first one it concluded that the horizontal agreement originally contested does not exist; with the second one it accepted the undertakings proposed by Telecom Italia with regard to the vertical elements underlying the extension of the investigation, without finding that any violations have taken place.

Antitrust Case I761

With a ruling issued on 10 July 2013, the AGCM extended the investigation started in March 2013 into some enterprises active in the fixed network maintenance sector to Telecom Italia. The investigation is aimed at establishing if an agreement violating article 101 of the Treaty on the Functioning of the European Union is in place. The proceedings were initiated after Wind filed two complaints in which it reported to the AGCM that, based on an invitation to bid for the assignment of network corrective maintenance services, it had encountered substantial uniformity of prices offered by the aforementioned enterprises and a significant difference from the offers submitted subsequently by other and different companies.

The AGCM alleged that Telecom Italia carried out a role of coordinating the other parts of the procedure, both during the formulation of the offers requested by Wind and in relation to the positions represented to AGCom.

Telecom Italia challenged these proceedings before the Regional Administrative Court of Lazio (TAR), arguing that the AGCM does not have competence in this matter.

On 7 July, 2014, the AGCM extended the proceedings to investigate if the company, abusing its dominant position, put in place initiatives that might influence the conditions of the offer of accessory technical services when the offers of the maintenance businesses to Wind and Fastweb were being formulated. With this extension, the AGCM also extended the deadline for closing the proceedings from the original date of 31 July 2014 to 31 July 2015. This extension was also challenged before the Lazio TAR arguing that AGCM does not have competence in this matter.

In November 2014, Telecom Italia submitted to the AGCM a commitment proposal aimed at resolving the competition law concerns that arose during the investigation. In its resolution of 19 December 2014 the AGCM stated that the proposed commitments were not manifestly unfounded and therefore published them

on its website for the purposes of the market test. With a decision dated 25 March 2015 the AGCM rejected the commitments proposed by Telecom Italia. The investigation will therefore continue and, unless extended, it will be closed by the end of July 2015. At present, it is not possible to reach any conclusions about the outcome of the proceedings.

Dispute relative to “Adjustments on licence fees” for the years 1994-1998

With regard to the judgements sought in previous years by Telecom Italia and Tim concerning the Ministry of Communications’ request for payment of the balance of the amounts paid in concession charges for the years 1994-1998, the Lazio TAR rejected Telecom Italia's appeal against the request for adjustment of the licence fee for 1994 in the amount of approximately 11 million euros, 9 million euros of which related to revenues not received due to bad debts. Telecom Italia lodged an appeal. With two further recent judgements the Lazio TAR, reiterating all the reasons expressed previously, rejected the appeal in which TIM challenged the requests for payment of outstanding balances of licence fees for the years 1995 to 1998, in the amount of approximately 46 million euros. Telecom Italia will appeal these judgements too to the Council of State.

FASTWEB

In April 2014, Fastweb and Telecom Italia reached a technical-procedural agreement providing for an abandonment of the arbitration proceedings started by Fastweb in January 2011 in which Fastweb requested compensation for alleged damages totalling 146 million euros incurred following alleged non-compliance with the provisions contained in the contract for the supply of the LLU service. The agreement reached did not define the respective damages claimed through arbitration, which will continue in the proceedings pending before the Milan Civil Court, described below. In the arbitration Fastweb argued 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 filed a defence statement, submitting a counterclaim.

In December 2013, Fastweb filed a writ of summons with the Court of Milan with a claim for damages arising from alleged improper conduct by Telecom Italia in issuing an excessive number of refusals to supply wholesale access (KO) services in 2009-2012 and in making economic offers to business customers, in areas open to LLU services, that could not be replicated by competitors because of the alleged squeeze on discount margins (“margin squeeze” practices). Based on the principles set forth in decision A428, Fastweb quantified this claim to be in the order of 1,744 million euros.

The company filed an appeal challenging the claims made by Fastweb regarding the matter and the amount and making a counterclaim.

VODAFONE

In August 2013, Vodafone, as incorporating company of operator Teletu, submitted to the Milan Court a substantial claim for damages for presumed abusive and anticompetitive behaviour (founded principally on AGCM decision A428) which Telecom Italia allegedly implemented in the period 2008—2013. The monetary claim was quantified by Vodafone as an estimated sum of between 876 million euros and 1,029 million euros.

In particular, Vodafone alleged technical boycotting practices, including the refusal to activate lines requested by Teletu customers (in the period from 2008 to the month of June 2013), together with the adoption of allegedly abusive price policies for wholesale network access services (period from 2008 to the month of June 2013). Furthermore, Vodafone alleged application of discounts to business customers greater than those envisaged (“margin squeezing”) and the carrying out of presumed illegal and anticompetitive win back practices (in the period from the second half of 2012 to the month of June 2013).

Telecom Italia filed an appearance, challenging the claims made by Vodafone regarding the matter and the amount and has made a counterclaim.

WIND

In October 2014, the following cases pending before the Milan Court brought by the operator Wind were settled by mediation:

- judgement initiated with a writ of summons dated January 2012 for the compensation for alleged damages (quantified at around 85 million euros), deriving from alleged acts of unfair competition caused by the refusal to activate customers in the period July 2009 - October 2010, as well as through personalized offers and discounts for customers interested in Wind's commercial offers (these actions were, at the time of the writ of summons, subject to antitrust proceedings A428, referred to in the records); and
- judgement brought with a writ of summons dated May 2013, referring to the antitrust decision A428, for the compensation of alleged damages (quantified at over 247 million euros, of which around 37 million euros for reputation damage) resulting from the refusal to activate 80,159 potential customers in the period between July 2011 and October 2012.

EUTELIA and VOICEPLUS

In June 2009, Eutelia and Voiceplus filed a complaint alleging Telecom Italia's abuse of its dominant position in the premium services market (involving the offering to the public of services provided through so-called Non Geographic Numbers) be investigated. Plaintiffs sought damages of approximately 730 million euros.

The case follows the issuance of an injunction by the Milan Appeal Court prohibiting certain behaviours by Telecom Italia ordering it to cease the alleged abuses in the company's business relations with Eutelia and Voiceplus, relating to the Non Geographic Numbers for which Telecom Italia, in accordance with regulatory requirements managed the revenues from the end customers on behalf of such OLOs.

After the ruling pursuant to which the Milan Court of Appeal accepted Telecom Italia's objections, declaring that it was not competent in this matter and referring the case to the Civil Court, Eutelia in extraordinary administration and Voiceplus in liquidation resubmitted the matter to the Milan Trial Court. The first hearing took place in March 2014. Telecom Italia filed an appeal challenging the claims of the other parties.

TELEUNIT

With a writ issued in October 2009 before the Milan Appeal Court, Teleunit asked for alleged acts of abuse by Telecom Italia of its dominant position in the premium services market to be investigated. The complainant quantified its damages at a total of approximately 362 million euros. Telecom Italia filed an appearance, contesting the claims of the other party.

In a judgement issued in January 2014, the Milan Court of Appeal declared its lack of jurisdiction in favour of the Milan Court.

Telecom Italia filed an appeal in the reinstated proceedings challenging the claims of the other parties.

Irregular sale of handsets to companies in San Marino—Investigation by the Public Prosecutor's Office of Forlì

Despite the initial dismissal of the case by the Public Prosecutor's Office of Bologna in 2011, in June 2012 Telecom Italia was served with a search warrant issued by the Public Prosecutor's Office of Forlì, as part of a proceeding in which one employee, subsequently suspended, and three former employees of the company were the subject.

In September 2013, a notice of completion of the preliminary investigations was filed. The proceedings relate to a conspiracy for the purpose of committing crimes of “false declaration through the use of invoices or other documents for non-existent transactions” and the “issuing of invoices or other documents for non-existent transactions”, and the respective target offences. The company employees have also been accused of the offence of “preventing public supervisory authorities from performing their functions”, “*for having prevented CONSOB from learning promptly of the involvement of Telecom Italia S.p.A. in the “San Marino System” for achieving the sales targets imposed by senior management, failing to inform the communication authorities at CONSOB of the economic, equity-related, financial and reputation risks to which its involvement might have led, with potential harm to investors and consequential alteration of market transparency*”.

Regarding the latter charge, the Forli Prosecutor’s Office has transmitted the case papers to the Milan Public Prosecutor’s Office the office with relevant jurisdiction.

This matter was the subject of an audit and an internal investigation as part of the Greenfield Project at the time. In this regard, as a result of the findings of these investigative activities, the company independently took steps to regularise certain invoices issued to the San Marino companies and for which certain tax obligations had not been fully discharged.

POSTE

There are some pending actions brought by Ing. C. Olivetti & C. S.p.A. (now Telecom Italia) against Poste, the Italian postal service, concerning non-payment of services rendered under a series of contracts to supply IT goods and services. The outcome of the judgements issued in the lower courts was partially favourable to the ex-Olivetti, and have been appealed against by Poste in individual rehearings.

In this respect, while a judgement of the Rome Appeal Court confirmed one of the outstanding payables to Telecom Italia, another judgement by the same Court declared void one of the disputed contracts. After this judgement, Poste had issued a writ for the return of approximately 58 million euros, opposed by Telecom Italia given that the judgement of the Supreme Court for amendment of the above judgement is still pending.

After the judgement of the Supreme Court that quashed and remanded the decision of the Appeal Court on which the order was based, the Rome Court declared that the matter at issue in the enforcement proceedings was discontinued, since the claim made by Poste had been rejected. The judgement was resubmitted to another section of the Rome Appeal Court.

Elinet S.p.A. bankruptcy

The receivers of bankrupt company Elinet S.p.A. appealed the judgement in which the Rome Court rejected the applications for compensation filed by the receivers of the Elinet-Elitel group (for a total of 350 million euros) resubmitting their own claim for approximately 58 million euros.

In its statement of claim, the plaintiff alleges that the company carried out management and coordination activities with respect to the plaintiff, and with it the Elitel Group (an alternative operator of whose share capital Telecom Italia never held any stake), by means of trade receivables management.

Telecom Italia filed an appeal, challenging the claims of the counterparty.

Greece—DELAN

On 22 February 2014, Telecom Italia International and Wind Hellas (the new name of TIM Hellas, a Greek subsidiary sold by the Telecom Italia Group in 2005) signed a settlement agreement by which, against the payment to Wind Hellas of a total of 31.8 million euros, the arbitration started by Wind Hellas before the International Chamber of Commerce was concluded. During 2012, the court of first instance of Athens awarded the company Carothers Ltd, acting as successor of Delan Cellular Services S.A. (Delan), damages

in the amount of approximately 85 million euros against Wind Hellas. The judgement was appealed by Wind Hellas which, in turn, summoned Telecom Italia International to appear before an arbitration panel, on the basis of the indemnification obligations contained in the contract for the sale of Wind Hellas. Wind Hellas sought a declaration of its right to be held harmless for any possible negative outcome deriving from the outcome of the judgement.

In addition, Wind Hellas asked Telecom Italia International to assume the defence of another ordinary legal dispute in Greece, again by virtue of the obligations deriving from the contract of sale.

The settlement agreement terminated all claims by Wind Hellas against the Group.

Brazil—Docas/JVCO arbitration

In March 2013, the Brazilian companies Docas Investimentos S.A. (Docas) and JVCO Participações Ltda. (JVCO) started arbitration proceedings against Tim Brasil Serviços e Participações S.A. (Tim Brasil), Tim Participações S.A. (Tim Participações) and Intelig Telecomunicações Ltda. (Intelig) requesting the restitution of the Tim Participações shares held by the Tim group as guarantee (“Alienação Fiduciária”) for the indemnity obligations undertaken by the Docas group upon acquisition of Intelig (a Docas group company) by the merger by incorporation of its controlling company into Tim Participações, as well as compensation for damages for alleged breach of the merger agreement and alleged offences by Tim Participações in determining the exchange ratio between Tim Participações shares and Intelig shares, for an amount not yet specified and to be paid during the proceedings. After the arbitration panel had been constituted in May 2013, Tim Brasil, Tim Participações and Intelig filed their response, including a counterclaim against the Docas group for compensation for damages.

In October 2013, in order to preserve the status quo until the arbitration decision was made, the arbitration panel ordered that the guarantee represented by the aforementioned Tim Participações shares could not be enforced and that they would remain in “*Alienação Fiduciária*” in the custody of Banco Bradesco. The voting rights connected to the shares are “frozen” and future dividends must be paid into an escrow account.

In December 2013, the “Statement of Claim” was filed by Docas and JVCO. In March 2014, Tim Brasil, Tim Participações and Intelig filed this counterclaim, and the discovery phase started. In February 2015 the defence statements of all the parties were filed. An examination hearing is scheduled for September 2015.

Brazil—JVCO Dispute

In September 2013, Telecom Italia was served notice of judicial proceedings started by JVCO before the Rio de Janeiro Court against Telecom Italia, Telecom Italia International and Tim Brasil Serviços e Participações S.A., requesting a declaration that the control of Tim Participações S.A. (Tim Participações) by Telecom Italia and Telecom Italia International is declared abusive, and compensation of the damages caused by the exercise of such allegedly abusive control, the amount of which could be determined during the proceedings.

In February 2014 the statements of rejoinder were filed, claiming that the court lacked jurisdiction, and in August the Court of Rio de Janeiro ruled in favour of Telecom Italia, Telecom Italia International and Tim Brasil, rejecting JVCO's claim. The latter appealed the judgement before a judge of first instance, the motion of which was refused by the judge in September 2014.

In November 2014, JVCO appealed against the judgement of the court of first instance. On 10 December, 2014 Telecom Italia, Telecom Italia International and Tim Participações filed their respective responses to this appeal and their own appeal against the costs awarded to them in the judgement of the court of the first instance, which costs were deemed to be too low. Subsequently JVCO filed its answer to the appeals of Telecom Italia, Telecom Italia International and Tim Participações.

Brazil—Opportunity Arbitration

In May 2012, Telecom Italia and Telecom Italia International N.V were served with an arbitration brought by the Opportunity group, claiming restoration of damages allegedly suffered as a consequence of the presumed breach of a certain settlement agreement signed in 2005. Based on the claimant's allegations, such damages would be related to matters emerged in the framework of the criminal proceedings pending before the Court of Milan regarding, among others, unlawful activities of former employees of the Security Department of Telecom Italia.

Following discovery, a trial hearing for oral argument took place in November 2014, after which the parties filed their concluding arguments in preparation for a ruling.

Formal Notice of Assessments against Telecom Italia International N.V.

In June 2014, at the end of a tax investigation which lasted over a year, the Milan *Guardia di Finanza* served Telecom Italia International, a subsidiary company with offices in the Netherlands, with an official report of findings relating to the tax periods from 2005 to 2012, with which it formalized its findings on the alleged tax residence in Italy of Telecom Italia International, due to considerations linked to the presumed actual place of management in Italy.

On the basis of this report of findings, the Milan *Agenzia delle Entrate*, in December 2014, provided Telecom Italia International with assessment notices for the purposes of corporation tax (IRES) and regional tax on production activities (IRAP) relating to the fiscal years 2005, 2006 and 2007. With these assessment notices the *Agenzia delle Entrate* confirmed the objections raised by the *Guardia di Finanza*. The overall amount due for taxes, penalties and interest as set out in the assessment notices was around 148 million euros.

The company, supported by specific legal opinions, believes that the claims are unfounded and at the end of May 2015 filed an appeal to the Provincial Tax Commission of Milan. The possibility of reaching a tax settlement with the *Agenzia delle Entrate* is not excluded.

b) Other information

Mobile telephony—criminal proceedings

In March 2012, Telecom Italia was served notice of the conclusion of the preliminary enquiries in which the company was being investigated by the Public Prosecutor of Milan pursuant to Legislative Decree n. 231/2001, for the offences of handling stolen goods and counterfeiting, according to the allegations, by fourteen employees of the so-called "ethnic channel", with the participation of a number of dealers, for the purpose of obtaining undeserved commissions from Telecom Italia.

The company, as the injured party damaged by such conduct, had brought two legal actions in 2008 and 2009 and had proceeded to suspend the employees involved in the criminal proceedings (suspension later followed by dismissal). It has also filed an initial statement of defence, together with a technical report by its own expert, requesting that the proceedings against it be suspended, and that charges of aggravated fraud against the company be brought against the other defendants. In December 2012, the Public Prosecutor's Office filed a request for 89 defendants and the company itself to be committed for trial.

During the preliminary hearing, the company was admitted as civil party to the trial and, in November 2013, the conclusions as to the company's involvement as a civil party was filed, reaffirming that Telecom Italia was not a participant in the offences claimed.

At the end of the preliminary hearing, which took place in March 2014, the Judge indicted the defendants (including Telecom Italia) which had not requested that their case be transferred to an accelerated procedure,

requiring a full trial on the grounds that an examination hearing is necessary. Currently the proceedings are in a preliminary phase prior to the trial before the Court sitting as a judicial panel.

* * *

With regard to the criminal proceedings for the offence of “preventing the public supervisory authorities from performing their functions” against a former Executive Director (Mr Riccardo Ruggiero) and two former managers related, in the charge, to the communication to AGCom of a customer base deemed to have been altered both by false extensions of 5,130,000 SIM cards topped up with 0.01 euros, and by activating 1,042,447 SIM cards deemed irregular and not topped up in the twelve months after activation, in November 2013, the judge in the preliminary hearing at the Court of Rome dismissed the case following the transfer of the case from the Court of Milan to the Court of Rome due to lack of jurisdiction.

The Rome Public Prosecutor lodged an appeal to the Court of Cassation, which declared this inadmissible in May 2014. The proceeding has been closed.

Dispute concerning the license fees for 1998

Telecom Italia has issued civil proceedings against the Presidenza del Consiglio dei Ministri (the office of the Prime Minister) for compensation for damages caused by the Italian State through appeal judgement no. 7506/09 by the *Consiglio di Stato* that, in the view of the company, violates the principles of current European community law.

The main claim is based on European community jurisprudence that recognises the right to assert the responsibility of the State in relation to violation of rights recognised in European community law and injured by a judgement that has become final, in respect of which no other remedy may be applied. The judgement of the Council of State denied the right of Telecom Italia to restitution of the concession charge for 1998 (totalling 386 million euros for Telecom Italia and 143 million euros for Tim, plus interest), which had already been rejected by the TAR court despite the favourable and binding opinion of the European Court of Justice on 23 February 2008 concerning the conflict between EC Directive 97/13 on general authorizations and individual licences in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The company then proposed an alternative compensation claim, within the sphere of the same proceedings, for tort pursuant to art. 2043 of the Italian Civil Code. The compensation claimed has been quantified as approximately 529 million euros, plus legal interest and revaluation. The Avvocatura di Stato filed an appearance and submitted a counterclaim for the same sum. The case is subject to eligibility analysis by the Court, which declared the inadmissibility of Telecom Italia's main claim (case for damages for manifest breach of community law pursuant to law 117/88). However, this decision was amended in favour of the company on appeal. Subsequently, the Court of Rome issued the first-instance judgment declaring the company's application inadmissible. Telecom Italia will file an appeal against the decision.

TELETU

There is a pending litigation for compensation started by Telecom Italia with a summons dated February 2012 against the operator Teletu (now incorporated into Vodafone) for unlawful refusals regarding reactivation with Telecom Italia of the competitor's customers. The claim was quantified as approximately 93 million euros.

CONSOB audit

In November 2013, officials from CONSOB conducted an audit at the registered offices of Telecom Italia in order to obtain documents and information concerning the bond issue of Telecom Italia Finance (“*Guaranteed Subordinated Mandatory Convertible Bonds due 2016 convertible into ordinary shares of Telecom Italia S.p.A.*”), the procedures for the sale of holdings held by the Telecom Italia Group in the

Sofora—Telecom Argentina Group and the company's procedures regarding the confidentiality of sensitive information and keeping of the register of people who have access thereto.

According to public sources, CONSOB informed the Public Prosecutor's Office of Rome of the audit and, on 20 December 2013, the latter issued a press release stating that: "*With regard to corporate and financial events involving the companies Telecom Italia and Telco, the Public Prosecutor's Office points out that there are no subjects under investigation for the offence of obstructing Supervision nor for any other kind of offence*". The Public Prosecutor's Office also stated that since "*last October the office of the public prosecutor has been following the developments in the Telecom affair, requesting and engaging in exchanges of information with CONSOB between the judicial and supervisory authorities, particularly in cases where potential offences might have been committed*".

In September 2014, CONSOB closed the preliminary stages of its investigation, opening the sanctioning proceeding with a charge against the company concerning some administrative infringements of Legislative Decree No. 58 of 24 February 1998.

The company, confident in its arguments, and in acceptance of the explanations provided, has filed its own arguments. The possible sanctions, in any case subject to appeal, would not result in a material impact on the company.

Olivetti – Asbestos exposure

In September 2014, the Ivrea Public Prosecutor's Office closed an investigation on the presumed exposure to asbestos of 15 former workers from the companies "Ing. C. Olivetti S.p.A." (now Telecom Italia S.p.A.), "Olivetti Controllo Numerico S.p.A.", "Olivetti Peripheral Equipment S.p.A.", "Sixtel S.p.A." and "Olteco S.p.A." and served notice that the investigations had been concluded on the 39 people investigated (who include former Directors of the aforementioned companies).

On 19 December 2014, the Ivrea Public Prosecutor's Office formulated a request for 33 of the 39 people originally investigated to be committed for trial, and at the same time asked that 6 investigations be archived. The preliminary hearing started in May 2015.

The company does not currently play any role in the criminal proceedings.

Telecom Argentina

On 3 June 2013, four trade union organisations commenced proceedings against Telecom Argentina to obtain the issue of profit-sharing bonds reserved for the employees, as provided in a specific Argentine Law, challenging the constitutionality of Decree no. 395/92 which exempted Telecom Argentina from issuing such bonds.

The company filed its defence briefs, challenging the claims made by the opposing party with the labour court. On 30 October 2013, the judge rejected the claims made by Telecom Argentina, postponing the decision to the outcome of the court appearance by the parties. The company appealed against the decision and the appeal is still pending. The proceedings have, moreover, been suspended to allow for the verification of the plaintiffs' entitlement to act on this matter, following allegations made by Telecom Argentina.

Based on the assessments made by its external counsel, the management of Telecom Argentina believes the opposing party's claim to be unfounded.

Other Liabilities Connected With Sales Of Assets And Investments

Under the contracts for the sale of assets and companies, the Telecom Italia Group has guaranteed compensation generally commensurate to a percentage of purchase price to buyers for liabilities deriving mainly from legal, tax, social security and labor-related issues.

In connection with these contingent liabilities, totaling about 1,000 million euros, only for those cases in which an outflow of resources is considered probable, an amount of 67 million euros has been accrued in the provision for risks.

Moreover, the Telecom Italia Group is committed to provide further compensation for certain specific contractual provisions under agreements for the sale of assets and companies, for which the contingent liabilities cannot at present be determined.

TELECOM ITALIA GROUP —SELECTED FINANCIAL INFORMATION AND STATISTICAL OPERATING DATA

Financial information prepared in accordance with IFRS as of and for the years ended 31 December 2014 and 2013

The selected financial data set forth below is consolidated financial data of the Telecom Italia Group as of and for each of the years ended 31 December 2014 and 2013, which have been extracted or derived from the audited Consolidated Financial Statements of the Telecom Italia Group included in the 2014 Telecom Italia Annual Report (which is incorporated by reference) and which have been audited by PricewaterhouseCoopers S.p.A. as independent auditors.

In 2014, the Telecom Italia Group applied the accounting policies on a basis consistent with those of the previous years, except for the new standards and interpretations adopted by the Group since 1 January 2014, described in the audited Consolidated Financial Statements of the Telecom Italia Group included in the 2014 Telecom Italia Annual Report and incorporated by reference herein.

The financial information described below should be read in conjunction with the 2014 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 and endorsed by the EU (**IFRS**).

	Year ended 31 December,	
	2014(*)	2013(*)
	<i>(millions of euros, except percentages, ratios, employees and per share amounts)</i>	
Separate Consolidated Income Statement Data:		
Revenues	21,573	23,407
Operating profit	4,530	2,718
Profit (loss) before tax from continuing operations	2,347	532
Profit (loss) from continuing operations	1,419	(579)
Profit (loss) from Discontinued operations/Non-current assets held for sale	541	341
Profit (loss) for the year	1,960	(238)
Profit (loss) attributable to owners of the Parent ⁽¹⁾	1,350	(674)
Capital expenditures	4,984	4,400
Financial Ratios:		
Operating profit/Revenues (ROS)	21.0%	11.6%
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).....	59,285	59,527
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)	15,652	15,815
Basic and Diluted earnings per Share (EPS)⁽²⁾:		
Ordinary Share.....	0.07	(0.03)
Savings Share	0.08	(0.03)
Dividends:		
per Ordinary Share	— ⁽³⁾	— ⁽³⁾
per Savings Share	0.0275 ⁽³⁾	0.0275 ⁽³⁾

	As of 31 December,	
	2014	2013
	<i>(millions of euros, except employees)</i>	
Consolidated Statement of Financial Position Data:		
Total Assets	71,551	70,220
Equity:		
Equity attributable to owners of the Parent	18,145	17,061
Non-controlling interests	3,554	3,125
Total Equity	21,699	20,186
Total Liabilities	49,852	50,034
Total Equity and Liabilities	71,551	70,220
Share Capital ⁽⁴⁾	10,634	10,604
Net Financial Debt carrying amount ⁽⁵⁾	28,021	27,942
Adjusted Net Financial Debt ⁽⁵⁾	26,651	26,807
Employees, number in the Group at year-end, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at year-end)	66,025	65,623
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (number at year-end).....	16,420	16,575

	As of 31 December,	
	2014	2013
	<i>(thousands)</i>	
Statistical Data:		
Domestic (Italy) Business Unit		
Physical accesses ⁽⁶⁾	19,704	20,378
<i>Of which physical accesses (retail)</i>	<i>12,480</i>	<i>13,210</i>
Broadband accesses	8,750	8,740
<i>Of which retail broadband accesses</i>	<i>6,921</i>	<i>6,915</i>
Mobile lines	30,350	31,221
Brazil Business Unit		
Mobile lines ⁽⁷⁾	<u>75,721</u>	<u>73,431</u>

Notes:

(*) On 13 November 2013, Telecom Italia accepted the offer of Fintech Group to acquire the entire controlling interest of Telecom Italia Group in the Sofora—Telecom Argentina group. As a result and in accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), as of the fourth quarter of 2013, the Sofora—Telecom Argentina group has been treated as Discontinued operations/Non-current assets held for sale.

(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 Telecom Italia Group’s profit (loss) available to shareholders by the weighted average number of shares outstanding during the period, including the Telecom Italia shares related to the Mandatory Convertible Bonds issued by Telecom Italia Finance S.A. in November 2013 and 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 per cent. of 0.55 euros per share above dividends paid on the Ordinary Shares.

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

- Ordinary Shares was 14,851,380,060 for the year ended 31 December 2014 and 13,571,392,501 for the year ended 31 December 2013 (such numbers include the ordinary shares expected to be issued by Telecom Italia upon the conversion of the mandatory convertible bonds issued by Telecom Italia Finance S.A.);
- Savings Shares was 6,026,120,661 for the years ended 31 December 2014 and 2013.

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 Telecom Italia 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 its Savings Shares for the year ended 31 December 2014, was clipped on 22 June 2015, and was payable from 24 June 2015.

(4) Share capital represents share capital issued net of the accounting par value of treasury shares; accounting par value is the ratio of total share capital and the number of issued shares.

(5) In order to present a more realistic analysis of net financial debt, in addition to the usual indicator (renamed “Net financial debt carrying amount”), “Adjusted net financial debt” is also shown; such indicator 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 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 2014 and 31 December 2013 is calculated as follows:

	As of 31 December,	
	2014	2013
	<i>(millions of euros)</i>	
Non-current financial liabilities	32,325	31,084
Current financial liabilities	4,686	6,119
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	43	27
Gross Financial Debt (A)	37,054	37,230
Non-Current Financial Assets (B)	(2,445)	(1,256)
Current financial assets:		
– Securities other than investments.....	(1,300)	(1,348)
– Financial receivables and other current financial assets.....	(311)	(283)
– Cash and cash equivalents	(4,812)	(5,744)
– Financial assets relating to Discontinued operations/Non-current assets held for sale	(165)	(657)
Total Current Financial Assets (C)	(6,588)	(8,032)
Financial Assets (D = B + C)	(9,033)	(9,288)
Net Financial Debt Carrying Amount (A + D)	28,021	27,942
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	<i>(1,370)</i>	<i>(1,135)</i>
Adjusted Net Financial Debt	26,651	26,807

- (6) Physical accesses include Broadband accesses.
- (7) Starting from 2014, data also includes company lines (active SIM cards used by the TIM Brasil group and its employees). The comparative data for 2013 have been appropriately restated.

Financial information prepared in accordance with IFRS as of and for the three months ended 31 March 2015 and 2014

The summary selected financial data set forth below is 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 2015 and 2014; and
- (ii) with respect to the statement of financial position information, the unaudited financial data as of 31 March 2015 and the audited financial data as of 31 December 2014.

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 2015 are not necessarily indicative of results that may be expected for the entire year.

Furthermore in the three month period ended 31 March 2015 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.

	Three months ended	
	31 March	
	2015	2014(*)
	(Unaudited)	(Unaudited)
	<i>(millions of euros, except percentages, ratios, employees and per share amounts)</i>	
Separate Consolidated Income Statement Data:		
Revenues	5,053	5,188
Operating profit	979	1,167
Profit before tax from continuing operations	163	488
Profit from continuing operations	89	234
Profit (loss) from Discontinued operations/Non-current assets held for sale	169	133
Profit for the period	258	367
Profit attributable to owners of the Parent ⁽¹⁾	80	222
Capital expenditures	964	684
Financial Ratios		
– Operating profit/Revenues (ROS)(%)	19.4%	22.5%
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)	59,437	58,961
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)	15,541	15,653
Basic and Diluted earnings per Share (EPS)⁽²⁾:		
Ordinary Share	0.01	0.02
Savings Share	0.02	0.03

	As of 31 March 2015 (Unaudited)	As of 31 December 2014
	<i>(millions of euros, except employees)</i>	
Consolidated Statement of Financial Position Data:		
Total Assets	74,715	71,551
Equity:		
— Equity attributable to owners of the Parent	18,282	18,145
— Non-controlling interests	3,768	3,554
Total Equity	22,050	21,699
Total Liabilities	52,665	49,852
Total Equity and Liabilities	74,715	71,551
Share Capital ⁽³⁾	10,634	10,634
Net Financial Debt carrying amount ⁽⁴⁾	29,003	28,021
Adjusted Net Financial Debt ⁽⁴⁾	27,430	26,651

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).....	65,837	66,025
Employees relating to the consolidated companies considered a Discontinued operations/Non-current assets held for sale (number at period-end)	16,362	16,420

	As of 31 March 2015	As of 31 December 2014
	<i>(thousands)</i>	
Statistical Data:		
Domestic (Italy) Business Unit		
Physical accesses ⁽⁵⁾	19,581	19,704
<i>Of which retail physical accesses</i>	<i>12,283</i>	<i>12,480</i>
Broadband accesses	8,784	8,750
<i>Of which retail broadband accesses</i>	<i>6,945</i>	<i>6,921</i>
Mobile lines	30,140	30,350
Brazil Business Unit		
Mobile lines ⁽⁶⁾	75,749	75,721

Notes:

(*) On 13 November 2013, Telecom Italia accepted the offer of Fintech Group to acquire the entire controlling interest of Telecom Italia Group in the Sofora—Telecom Argentina group. As a result and in accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), as of the fourth quarter of 2013, the Sofora—Telecom Argentina group has been treated as Discontinued operations/Non-current assets held for sale.

(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 (loss) available to shareholders by the weighted average number of shares outstanding during the period, including the Telecom Italia shares related to the Mandatory Convertible Bonds issued by Telecom Italia Finance S.A. in November 2013 and 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 per cent. of 0.55 euros per share above dividends paid on the Ordinary Shares.

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

- Ordinary Shares was 14,887,325,076 for the three months ended 31 March 2015 and 14,825,816,499 for the three months ended 31 March 2014;
- Savings Shares was 6,026,120,661 for the three months ended 31 March 2015 and 2014.

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 Telecom Italia 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 accounting par value of treasury shares; accounting par value is the ratio of total share capital and the number of issued shares.
- (4) In order to present a more realistic analysis of net financial debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), "Adjusted net financial debt" is also shown; such indicator 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 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 2015 and 31 December 2014 is calculated as follows:

	As of 31 March 2015 (Unaudited)	As of 31 December 2014
	<i>(millions of euros)</i>	
Non-current financial liabilities	34,327	32,325
Current financial liabilities	6,036	4,686
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	119	43
Gross Financial Debt (A)	40,482	37,054
Non-Current Financial Assets (B)	(3,613)	(2,445)
Current financial assets:		
– Securities other than investments	(1,617)	(1,300)
– Financial receivables and other current financial assets	(525)	(311)
– Cash and cash equivalents	(5,507)	(4,812)
– Financial assets relating to Discontinued operations/Non-current assets held for sale	(217)	(165)
Total Current Financial Assets (C)	(7,866)	(6,588)
Financial Assets (D = B + C)	(11,479)	(9,033)
Net Financial Debt Carrying Amount (A + D)	29,003	28,021
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	<i>(1,573)</i>	<i>(1,370)</i>
Adjusted Net Financial Debt	27,430	26,651

- (5) Physical accesses include Broadband accesses.
- (6) Starting from 2014, data also includes company lines (active SIM cards used by the TIM Brasil group and its employees).

DIRECTORS, EXECUTIVE OFFICERS AND STATUTORY AUDITORS

Directors

On 16 April 2014 the Shareholders' Meeting of Telecom Italia elected the current Board of Directors of Telecom Italia (the **Board of Directors**).

The Board of Directors is composed of 13 Directors appointed for a three year term, until the Shareholders' Meeting which will approve the financial statements of Telecom Italia for the year ended 31 December 2016. The overall annual remuneration for the Board of Directors is 1,900,000 euros (divided amongst Directors pursuant to resolutions adopted by the Board). Directors are authorised to continue their external activities specified in their respective *curricula vitae*, and have been freed from any restrictions on competition pursuant to Article 2390 of the Italian Civil Code.

The same shareholders' meeting also appointed Giuseppe Recchi as Chairman of the Board of Directors. On 18 April 2014, the Board of Directors appointed Marco Patuano Chief Executive Officer of Telecom Italia. On 26 June 2014, the Board of Directors noted the analysis conducted with regard to qualifying the Chairman as an executive director according to the Corporate Governance Code for listed companies, in view of the powers assigned to him.

Consequently, the Board of Directors is composed of the following:

Name	Age	Position	Appointed
Giuseppe Recchi	51	Chairman/Director	2014
Marco Patuano	50	Chief Executive Officer/Director	2014
Tarak Ben Ammar	65	Director	2014
Davide Benello ⁽¹⁾	61	Director	2014
Lucia Calvosa ⁽¹⁾	53	Director	2014
Flavio Cattaneo	51	Director	2014
Laura Cioli ⁽¹⁾	51	Director	2014
Francesca Cornelli ⁽¹⁾	52	Director	2014
Jean Paul Fitoussi ⁽²⁾	72	Director	2014
Giorgina Gallo ⁽¹⁾	54	Director	2014
Denise Kingsmill ⁽¹⁾	67	Director	2014
Luca Marzotto ⁽¹⁾	44	Director	2014
Giorgio Valerio ⁽¹⁾	48	Director	2014

Note:

- (1) Independent Directors according to the Borsa Italiana Code.
- (2) Independent Directors according to legal requirements.

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).

Giuseppe Recchi

Giuseppe Recchi is a Director of Exor S.p.A. and Unipol Sai Assicurazioni S.p.A.

Tarak Ben Ammar

Tarak Ben Ammar is an Independent Director of Mediobanca S.p.A.

Flavio Cattaneo

Flavio Cattaneo is a Director of Assicurazioni Generali S.p.A.

Jean Paul Fitoussi

Jean Paul Fitoussi is an independent member of the supervisory board of Banca Intesa San Paolo S.p.A.

Laura Cioli

Laura Cioli is CEO of CartaSi S.p.A. and a member of the board of directors of World Duty Free S.p.A.

Giorgina Gallo

Giorgina Gallo is a Director of Autogrill S.p.A.

Executive Officers

As of the date of this EMTN Programme Prospectus, the executive officers of Telecom Italia and their respective functions were as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Appointed</u>
Directors:			
Giuseppe Recchi	51	Chairman	2014
Marco Patuano	50	Chief Executive Officer ⁽¹⁾	2014
Managers:			
Simone Battiferri	47	Head of Business	2012
Franco Brescia	53	Head of Public & Regulatory Affairs	2011
Paolo Vantellini	53	Head of Business Support Officer	2013
Antonino Cusimano	50	Head of Legal Affairs	2008
Piergiorgio Peluso.....	47	Chief Financial Officer and Head of Administration Finance and Control	2012
Mario Di Loreto.....	51	Head of People Value	2013
Giuseppe Roberto Opilio	56	Head of Operations	2014
Stefano De Angelis	47	Head of Consumer	2014
Stefano Ciurli.....	52	Head of National Wholesale Services	2014
Rodrigo Modesto de Abreu.....	45	CEO Tim Participacoes	2013

Note:

(1) Appointed by the Board of Directors on 18 April 2014.

Other Principal Activities

Mr. Franco Brescia is a member of the board of directors of Treccani S.p.A.

Board of Statutory Auditors

On 20 May 2015, the ordinary sessions of the Telecom Italia Shareholders' Meeting resolved – inter alia – the appointment of the new Board of Statutory Auditors (the **Board of Statutory Auditors**), which will remain in office until the Shareholders' Meeting called to approve the financial statements at 31 December 2017, fixing the remuneration at 95,000 euros gross per year for each standing Auditor and 135,000 euros gross per year for the Chairman of the Board of Statutory Auditors.

Based on the slates submitted by the shareholders, 5 standing Auditors and 4 alternate Auditors have been appointed:

- Acting Auditors Gianluca Ponzellini, Ugo Rock and Paola Maiorana (and alternate Auditors Francesco Di Carlo and Gabriella Chersicla), obtaining the highest number of votes (majority slate);
- Acting Auditors Roberto Capone and Vincenzo Cariello (and alternate Auditors Piera Vitali and Riccardo Schioppo) from the slate submitted by a group of Savings Management Companies and institutional investors, obtaining the second highest number of votes (minority slate).

Acting Auditor Roberto Capone has also been elected Chairman of the Board of Statutory Auditors.

The following table lists the members of the Board of Statutory Auditors

Name	Position	Appointed
Roberto Capone (1).....	Chairman	2015
Vincenzo Cariello (1)	Acting Auditor	2015
Paola Maiorana	Acting Auditor	2015
Gianluca Ponzellini	Acting Auditor	2015
Ugo Rock	Acting Auditor	2015
Francesco Di Carlo	Alternate Auditor	2015
Gabriella Chersicla	Alternate Auditor	2015
Piera Vitali (1)	Alternate Auditor	2015
Riccardo Schioppo (1).....	Alternate Auditor	2015

Note:

(1) Elected by minority shareholders.

Below is a list of the functions held by members of the Board of Statutory Auditors in other listed companies:

Roberto Capone	Chairman of the Board of Auditors of Bonifiche Ferraresi
Gianluca Ponzellini	Chairman of the Board of Auditors of De Longhi S.p.A.

Pursuant to Italian law, the Board of Statutory Auditors supervises compliance by the company with the law, the by-laws, the principles of proper administration and controls and the suitability of the structure and the functioning of the company's management, administrative and accounting functions. The Board of Statutory Auditors additionally supervises suitability of the 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 in relation to 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 CONSOB of any irregularity they find in the course of their duties and are required to attend meetings of the

Shareholders, the Board of Directors and the Executive Committee. In addition, pursuant to Legislative Decree 231/2001, the Board of Auditors carries out the function of the Supervisory Committee.

Telecom Italia has adopted “Procedures for Information to Directors and Auditors”, in order to make available to the Board of Auditors the necessary information.

Legislative Decree no. 39/2010, implementing directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, imposes on listed Italian companies the obligation to establish Internal Control and Audit Committees. Since Telecom Italia adopted the Italian “traditional” system of administration and control, the role of this Committee is performed by the Board of Statutory Auditors. Pursuant to Legislative Decree no. 39/2010, the Board of Statutory Auditors is responsible for monitoring: (i) the financial reporting process; (ii) the suitability of 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):

- the Board of Statutory Auditors is appointed pursuant to applicable Italian law and Telecom Italia’s by-laws;
- pursuant to Italian law, the Board of Statutory Auditors is independent from the Board of Directors;
- the Board of Statutory Auditors is not elected by the management of Telecom Italia and no executive officer is a member of the Board of Statutory Auditors;
- each member of the Board of Statutory Auditors meets specific independence requirements with respect to the company and its Group, the management and the auditing firm, in compliance with the law;
- the Board of Statutory Auditors, in accordance with and to the extent permitted by Italian law, is responsible for the appointment, retention (via proposals to the shareholders’ meeting) and oversight of the work of Telecom Italia’s external auditors appointed to prepare and deliver the auditors’ report on the annual financial statements;
- the Board of Statutory Auditors is authorised to appoint independent counsels and other advisers, as it deems appropriate; and
- 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 U.S. law, the Board of Auditors has adopted a complaints procedure for receiving, retaining and treating the “reports” it receives. Such reports can be of the following kinds:

- statements of violations submitted by shareholders concerning matters deemed to be improper;
- 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;
- complaints specifically regarding accounting, internal accounting controls, or auditing matters; and

- 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 16 April 2014, appointing the current Board of Directors, authorised such directors to pursue the activities listed 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, in addition to their functions in Telecom Italia, hold management and/or supervisory functions 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 any of these 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 influencing significantly the profits and losses, assets and liabilities and financial situation of Telecom Italia or the Telecom Italia Group.

As at the date of this Base Prospectus, there are no potential conflicts of interest between the duties to Telecom Italia or its directors and executive officers and their private interests and/or duties.

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 per cent.-owned subsidiary of Telecom Italia. Telecom Italia Finance Ireland Limited is 100 per cent.-owned by TI Finance and is the only subsidiary 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-76448. 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 in any form whatsoever and may issue bonds or notes. TI Finance may carry out any commercial, industrial or financial transaction 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 2016. 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.
- Mr. Roberto Moro, Director, resident in Milan, Italy – Manager.
- Mr Antonio Sica, Director, resident in Hesperange, Luxembourg. – Manager.

The remuneration of the Directors is from time to time determined by the general meeting of shareholders of TI Finance. The Directors are not remunerated in their capacity as Directors. 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 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, Société coopérative.

Potential Conflicts of Interest

No potential conflicts of interest 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 month interim financial statements under the Luxembourg law dated 11 January 2008, as amended, implementing 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.

According to the evaluation of the Board of Directors, 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 is therefore exempted under art. 317 of the aforesaid 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

On 14 May 2015 TI Finance early redeemed at 100% of their principal amount the JPY 20,000,000,000 Guaranteed 3.55 Fixed Rate Notes due 2032, issued under the Olivetti 15,000,000,000 Euro Medium Term Note Programme.

**SELECTED FINANCIAL INFORMATION OF TI FINANCE FOR THE YEARS ENDED 31
DECEMBER 2014 AND 2013⁽¹⁾**

Balance Sheets

	As of 31 December 2014	As of 31 December 2013
	(€)	
Assets		
A) Subscribed capital unpaid	-	-
B) Formation expenses	19,674,097.23	28,085,910.39
C) Fixed assets		
Tangible fixed assets.....	24,145.81	13,344.15
Financial fixed assets:		
— Shares in affiliated undertakings.....	1,471,758,457.84	1,441,999,580.06
— Amounts owed by affiliated undertakings.....	2,286,938,623.51	1,286,675,548.61
— Shares in undertakings with which the undertaking is linked by virtue of participating interests.....	43,950.75	48,618.83
— Securities and other financial instruments held as fixed assets.....	4,735,461.35	4,782,126.35
Total C)	3,763,500,639.26	2,733,519,218.00
D) Current assets		
Debtors:		
— Amounts owed by affiliated undertakings.....	3,157,771,498.54	2,390,593,869.48
— Other receivables.....	229,931,552.44	97,478,447.04
Transferable securities and other financial instruments:		
— Other transferable securities and other financial instruments.....	1,036,572,161.05	1,077,032,365.79
Cash at bank, cash in postal cheque accounts, cheques and cash in hand.....	1,887,897,795.91	2,650,792,147.25
Total D)	6,312,173,007.94	6,215,896,829.56
E) Prepayments	540,960.88	3,029,576.05
	10,095,888,705.31	8,980,531,534.00
Shareholders' Equity and Liabilities		
A) Capital and reserves		
Subscribed capital.....	542,090,241.00	542,090,241.00
Reserves:		
— Legal reserve.....	16,626,743.45	15,712,807.84
— Other reserves.....	865,769,812.13	865,769,812.13
Profit or loss brought forward.....	285,798,137.99	268,433,361.41
Profit or loss for the financial year.....	103,449,727.45	18,278,712.19
Total A)	1,813,734,662.02	1,710,284,934.57
B) Subordinated debts	1,310,253,082.19	1,310,253,082.19
C) Provisions		
Provision for taxation.....	1,475,617.75	2,413,709.47
Other provisions.....	1,534,728.73	1,558,708.31
Total C)	3,010,346.48	3,972,417.78
D) Non subordinated debts		
Non convertible notes:		
— becoming due and payable within one year.....	74,351,486.84	74,353,736.09
— becoming due and payable after more than one year.....	1,152,871,983.98	1,153,364,831.84
Amounts owed to credit institutions:		
— becoming due and payable within one year.....	198,541,246.71	110,498,373.29
— becoming due and payable after more than one year.....	137,712,593.82	138,197,899.39
Trade creditors.....	318,621.41	619,282.49
Amounts owed to affiliated undertakings		
— becoming due and payable within one year.....	3,755,284,381.85	2,905,243,045.19
— becoming due and payable after more than one year.....	1,497,604,440.76	1,366,176,373.42
Social security debts.....	32,654.23	30,408.81
Other creditors		
— becoming due and payable within one year.....	13,000,688.33	13,807,139.30
— becoming due and payable after more than one year.....	79,872,368.48	100,499,678.78
Total D)	6,909,590,466.41	5,862,790,768.60
E) Deferred income	59,300,148.21	93,230,330.86
	10,095,888,705.31	8,980,531,534.00

Income Statements

	As of 31 December 2014	As of 31 December 2013
	(€)	
Income		
Net turnover	103,209.04	221,751.12
Income from financial fixed assets:		
— derived from affiliated undertakings	137,090,807.71	121,961,228.08
— other income from participating interests	278,400.23	28,684.84
Income from financial current assets:		
— other income	26,991,476.62	8,305,297.81
Other interest and other financial income		
— derived from affiliated undertakings	242,075,379.43	370,087,827.31
— other interest receivable and similar income	471,052,917.75	549,971,585.63
Extraordinary income	10,389.99	488.11
	877,602,580.77	1,050,576,862.90
Expenses		
Use of merchandise, raw materials and consumable materials	13,332.40	12,004.70
Other external charges	983,443.25	901,622.63
Staff costs:		
— Salaries and wages	848,932.21	825,157.82
— Social security on salaries and wages	94,064.01	89,892.81
— Supplementary pension costs	48,742.87	38,069.36
— Other social costs	4,389.71	3,193.32
Value adjustments:		
— on formation expenses and on tangible and intangible fixed assets	8,422,701.24	1,396,004.98
Other operating charges	242,265.09	485,592.03
Value adjustments and fair value adjustments on financial fixed assets	946,347.44	29,070,616.47
Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities	3,746,733.43	4,168,692.34
Interest and other financial charges		
— concerning affiliated undertakings	124,431,512.24	320,125,399.53
— other interest and similar financial charges	632,516,485.09	673,572,971.06
Income tax	322,909.34	149,878.66
Other taxes not included in the previous caption	1,530,995.00	1,459,055.00
Profit for the financial year	103,449,727.45	18,278,712.19
	877,602,580.77	1,050,576,862.90

Note:

- (1) TI Finance's selected financial data as of and for the year ended 31 December 2014 have been extracted from Telecom Italia Finance's audited financial statements for the year ended 31 December 2014 (the 2014 Financials) prepared in accordance with Luxembourg GAAP, which have been approved by the shareholders of Telecom Italia Finance at its Annual Meeting held on 1 April 2015.

TAXATION

The following overview contains a description of certain Italian, EU and Luxembourg tax consequences in respect of the purchase, ownership and disposal of the Notes. This overview is based on the laws in force in Italy, the EU and Luxembourg as at 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 also on a retroactive basis.

The following overview 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 constructed 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.

On 24 April 2014, the Italian Government passed Law Decree No. 66, published in the Official Gazette No. 95 of 24 April 2014 (“**Decree No. 66**”), converted with amendments into Law No. 89 of 23 June 2014, which introduced, among some other provisions, a general increase of the tax burden (from 20 per cent. to 26 per cent.) on income from financial investments, including the tax treatment of the Notes, as summarised below. The new rules are effective as from 1 July 2014. With reference to the *imposta sostitutiva* set out by Decree No. 239 (as defined below) the increased rate applies on interest accrued as from 1 July 2014.

On 22 December 2014, the Italian Parliament approved Law No. 190 of 23 December 2014, published in the Official Gazette No. 300 of 29 December 2014, the so-called “2015 stability law” (“**Finance Act 2015**”)

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 26 per cent.

As of fiscal year 2015, as provided by Finance Act 2015, social security entities incorporated under Law No. 509 of 30 June 1994 or Law No. 103 of 10 February 1996 are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent. on financial proceeds deriving from medium- and long-term investments (as identified by a specific decree of the Minister of Economy and Finance), as certified by the relevant withholding agent, and a notional 20 per cent. taxation. The tax credit should be disclosed in the entities' annual tax return and could be used from the first year following the investment.

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 on productive activities - IRAP).

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, Article 32 of Law Decree No. 78 of 31 May 2010, converted into law with amendments by Law No. 122 of 30 July 2010, and Article 2(1)(c) of Decree No. 239, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds qualifying as such from a legal and regulatory perspective are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund, but a withholding or substitute tax of 26 per cent. will apply, in certain circumstances, to income realised by unitholders in case of distributions, redemption or sale of the units .

Pursuant to Art. 9 of Legislative Decree No. 44 of 4 March 2014 ("**Decree No. 44**"), the same regime is applicable to Italian real estate SICAFs qualified as such from a civil law perspective.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (a "**Fund**"), a *Società di Investimento a Capitale Fisso* ("**SICAF**") or a *Società di Investimento a Capitale Variabile* ("**SICAV**") established in Italy and either (i) the fund, the SICAF or the 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, the SICAF or the SICAV. The Fund, the SICAF or the SICAV will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of 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, which will be subject to a 20 per cent. substitute tax (as increased by Finance Act 2015).

As of fiscal year 2015, as provided by Finance Act 2015, a 9 per cent. tax credit is granted to the pension funds on income from medium-and long-term financial investments (as identified by a specific decree of the

Minister of Economy and Finance) included in the annual result of the pension fund. The tax credit should be disclosed in the pension fund's tax return and could be used from the first year following the investment.

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 effectively 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 as listed in the Italian Ministerial Decree of 4 September 1996, as amended from time to time (the “**White List**”) or in any other decree or regulation that will be issued in the future to provide the list of such countries (the “**New White List**”), including any country that will be deemed listed therein for the purpose of any interim rule; 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 included in the White List (or the New White List once effective), even if it does not possess the status of a taxpayer in its own country of residence.

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.

Imposta sostitutiva will be applicable at the rate of 26 per cent. (or, in any case, at the reduced rate provided for by the applicable double tax treaty, if any) to interest paid to Noteholders who do not fall in any of the above mentioned categories or do not timely and properly comply with the set procedural requirements.

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 26 per cent. 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.

As of fiscal year 2015 social security entities incorporated under Law No. 509 of 30 June 1994 or Law No. 103 of 10 February 1996 are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent. on financial proceeds deriving from medium- and long-term investments (as identified by a specific decree of the Minister of Economy and Finance), as certified by the relevant withholding agent, and a notional 20 per cent. taxation. The tax credit should be disclosed in the entities' annual tax return and could be used from the first year following the investment.

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 IRAP).

Where an Italian resident Noteholder is an Italian real estate investment fund or a real estate SICAF, a Fund, a SICAV, a SICAF 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 a provisional withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, a final withholding tax may be applied at 26 per cent. 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 26 per cent. 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 effectively 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 under the 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

Italian resident Noteholders

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 IRAP 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 effectively 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 rate of 26 per cent. Noteholders may set off losses with gains.

As of fiscal year 2015, as provided by Finance Act 2015, social security entities incorporated under Law No. 509 of 30 June 1994 or Law No. 103 of 10 February 1996 are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent. on financial proceeds deriving from their medium- and long-term investments (as identified by a specific decree of the Minister of Economy and Finance) and a notional 20 per cent. taxation. The tax credit should be disclosed in the entities’ annual tax return and could be used from the first year following the investment.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

- a) “*Regime della dichiarazione*”. 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. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

- b) “*Regime del risparmio amministrato*”. 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. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.
- c) “*Regime del risparmio gestito*”. 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 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any decrease in value 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. Pursuant to Decree No. 66, decreases in value of the management assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant decreases in value registered before 1 January 2012; (ii) 76.92 per cent. of the decreases in value registered from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Noteholder that is an Italian real estate investment fund or any Italian real estate SICAF to which the provisions of Decree No. 351 or Decree No. 44 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 or the real estate SICAF. However, a withholding tax or a substitute tax at the rate of 26 per cent. 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 that is a Fund, a SICAF or a SICAV will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. Such result will not be taxed at the level of the Fund, the SICAF or the SICAV, but income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares, may be subject to a withholding tax of 26 per cent.

Any capital gains realised by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of 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 20 per cent. substitute tax (as increased by Finance Act 2015).

As of fiscal year 2015, as provided by Finance Act 2015, a 9 per cent. tax credit is granted to the Italian pension funds on income from medium- and long-term financial investments (as identified by a specific decree of the Minister of Economy and Finance) included in the annual result of the pension fund. The tax credit should be disclosed in the pension fund's tax return and could be used from the first year following the investment.

Non-Italian resident Noteholders

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are effectively 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 Notes are effectively connected, from the sale or redemption of the Notes not traded on regulated markets are not subject to *imposta sostitutiva* provided that the beneficial owner (i) is resident for income tax purposes in a country included in the White List (or in the New White List once effective); 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 in a country included in the White List (or in the New White List once effective), even if it does not possess the status of a taxpayer in its own country of residence. 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 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively 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 per cent. 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 per cent. 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 per cent. 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 per cent. on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of 5 February 1992, the tax is applied only on the value of the assets (including the Instruments) received in excess of € 1,500,000 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

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 on Financial Products Held Abroad

In accordance with Article 19 of Decree No. 201 of 6 December 2011, converted with Law No. 214 of 22 December 2011, Italian resident individuals holding financial products – including the Notes – outside of the Italian territory are required to pay a wealth tax at the rate of 0.2 per cent (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 products 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 products are held (up to the amount of the Italian wealth tax due).

Stamp taxes and duties

Pursuant to Article 13(2-ter) of the Tariff, Annex A, Part I, attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on a yearly basis at the rate of 0.2 per cent on the market value or – in the lack of a market value – on the nominal value or the redemption amount of any financial product (including the Notes). The stamp duty cannot exceed €14,000, for taxpayers different from individuals. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Finance on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Transfer tax

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 €200; (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 of Italy for tax purposes and which over the fiscal year hold or are beneficial owners of investments abroad or have financial activities abroad must, in certain circumstances, disclose such investments or financial activities to tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding a € 15,000 threshold throughout the year, which *per se* do not require such disclosure). This requirement applies even if the taxpayer during the tax period has totally divested such assets. No disclosure requirements exist for investments and financial activities (including the Notes) under management or administration entrusted to Italian resident intermediaries and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subject to Italian withholding or substitute tax by intermediaries themselves.

Implementation in Italy of the EU Savings Directive

Italy 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.

As already mentioned, the Council of the European Union adopted the Amending Directive on 24 March 2014. Implementing rules should be adopted by the Member States of the European Union by January 2016. Accordingly the Italian Government has already taken the first steps to implement the Amending Directive. Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the Savings Directive (also in light of the Amending Directive) in their particular circumstances.

Luxembourg taxation

The following information 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 withholding tax or a tax of a similar nature, or to any other concepts, 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 in 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

Under Luxembourg tax law currently in effect and subject to certain exceptions (as described below), there is no Luxembourg withholding tax on payments of principal, premium or interest (including accrued but unpaid interest) in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes.

In accordance with the law of 25 November 2014, Luxembourg elected out of the withholding tax system in favour of an automatic exchange of information under the Savings Directive as from 1 January 2015. Payments of interest by Luxembourg paying agents to non resident individual Noteholders and to certain residual entities are thus no longer subject to any Luxembourg withholding tax.

In accordance with the law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg individual residents and to certain residual entities are subject to a 10 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

Income Taxation

(i) Luxembourg tax residency of the Noteholders

Noteholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of the holding, execution, performance, delivery, exchange and/or enforcement of the Notes.

(ii) Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or 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.

(iii) Taxation of Luxembourg residents

(a) Luxembourg resident individuals

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

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 unless the interest has been subject to withholding tax (see “*Withholding tax*” above) or to the self applied tax, if applicable. Luxembourg resident individual Noteholders acting in the framework of the management of their private wealth, can opt to self-declare and pay a 10 per cent. tax on interest payments made after 31 December 2007 by paying agents located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in a State or territory which has concluded an international agreement directly related to the Savings Directive.

The withholding tax or self-applied tax are the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the framework of their private wealth. Luxembourg resident individual Noteholders receiving interest as business income must include interest income in their taxable basis. If applicable, the 10 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes, 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 their acquisition. Upon the sale, redemption or exchange of the Notes, accrued but unpaid interest will be subject to the 10 per cent. withholding tax or the self-applied tax, if applicable. Individual Luxembourg resident Noteholders receiving the interest as business income must include the portion of the price corresponding to this interest in their taxable income. The 10 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

(b) Luxembourg resident companies

Luxembourg resident corporate 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 redeemed.

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, as amended, 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. However it is subject to an annual subscription tax calculated on its (paid up) share capital (and share premium) or net asset value.

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, as amended 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 fixed or *ad valorem* 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 of 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.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the Savings Directive, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is 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).

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above (the **Amending Directive**). The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

However, the EC has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

The proposed European financial transactions tax (FTT)

On 14 February 2013, the EC published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued in by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to provisions of U.S. law commonly known as **FATCA**, non-U.S. financial institutions that enter into agreements with the IRS (**IRS Agreements**) or become subject to provisions of local law intended to implement an intergovernmental agreement (**IGA legislation**) entered into pursuant to FATCA, may be required to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable laws in its jurisdiction, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information or documentation made on or after (i) July 1, 2014 in respect of certain US source payments, (ii) January 1, 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce US source interest or dividends and (iii) January 1, 2017 (at the earliest) in respect of "foreign passthru payments" and then only on "obligations" that are not treated as equity for U.S. federal income tax purposes and that are issued or materially modified after, in the case of an obligation that pays only foreign passthru payments, the date that is six months after the date on which the final regulations defining "foreign passthru payments" are filed with the Federal Register.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including Italy and Luxembourg) have entered into intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuers and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with

applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), any paying agent and the common depositary or common safekeeper, given that each of the entities in the payment chain between the relevant Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUERS, THE NOTES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 30 June 2015 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. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

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.

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 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:

- (i) 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
- (ii) the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each of the Dealers has represented and agreed and each further Dealer will be required to represent and agree, that it will not offer, sell, promote, advertise or deliver any Notes or distribute copies of this EMTN Programme Prospectus or of any other document relating to the Notes in Italy, except:

- (i) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**), and defined in Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Moreover, each of the Dealers has represented and agreed and each further Dealer will be required to represent and agree, that any offer, sale, promotion, advertising or delivery of the Notes or distribution of copies of this EMTN Programme Prospectus or any other document relating to the Notes in Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and
- (c) in each case in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.

France

Each of the Dealers and the Issuers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this EMTN Programme Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

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.

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 and investment banking services to, and may hold equity interests and be entitled to appoint board members and/or other corporate bodies members in 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. For the purposes of this paragraph the term "affiliates" includes also the relevant parent companies of the Dealers.

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, 25 February 2010, 17 January 2013, 6 February 2014, 12 May 2014 and 19 February 2015.

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 €3 billion and until 28 February 2015, has been duly authorised by the resolutions of the board of directors of Telecom Italia dated 6 February 2014 and 12 May 2014.

The establishment and update of the Programme and the issue of Notes under the Programme by TI Finance have been duly authorised by resolutions of the board of directors of TI Finance dated 16 December 2003, 24 January 2006, 4 May 2010 and 1 August 2014.

Manager responsible for financial reporting

The manager responsible for preparing the corporate financial reports of Telecom Italia (Piergiorgio Peluso – Head of Administration, Finance and Control) 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, as amended, 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, the Base Prospectus and the documents incorporated by reference have been published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Furthermore, 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 2014 Telecom Italia Annual Report and the 2013 Telecom Italia Annual Report;
- (c) the audited unconsolidated financial statements of TI Finance in respect of the financial years ended 31 December 2013 and 31 December 2014;

- (d) the Telecom Italia Group's Quarterly Report at 31 March 2015;
- (e) the Trust Deed, the Agency Agreement, the Guarantee and the forms of the Global Notes, the Notes in definitive form, 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.

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 Adverse Change

Save as disclosed in the sections "*Description of Telecom Italia – Recent developments*" and "*Description of TI Finance – Recent developments*" respectively on pages 86 - 87 and page 153 of this Base Prospectus, there has been no significant change in the financial or trading position of Telecom Italia since 31 March 2015 and there has been no significant change in the financial or trading position of TI Finance since 31 December 2014. There has been no material adverse change in the financial position or prospects of each of the Issuers since 31 December 2014.

Legal and Arbitration Proceedings

Save as disclosed in the section "*Description of Telecom Italia – Litigation*" on pages 123 to 135 of this Base Prospectus, 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 2014 and 31 December 2013, 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, an 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. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

The TI Finance unconsolidated financial statements at 31 December 2014 and 31 December 2013 were audited, without qualification and in accordance with generally accepted auditing standards in Luxembourg by PricewaterhouseCoopers, Société coopérative at 2, rue Gerhard Mercator, B.P. 1443, L-1014 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, Société coopérative is a member of the *Institut des Réviseurs d'Entreprises* and is on the public register report of the *Commission de Surveillance du Secteur Financier*. For the avoidance of doubt, the cash flow statements for the 12 months ended 31 December 2013 and the 12 months ended 31 December 2014 were audited by PricewaterhouseCoopers, Société coopérative.

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.

**REGISTERED AND HEAD OFFICE OF
TELECOM ITALIA S.p.A.**

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**REGISTERED AND HEAD OFFICE OF
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Deutsche Bank AG, London Branch

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LUXEMBOURG PAYING AGENT

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Citigroup Global Markets Limited
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AUDITORS

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