

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*”.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws, but the Notes are subject to U.S. tax law requirements. The Notes may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

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
UNICREDIT BANK**

**BARCLAYS
CITIGROUP
DEUTSCHE BANK
MEDIOBANCA S.p.A.
THE ROYAL BANK OF SCOTLAND**

The date of this EMTN Programme Prospectus is 8 July 2016.

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 *EEA*).

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 in it by reference (see “*Documents Incorporated by Reference*” below). This EMTN Programme Prospectus shall be read and construed on the basis that those 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 in it concerning any of the Issuers and/or the Guarantor is correct at any time subsequent to its date 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 Notes issued under the Programme 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 EEA. See “*Subscription and Sale*”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Issuers has been derived from:

- the Audited Consolidated Financial Statements for the financial years ended 31 December 2015 and 31 December 2014 and the Unaudited Condensed Consolidated Financial Statements for the three months ended 31 March 2016 of the Telecom Italia Group; and
- the Audited Unconsolidated Annual Financial Statements for the financial years ended 31 December 2015 and 2014 of TI Finance;

together, the “*Financial Statements*”.

The Issuers’ financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year.

The Telecom Italia Group Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the EU (*IFRS*) while the TI Finance Financial Statements have been prepared in accordance with Luxembourg GAAP.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

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.

References to a *billion* are to a thousand million.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

SUITABILITY OF INVESTMENT

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 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 or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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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. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular issue of Notes issued under the Programme. All of these are set out under “ <i>Risk Factors</i> ”.
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 The Royal Bank of Scotland plc 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 “*Form of the Notes*”.

Fixed Rate Notes:

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

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

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

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.

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

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

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 *pari passu* among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

Guarantee:

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

Rating:

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. Where a Series of Notes is rated, it will be rated by Moody's Investors Service España S.A. (Moody's), Standard & Poor's Credit Market Services France SAS (S&P) and/or Fitch Ratings Limited (Fitch). Moody's, S&P and Fitch are established in the EU and registered under the CRA Regulation. 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:

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

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

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

Governing Law:

The Notes, 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 EEA, 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 Rules or TEFRA D Rules/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 or under the Guarantee. 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. 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.

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 2016-2018 three-year strategic plan (the **2016-2018 Plan** or the **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 16 February 2016, Telecom Italia presented its updated Plan, which following up on the previous strategic plan, provides for an acceleration of investments over the Plan period, with the primary aim of ensuring long-term growth for the Group.

The main strategic priorities in the domestic (Italian) market are:

- acceleration of investments, mainly those relating to innovative networks and services;

¹ CoSO Report-ERM Integrated Framework 2004.

- completing the transition from a traditional telecommunications company to a digital telecommunications & platform company, an enabler of the country's digital life;
- in the mobile segment, Telecom Italia will aim to accelerate the penetration of smart devices and to market bundle offers that generate a higher average revenue per user (**ARPU**);
- in the fixed segment, the Group plans to minimise the decrease of its customer base;
- convergence continues to be central to the Group's growth and innovative investments strategy;
- strengthening the position in multimedia entertainment;
- thanks to its information and communications technology (**ICT**) and cloud services, Telecom Italia also intends to continue helping Italian businesses enable their digital transformation process; and
- maintaining strong financial discipline.

The main strategic priorities in the Brazilian market are:

- to strengthen Telecom Italia's market position by leveraging network quality, innovation and customer experience;
- to protect value of prepaid customer base, shifting focus from lines market share to share of total revenue;
- to increase share of mid/high value customers;
- to shore up the corporate customer base;
- to sustain network investment through the adoption of a prioritised approach and focus on 4G; and
- to focus on efficiency.

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

- a further deterioration of the economic environment in the principal markets in which Telecom Italia operates, including, in particular, its core Italian market;
- 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 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 financial targets (including debt reduction);
- 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 Italy and Brazil;
- the amount and timing of any future impairment charges for Telecom Italia's authorisations, goodwill or other assets;
- Telecom Italia's ability to manage any business transformation plans and, as a consequence, 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 conditions, including the continuing weakness of the Italian economy over the past several years and deteriorating economic conditions in Brazil, have 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 several 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.

In Brazil, the market is affected by a macroeconomic environment that continues to deteriorate, resulting in shrinking domestic demand, rising inflation, and a sharp depreciation of the Brazilian Real. Should key

macroeconomic indicators continue to worsen, Telecom Italia may not be able to achieve its strategic objectives, which are linked to improvements in domestic demand.

Telecommunications operators generally have faced challenging markets in recent years, principally as a result of factors such as a decline in voice traffic and significant pricing pressures resulting from increased competition among the operators.

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) or declines in income or 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 transitioning from a traditional telecommunications company to a digital telecommunications & platform company. This strategy will require a broad review of Telecom Italia's processes and operating model and consideration of external variables related to this transition. Realisation times related to the transition may be greater than expected, resulting in lower and/or delayed cost savings.

The Group is exposed to a number of political, social and macroeconomic risks relating to the United Kingdom's potential exit from the European Union.

On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. The result of the referendum does not legally obligate the United Kingdom to exit the European Union, and it is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in European Union history and one that could involve months or years of negotiation to draft and approve a withdrawal agreement in accordance with Article 50 of the Treaty on European Union.

Regardless of any eventual timing or terms of the United Kingdom's exit from the European Union, the June referendum has created significant political, social and macroeconomic uncertainty on the United Kingdom's and EU's economic and political prospects.

The possible exit of the United Kingdom (or any other country) from the European Union, the potential withdrawal of Scotland, Wales or Northern Ireland from the United Kingdom, or prolonged periods of uncertainty relating to any of these possibilities, could result in significant macroeconomic deterioration, including, but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility, decreased GDP in the European Union and a downgrade of sovereign credit ratings. As such, no assurance can be given that such matters would not adversely affect the ability of the Group to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

Risks associated with Telecom Italia's ownership chain.

As of the date hereof, the largest single shareholder in Telecom Italia is Vivendi S.A. (Vivendi), which holds, directly and indirectly, a stake of approximately 24.68% of Telecom Italia's ordinary share capital. With a holding of this size, Vivendi may exercise significant influence over matters subject to a vote of the ordinary shareholders of the Company, such as appointments to the Board of Directors.

Competition Risks

Alternative infrastructure operators in Italy could pose a threat to Telecom Italia, particularly in the medium to long term.

The network development by alternative network operators (**AltNet**) on a standalone basis or through their partnership with the OLOs could adversely impact Telecom Italia's businesses, assets and goodwill and, as a consequence, its economic and financial performance. In particular, the risks Telecom Italia faces are:

- increasing competition in the national wholesale market, with potential losses with respect to its customer base and revenues.
- in geographical areas already affected by competition, a further loss of retail market share and, as a consequence, a loss of revenues;
- loss of retail market share in areas where competitors have not historically focused.

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. Competition has become even more acute in recent years with the entry of international operators that compete directly with Telecom Italia in the Italian market.

Moreover, convergence has enabled lateral competition from information technology (**IT**), over-the-top (**OTT**) 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.

The emergence of alternative infrastructure operators could pose a threat to Telecom Italia, particularly in the long term.

In 2015, price competition for traditional services in Telecom Italia's core Italian market, experienced a slowdown as compared to the prior two years. However, 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.

Telecom Italia, like other operators, faces increasing competition from non-traditional data services on new voice and messaging over-the-internet technologies, in particular 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 in Brazil Telecom Italia's principal international market, an increasing number of customers are using OTT applications services instead of traditional voice and 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.

In the long term, if non-traditional voice and messaging data 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 ARPU 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.

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

The continuing development of internet and broadband services constitutes a strategic objective for Telecom Italia. It aims to increase the use of Telecom Italia's networks in Italy and abroad to offset the continuing decline of traditional voice services. Telecom Italia's ability to successfully implement this strategy may be negatively affected if:

- broadband coverage does not grow as Telecom Italia expects;
- competition grows to include players from adjacent markets or technological developments introducing new platforms for internet access and/or internet distribution;
- Telecom Italia is unable to provide broadband/fiber connections superior to those of its competitors; 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 information technology-telecommunication (IT-TLC) convergence by addressing the ICT market, offering network and infrastructure management, as well as application management. In particular, as the market for cloud service continues to grow, the ICT market becomes a key element of its strategy.

Telecom Italia expects to experience increasing competition in this market as additional competitors (mainly telecommunications operators through acquisition and partnership with IT operators) also enter this market.

If Telecom Italia fails to develop its market share or compete effectively, its revenues could be negatively affected.

Telecom Italia's business may be adversely affected if it fails to successfully implement its strategy with respect to "next generation networks".

One of Telecom Italia's goals is to accelerate the roll-out of a new telecommunications network capable of providing customers with ultra-broadband connections, generally referred to as a next generation network (NGN).

However, implementation of ultra-broadband technologies is dependent on a number of factors, some of which are outside of its control, including the following:

- obtaining the necessary regulatory permissions and authorisations, and winning the relevant contracts for installation of NGN lines; and
- Telecom Italia's ability to apply innovative techniques in excavating for and laying fiber optic cables.

In areas not provided for under its development plan or where implementation of the ultra-broadband plan is conditioned upon the grant of public funds, in addition to those listed above, the following factors should be considered:

- the allocation of public funds at a local level;
- the fulfilment of the technical and economic conditions contained in the "Agreement on the methods of access to the cabinets of Telecom Italia", signed by Telecom Italia, Fastweb and Infratel;
- the fulfilment of the technical and economic conditions related to the EuroSUD (a European funding telematic counter) tenders awarded to Telecom Italia; and
- the launch of the tenders for the grant of public funds in a time frame that is consistent with its projected timetable.

If Telecom Italia fails to achieve its objectives for the implementation of ultra-broadband coverage in a timely manner or at all, Telecom Italia may lose market share to its competitors in this strategically important segment, which may have adverse effects on the Group's business, financial condition and results of operations.

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

Changes in political conditions in Italy and in other countries where Telecom Italia has made significant investments (particularly in countries where the political situation is less predictable than in Western Europe) may have an adverse effect upon its business, financial condition, results of operations and cash flows.

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

In 2012, regulations relating to the special powers regarding strategic assets in the energy, transport and communication sectors were published and became effective (Law Decree n. 21 of 15 March 2012, adopted with modifications by Law n. 56 of 11 May 2012).

Following the enactment of such regulation, 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 access to a public network for 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, under certain conditions, by non-EU entities, of controlling shareholdings in companies which hold the aforementioned types of assets. 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 imposition of prescriptions or conditions) over any resolution, act or transaction that has the effect of modifying the ownership, control or availability of said strategic assets or changing their destination, including resolutions for the merger, demerger or transfer of registered offices abroad, 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 errors, 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 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 IT, network systems and of 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 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, as well as terrorist attacks against its infrastructure, which remains a target, 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. IT system 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 be only partially 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 regulation. 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.

If Telecom Italia, or another Group company, lose any of the legal proceedings to which it is a party, and are ordered to pay amounts greater than what it has recognised to cover potential liabilities, Telecom Italia may face adverse effects with respect to it and/or its Group's operations, financial position, income statement and cash flows.

The final outcomes of those proceedings are generally uncertain. As of 31 March 2016, Telecom Italia had, on a consolidated basis, recognised potential liabilities of 397 million euros. In recognising these liabilities, Telecom Italia took into consideration the risks connected with each dispute and the relevant accounting standards, which require reserves to be recognised where liabilities are probable and can be estimated reliably. The provisions represent an estimate of the financial risk connected with the particular proceedings, in line with the relevant accounting standards. Nonetheless, Telecom Italia may be obligated to meet liabilities linked to unsuccessful outcomes of proceedings that were not taken into consideration when calculating those reserves and the provisions made may not be sufficient to fully meet such obligations

through use of its reserves. Such a development could have adverse effects on its business, financial position, results of operations and cash flows.

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

Pursuant to applicable Italian regulation, Telecom Italia, as a host and provider of data transmission services, is required to inform competent authorities without delay of any alleged illegal or illicit activity of which it is aware by its customers. Telecom Italia must also provide the authorities with any information it has identifying such customers. Any failure to comply with this obligation could cause it to become involved in civil liability proceedings or could lead to an unfavourable public perception of Telecom Italia's brand and services. Any such event could result in direct or indirect losses, or legal and/or regulatory proceedings directed against Telecom Italia, and could materially harm its reputation.

Telecom Italia is exposed to the risk of labour disputes, in particular as a result of its plan to restructure its labour costs.

Telecom Italia is currently undertaking a restructuring of portions of its workforce in an effort to better align increased standards of service and expanded expertise with greater efficiency in its personnel costs. To that end, on 7 September 2015, Telecom Italia entered into a union agreement that provides for a number of different measures to enable it to manage its workforce in line with its business plan. These measures include employment support schemes (e.g., the introduction of reduced hours and wages), known as “*contratti di solidarietà*”, voluntary relocation, early retirement measures and re-training.

In addition, on 21 September 2015 and 27 October 2015, Telecom Italia entered into agreements that provide for voluntary relocation and employment support schemes.

Relations between Telecom Italia and its workers/trade unions are not usually adversarial and strikes or protests involving a majority of workers are not common, but such occurrences carry a moderate risk of disruptions in work and/or reduced service. Generally, such occurrences would negatively impact customers.

FINANCIAL RISKS

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

As of 31 March 2016, Telecom Italia's consolidated gross financial debt was 34,794 million euros compared to 37,090 million euros on 31 December 2015. Telecom Italia's consolidated net financial debt was 28,233 million euros as of 31 March 2016 compared to 28,475 million euros on 31 December 2015. 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 taking ratings into account for determining interest expense, or

on its relative cost to us, downgrades could adversely impact Telecom Italia's ability to refinance existing debt and could increase costs related to refinancing existing debt and managing its derivatives portfolio.

Factors which are beyond Telecom Italia's control such as deterioration in 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 refinance existing debt through further access to the financial markets. As a result of the reduction of debt being one of Telecom Italia's strategic objectives, 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 investment as described above, it may 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, significantly expanding its operations outside of the Euro zone, particularly in Latin America.

Telecom Italia's non-current operating assets are located as follows:

- Italy: as of 31 March 2016 and 31 December 2015, respectively, 46,240 million euros (87.4 percent of total non-current operating assets) and 46,117 million euros (87.8 percent of total non-current operating assets); and
- Outside of Italy: as of 31 March 2016 and 31 December 2015, respectively, 6,637 million euros (12.6 percent of total non-current operating assets) and 6,391 million euros (12.2 percent of total non-current operating assets). Non-current operating assets outside of Italy are primarily denominated in Brazilian Real.

Telecom Italia generally hedges its foreign exchange exposure, but does not cover conversion risk relating to its foreign subsidiaries. According to its policies, the hedging of the foreign exchange exposure related to the financial liabilities is mandatory. Movements in exchange rates of the Euro relative to other currencies (particularly 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 or financial position.

In addition, Telecom Italia has raised, and may raise in an increasing proportion in the future, financing in currencies other than the Euro, principally the U.S. dollar and 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, as of 31 March 2016 and 31 December 2015, 30 percent of Telecom Italia's consolidated gross debt was subject to the accrual of interest at floating rates, net of derivative instruments hedging such risks. As of 31 March 2016 and 31 December 2015, Telecom Italia had derivative contracts in place for the management of its interest rate risk, including interest rate swaps, for notional amounts of 3,239 million

euros and 3,689 million euros, respectively. Any changes in interest rates that have not been adequately hedged by derivative contracts may result in increased financial liabilities in connection with its floating rate debt, which may have adverse effects on the results of its operations and cash flows.

An increase in sovereign spreads, and in the default risk it 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 regulatory framework for electronic communications services to the framework established by the EU Parliament and Council.

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**) in the relevant markets subject to regulation. On the basis of market analyses proceedings (**Market Analyses**), AGCom imposes on Telecom Italia the remedies necessary to safeguard competition. Current remedies are mainly focused on the regulation of Telecom Italia's wholesale business, while the regulation of retail markets has been largely withdrawn, with the exception of price tests on retail access offers (for telephone, broadband and ultra-broadband access).

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

- lack of predictability concerning both the timing of regulatory proceedings and their outcome;
- AGCom decisions with retroactive effect (e.g. review of prices of 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 by AGCom every three years, in order to cope with the evolutions of market conditions following also the definition of different access conditions to State-owned new generation access networks and technology developments and set the rules for the subsequent three-year period. Meeting this schedule by AGCom is necessary to provide proper regulatory certainty and predictability.

However, the 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 at the beginning of 2013, in order to set the rules for the 2013-2015 period. However, the third round was concluded in December 2015, producing a ruling for the period 2014-2017. This approach created a high level of uncertainty for market operators and this uncertainty led to uncertainties about the "willingness to invest".

In addition, in the interconnection market, AGCom launched the third round of Market Analyses for fixed termination rates in April 2015, and as of [the date of this EMTN Programme Prospectus], the market analysis process is still in progress.

Regulatory uncertainty and regulatory changes imposed on Telecom Italia can not only adversely impact its revenues, but can also make it difficult to make important decisions on investment. Regulation is a key factor in evaluating the likelihood of return on investments and therefore in deciding where to invest.

Moreover, rules and economic conditions are also uncertain and unstable due to a high level of disputes among operators that challenge AGCom decisions before Administrative Courts.

For example, the Council of State (*Consiglio di Stato*) 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 that were considered to be closed (e.g. 2010-2012 access charges, leading to a change in the regulation and/or in prices, with retroactive effect).

In addition the Italian antitrust authority (*Autorità Garante per la Concorrenza ed il Mercato — AGCM*) may intervene in Telecom Italia's business, setting fines and/or imposing changes in its service provision operating processes and in its offers. For 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*, providing information, implementing new procedures, and certain additional measures. However AGCM did not accept these undertakings. AGCM made its final decision on 16 December 2015 and imposed a fine of approximately 21.5 million euros on Telecom Italia. Telecom Italia appealed the decision to the Administrative Tribunal of Lazio (TAR) on 22 February 2016.

In December 2015, Telecom Italia began the implementation of a new model that includes a number of structural changes in the provision of its bottleneck access services (on both copper and fiber networks), aimed at meeting the requirements and recommendations stated by AGCom, AGCM, Telecom Italia's Supervisory Board (*Organo di Vigilanza per la Parità di Accesso*) and the Supreme Administrative Court (*Consiglio di Stato*) (the **New Equivalence Model**). The New Equivalence Model will improve the current equality of access guarantees by means of a greater symmetry in organisation, processes, information systems and databases for the provision of bottleneck access services in order to decrease future regulatory and competition risks.

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 possibility for regulators to impose obligations and conditions on how Telecom Italia operates its businesses in Brazil as well as taking 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 in responding to market conditions, 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.

Due to 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 policy could adversely affect Telecom Italia's business and competitiveness. In particular, Telecom Italia's ability to

compete effectively in its existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which it is subject or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment or renewal of 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.

For further information regarding the matters discussed above and other aspects of the regulatory environments in which our businesses operate, see "*Description of Telecom Italia - The regulatory framework*".

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 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 that it satisfies certain obligations, including minimum specified quality levels, 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 have 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, it could have a material adverse effect on Telecom Italia's business, financial condition and results of operations.

In Brazil Telecom Italia operates under authorisations granted by the competent authorities. As a result, it is obliged to maintain minimum quality and service standards. Telecom Italia's failure to comply with all the requirements imposed by Anatel and by the Brazilian Government may result in the imposition of fines or other government actions, including the suspension of the service commercialisation for a given period.

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 radio base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

Telecom Italia faces the risk that its organisational policies and procedures embodied in the organisational model prepared pursuant to Legislative Decree 231/2001 may fail to prevent certain officers and employees from engaging in unlawful conduct, for which Telecom Italia would be jointly liable.

Telecom Italia has put in place an organisational model pursuant to Legislative Decree 231/2001, in order to create a system of rules capable of preventing certain forms of unlawful conduct by senior management, executives and employees generally that might result in liabilities for Telecom Italia. The organisational model has been adopted by Telecom Italia and its Italian subsidiaries.

The organisational model is continuously reviewed and must be kept updated to reflect changes in operations and in the regulatory environment. Telecom Italia has established a 231 steering committee to prepare and consider proposals for changes to the model, for submission to the Board for approval.

Notwithstanding the existence of this model or any updates that Telecom Italia may make to it, there can be no assurances that the model will function as designed, or that it will be considered adequate by any relevant legal authority. If the model is inadequate or deemed to be so, and Telecom Italia was held liable for acts committed by its senior management, executives and employees or are found otherwise non-compliant with the requirements of the legislation, Telecom Italia may be ordered to pay a fine, its authorisations, licences or concessions may be suspended or revoked, and it may be prohibited from conducting business, contracting with the Italian public administration, or advertising goods and services. Such developments would have adverse effects on its business, results of operations, financial condition and cash flows.

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 5.3 (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 in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. 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.

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 for the Notes does 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 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 30 June 2015, pages 52 to 82 (inclusive), prepared by the Issuer in connection with the Programme;
- the audited consolidated annual financial statements at and for each of the financial years ended 31 December 2015 and 2014 of the Telecom Italia Group (the **2015 Telecom Italia Annual Report** and the **2014 Telecom Italia Annual Report**, respectively);
- the unaudited condensed consolidated interim financial information at and for the three months ended 31 March 2016 of the Telecom Italia Group (the **Telecom Italia Group’s Quarterly Report at 31 March 2016**); and
- the audited unconsolidated annual financial statements at and for each of the financial years ended 31 December 2015 and 2014 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. 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 2015	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. 168-169
	Separate Consolidated Income Statements	p. 170
	Consolidated Statements of Comprehensive Income	p. 171
	Consolidated Statements of Changes in Equity	p. 172
	Consolidated Statements of Cash Flows	pp. 173-174
	Notes to the Consolidated Financial Statements	pp. 175-330
	Certification of the Consolidated Financial Statements Pursuant to art. 81-ter of Consob Regulation 11971 of 14 May 1999, with Amendments and Additions	p. 331
	Independent Auditors' Report	pp. 332-333
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:	
	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

Document	Information incorporated	Location
	Independent Auditors' Report	pp. 324-325
Telecom Italia Group's Quarterly Report at 31 March 2016	Financial information concerning Telecom Italia Group's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp. 55-56
	Separate Consolidated Income Statements	p. 57
	Consolidated Statements of Comprehensive Income	p. 58
	Consolidated Statements of Changes in Equity	p. 59
	Consolidated Statements of Cash Flows	pp. 60-61
	Notes to the Consolidated Financial Statements	pp. 62-107
	Declaration by the Manager Responsible for Preparing the Corporate Financial Reports	p. 108
TI Finance's Audited Unconsolidated Annual Financial Statements for the Financial Year Ended 31 December 2015	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. 36-38
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

Document	Information incorporated	Location
	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

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** and, together with a Temporary Global Note, each a **Global Note**) which, in either case, will:

- (a) 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, S.A. (**Clearstream, Luxembourg**); and
- (b) 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.

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 the Temporary Global 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 Principal Paying 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 (i) interests in a Permanent Global Note of the same Series or (ii) 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 Principal Paying 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 Principal Paying 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 Principal Paying 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 Rules are 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 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 Principal Paying 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 8 July 2016 [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 30 June 2015 which is incorporated by reference in the EMTN Programme Prospectus dated 8 July 2016. 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 8 July 2016 [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/the date that is 40 days after 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.][Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at of their nominal amount]
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 [from and including [●]] up to and including the Maturity Date
- (Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [] per [] Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[] per Calculation Amount payable on the Interest Payment Date falling [in/on] []][Not Applicable]
- (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 Rate Determination: 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 Amount: [[] per Calculation Amount]
 - (c) If redeemable in part:
 - (i) Minimum Redemption Amount: [] per Calculation Amount
 - (ii) Maximum Redemption Amount: [] per Calculation 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 Amount: [] per Calculation 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.]

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

- (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 Rules/TEFRA C Rules/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 8 July 2016 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 8 July 2016 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 **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents). The Principal Paying Agent and the Paying Agents together referred to as the **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 complete 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 Noteholders (which expression shall mean the holders of the Notes and 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 8 July 2016 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 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 Trustee and any Agent 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, S.A. (**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 Trustee and the Agents 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), the Trustee and any Agent 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:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) 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 (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- (1) 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
 - (2) 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
- (ii) 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 (1) 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 (2) 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 Principal Paying Agent under an interest rate swap transaction if the Principal Paying 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 Principal Paying 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 Principal Paying 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 Principal Paying 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 Principal Paying 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:

- (i) 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
- (ii) 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:

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

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

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 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:

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

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

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 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:

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

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

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 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 D_1 will be 30; and

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

(e) 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 Principal Paying 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 TARGET 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 **TARGET Business Day** means a day on which the TARGET2 System is open.

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

If for any reason at any relevant time the Principal Paying 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 Principal Paying 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 Principal Paying 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 Principal Paying Agent, the other 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 Principal Paying 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 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.

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, as amended (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 (1) 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 (2) 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 Principal Paying 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 to which payment is to be made under this Condition and the Put Notice must be 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 Principal Paying 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, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying 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 Principal Paying 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 Principal Paying 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) 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
- (c) 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

- (d) 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 an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or any official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **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 Principal Paying 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 10.1(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 (a) 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 (b) 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 Principal Paying 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. AGENTS

The initial Agents are set out above. 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 Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent; and
- (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

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 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 Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any 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 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 any 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 Principal Paying 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 Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying 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.

DESCRIPTION OF TELECOM ITALIA

The legal name of the company is Telecom Italia S.p.A. and it is also known commercially under the brand “Tim”.

At the annual shareholders’ meeting that took place on 25 May 2016, shareholders approved an amendment to the company’s by-laws, so that Telecom Italia may also and alternatively be named “TIM S.p.A.”.

Telecom Italia is a joint-stock company established under Italian law on 29 October 1908, with its registered office at Via Gaetano Negri 1, 20123 Milan, Italy. Its telephone number is +39 (02) 85951. Telecom Italia is recorded in the Milan Companies Register at number 00488410010, R.E.A. (*Repertorio Economico Amministrativo*) at number 1580695 and R.A.E.E. (*Rifiuti di Apparecchiature Elettriche ed Elettroniche*) register at number IT08020000000799.

The duration of Telecom Italia, as stated in the company’s by-laws, extends until 31 December 2100.

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.

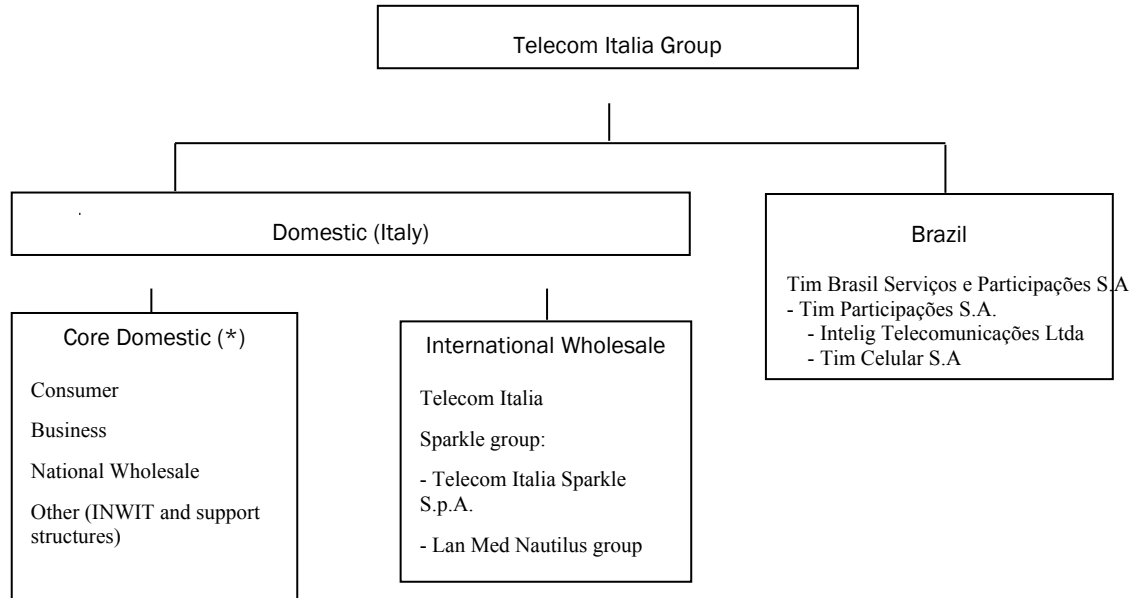
Telecom Italia’s business objectives can be found in article 3 of its by-laws.

Overview of the Telecom Italia Group’s Major Business Areas

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

Following the change in the business mission of Persidera S.p.A., the Media Business Unit was incorporated into the Domestic Business Unit as of 1 January 2016.

The following is a chart of the Telecom Italia Group’s Business Units as of 31 March 2016:



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

Shareholders' Agreement

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

Effective 17 June 2015, the shareholder agreement in place between the shareholders of Telco S.p.A. was dissolved, as disclosed by public notices in accordance with the applicable regulations. As a result, there are no longer any shareholder agreements relating to Telecom Italia pursuant to Article 122 of Italian Legislative Decree 58/1998.

After the effectiveness of the demerger of Telco S.p.A. (previously the largest shareholder of Telecom Italia and whose investors were Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A. and Telefónica S.A.) on 24 June 2015, Vivendi S.A. (**Vivendi**), an integrated media and content group based in

France, increased its ownership stake in Telecom Italia to 14.9% of the ordinary share capital of Telecom Italia, becoming Telecom Italia's largest shareholder. In the following months, Vivendi increased its shareholding in the Company and, as of 22 October 2015, Vivendi held, directly and indirectly, 20.03% of the ordinary share capital of Telecom Italia.

At the Shareholders' Meeting held on 15 December 2015, Vivendi's proposal to enlarge the Board of Directors of Telecom Italia from 13 to 17 members was approved, and four new Directors presented by Vivendi were appointed.

In December 2015 and February 2016, Vivendi further increased its shareholding in Telecom Italia, and, as of 31 March 2016, it holds, directly and indirectly, 24.68% of the ordinary share capital of Telecom Italia. Vivendi does not hold Savings Shares (or Savings Share ADSs). Vivendi does not have different voting rights in meetings of ordinary shareholders of Telecom Italia.

Share Capital

The table below contains a breakdown of the share capital of Telecom Italia as at 31 March 2016:

	Number of Shares	Value (€)
Issued, paid and relevant filing made with the Company Register		
Ordinary Shares ⁽¹⁾	13,499,911,771	7,424,951,474.05
Savings Shares ⁽¹⁾	6,027,791,699	3,315,285,434.45
Total	<u>19,527,703,470</u>	<u>10,740,236,908.50</u>

Note:

(1) All shares are without par value.

Recent developments

Telecom Italia issued a 10-year bond for 1 billion euros. The Company keeps on funding below its average cost of debt

On 18 May 2016, Telecom Italia successfully issued a 1 billion euro fixed rate bond offered to institutional investors.

The great quality and number of orders received once again confirms the market's positive attitude towards Telecom Italia's credit, allowing the company to price the issue with a coupon of 3.625% being, jointly with its last 8 year issuance in January 2016, the second lowest coupon amongst the outstanding bonds under the EMTN programme, with a yield lower than the initial guidance.

The yield of the bond, equal to 3.625%, is largely below the Group's average cost of debt (5.3% at the end of March 2016).

The proceeds of the new issue will be used to optimize and refinance forthcoming debt maturities.

The actual yield to maturity of 3.625% corresponds to a yield of 305 basis points above the reference rate (mid swap).

The notes were issued under the Group's 20 billion euros EMTN programme and are listed on the Luxembourg Stock Exchange.

Telecom Italia: Francesco Micheli is also temporarily assigned responsibility for the People Value (subsequently renamed "Human Resources & Organizational Development") Function

On 23 May 2016 Telecom Italia announced that, with effect from that date, Francesco Micheli, already head of Special Projects for the Group, is also temporarily assigned responsibility for the People Value Function.

Mr. Micheli does not hold shares in Telecom Italia S.p.A.

TIM is the first in Italy to launch 1000 MB ultrabroadband on the FTTH network

On 25 May 2016 Telecom Italia announced the launch of the new ultrabroadband services in FTTH technology (Fiber To The Home), which guarantee a connection speed of up to 1000 Megabit/s connections, in the cities of Milan and Perugia.

Business Unit

Key financial data prepared in accordance with IFRS for the three-month period ended 31 March 2016

As at 31 March 2016, the Telecom Italia Group was organised by business segment as follows:

- (i) **Domestic Business Unit:** operates as the consolidated market leader in Italy in voice and data services on fixed-line 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, which is now part of the Core Domestic business segment, operates in the area of office products and services for Information Technology. INWIT S.p.A. operates in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for Telecom Italia and other operators.

The main financial and operating highlights of the Domestic Business Unit are reported according to two 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" organisational model are as follows:
 - **Consumer:** the segment consists of all fixed and mobile voice and internet services and products managed and developed for individuals and families and public telephony; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; the segment includes the companies 4G and Persidera;
 - **Business:** the segment 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; following the merger of Telecom Italia Digital Solutions into Olivetti, the latter was incorporated into the Business segment as of 1 January 2016;

- **Wholesale:** the segment 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 and open access operations connected with delivery and assurance processes for customer services;
 - **Other (INWIT S.p.A. and Support Structures):** includes:
 - **INWIT S.p.A.:** from April 2015 the company has been operating within the operations area in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for Telecom Italia and other operators;
 - **Other operations units:** covering technological innovation and the processes of development, engineering, building and operating network infrastructures, real estate properties and plant engineering, development of the information technology strategy, guidelines and plan;
 - **Staff & Other:** services carried out by staff functions and other support activities performed by minor companies of the Group, also offered to the market and other Business Units.
 - **International Wholesale – Telecom Italia Sparkle group:** 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;
- (ii) The **Brazil Business Unit (TIM Brasil group)** operates in the mobile and fixed telecommunications sector in the Brazilian market offering mobile services in the area of UMTS, GSM and LTE technologies. Moreover, with the acquisitions and subsequent integration into the group of Intelig Telecomunicações, Tim Fiber RJ and Tim Fiber SP, 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) **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 2016 and 2015 and number of employees as of 31 March 2016 and 31 December 2015:

	<u>Domestic (*)</u>	<u>Brazil (**)</u>	<u>Other Operations (***)</u>	<u>Adjustments and Eliminations</u>	<u>Consolidated Total</u>
Revenues ⁽¹⁾					
1st Quarter 2016	3,548	897	6	(11)	4,440
1st Quarter 2015	3,631	1,412	21	(10)	5,054
Operating profit (loss)					
1st Quarter 2016	662	49	(5)	(2)	704
1st Quarter 2015	814	165	1	1	981
Capital expenditures (on an accrual basis)					
1st Quarter 2016	778	166	-	-	944
1st Quarter 2015	676	287	1	-	964
Number of employees at period-end ⁽²⁾					

	Domestic (*)	Brazil (**)	Other Operations (***)	Adjustments and Eliminations	Consolidated Total
As of 31 March 2016.....	52,713	12,280	114	-	65,107
As of 31 December 2015.....	52,644	13,042	181	-	65,867

(*) Following the change in the mission of Persidera, the Media Business Unit was included in the Domestic Business Unit (Core Domestic) as of 1 January 2016. One of the key strategic drivers for growth identified in the Telecom Italia Group 2016–2018 Industrial Plan is the development of 4 Play convergent services through the offer of a rich range of diversified video content, to be realised both in partnership with key content providers and through Tim Vision, the Group’s own platform of services. Within this framework, Persidera will play an important role in supporting the development of Tim Vision services, building on its distinctive Head End expertise (management and distribution of TV signals via cable platform) and Play Out experience (television program broadcasting operations). Other key synergies to help guarantee the medium-term stability/growth of revenues from bandwidth rental for Persidera will come from the development of strategic partnerships between Telecom Italia and content providers that do not have proprietary broadcasting channels (multiplexes) for free-to-air television broadcasting and which instead pursue a multi-platform distribution strategy.

The framework of the 2016–2018 Industrial Plan and the new governance structure of Persidera are consistent with this future scenario, based on the increasingly closer link between the TLC industry and Media/Content providers to underpin the growth of ultra-broadband services in the Consumer segment.

Without that change, data of the Domestic Business Unit for the 1st Quarter 2016 (and as of 31 March 2016 for the number of employees) would have totaled:

- revenues: 3,530 million euros;
- operating profit: 657 million euros;
- capital expenditure: 777 million euros; and,
- number of employees at period-end: 52,650.

(**) Data related to 1st Quarter 2015 has been revised. For further details please see “Telecom Italia Group – selected financial information and statistical operating data”.

(***) The results for the 1st Quarter 2015 and as of 31 December 2015 also include those of the Media Business Unit.

- (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.

Discontinued operations/Non-current assets held for sale

On 8 March 2016, following the approval by the Enacom, the Argentinian communications regulatory authority, the Telecom Italia Group completed the sale of the entire remaining interest in the Sofora - Telecom Argentina group.

A summary is provided below of the income statement impacts from the Sofora - Telecom Argentina group and its sale; the figures for the first quarter of 2016 have been converted at the average exchange rate for the period 1 January – 8 March (15.7981 Argentine pesos per euro), whereas the figures for the first quarter 2015 have been translated at the related average exchange rate (9.78805 Argentine pesos per euro):

	(millions of euros)	
	1 January-8 March	1st Quarter
	2016	2015
Income statement effects from Discontinued Operations/ Non-current assets held for sale:		
Revenues.....	504	906
Operating profit (loss).....	133	269

Strategy

Strategic Priorities and Objectives for the 2016-2018 Plan

On 16 February 2016, Telecom Italia presented its updated 2016–2018 three-year strategic plan (the “Plan”), which, following up on the previous strategic plan, provides for an acceleration of investments over the Plan period, with the primary aim of ensuring long-term growth for the Group.

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

Domestic (Italian) market

The main strategic priorities in the domestic (Italian) market are:

- acceleration of investments, mainly those relating to innovative networks and services. Telecom Italia intends to increase coverage of the country with next generation networks and aims to reach, by the end of 2018, 84% of the population with fiber optics and 98% of the population with the LTE (4G) mobile network, asserting its position as an infrastructure development and digitisation leader in the country;
- completing the transition from a traditional telecommunications company to a digital telecommunications & platform company, an enabler of the country's digital life: a business model based on innovative infrastructure and excellent customer service, increasingly aimed at disseminating premium services and digital content within a customisable platform, accessible anywhere and on any device;
- in the mobile segment, in a competitive context characterised by greater attention to quality and a constant increase in the use of data, Telecom Italia will aim to accelerate the penetration of smart devices and to market bundle offers that generate a higher ARPU;
- in the fixed segment, the Group plans to minimise the decrease of its customer base, mainly through the acceleration in the adoption of fiber optics;
- convergence continues to be central to the Group's growth and innovative investments strategy. Using its network infrastructure, the Group aims to offer premium services to customers via an integrated platform;
- strengthening the position in multimedia entertainment, which includes activities in the field of video, music, gaming and publishing, among others;
- thanks to its ICT and cloud services, Telecom Italia also intends to continue helping Italian businesses enable their digital transformation process, with a differentiated approach depending on customer base characteristics, aiming to achieve a distinctive positioning in the vertical markets which its management deems to be of major interest; and
- strong financial discipline, supported by efforts to increase efficiency, the sale of a share in Inwit, the increase in equity resulting from redemption of the mandatory convertible bonds, as well as completion of the sale of Telecom Argentina, which occurred on 8 March 2016.

Moreover, on 13 May 2016 Telecom Italia announced an increase of domestic (Italian) efficiency targets: the aim is to reach the end of 2018 with 1.6 billion euros of efficiencies compared to the 600 million euros previously envisaged. The fiber and 4G coverage targets for 2018 were confirmed.

Brazil

The main strategic priorities in the Brazilian market are:

- to strengthen Telecom Italia's market position by leveraging network quality, innovation and customer experience;
- to protect value of prepaid customer base, shifting focus from lines market share to share of total revenue;
- to increase share of mid/high value customers;
- to shore up the corporate customer base;
- to sustain network investment through the adoption of a prioritised approach and focus on 4G; and
- to focus on efficiency.

Moreover, on 13 May 2016 it was announced a strengthening of the efficiency plans envisaged thus far in Brazil, while maintaining strong development in both 3G and 4G.

Competition in the domestic market

The market

- In 2015, the Italian telecommunications market continued the trend, which started in the second half of 2014, of a slowdown in the competitive pressure that had been characterised by a significant use of pricing as a lever. As a consequence, there has been a slowdown of the ongoing decline in the traditional service components, particularly voice traffic.
- The key element in the evolution of the market continues to be the increased penetration of broadband and ultra-broadband, particularly mobile, facilitated also by the greater spread of next-generation handsets.
- The competition in the TLC market continues to be characterised by the following trends: the TLC market has opened the field to competition from non-traditional operators (in particular over the top companies (**OTTs**) and producers of electronic and consumer devices); on the other hand, telecommunication operators have the opportunity to develop new "over the network" services (mainly in the IT and media fields).
- Therefore, telecommunications operators, in addition to facing competition from other traditional operators in the sector (including mobile virtual operators (**MVOs**)), which has the greatest impact on market trends, has also seen increased competition from OTTs and device producers that operate entirely in the digital world.
- As a result, the business models of legacy telecommunications operators have had to change to meet the challenges posed by new entrants and to exploit new opportunities:
 - in media, with the web becoming increasingly important as a complementary distribution, broadcasters are increasingly under pressure from OTTs and from telecommunications and consumer electronics companies;

- in the IT market, the decline of traditional revenues is driving various players towards cloud computing, with the goal of protecting market share in their core businesses. 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;
- 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 (e.g., 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 access and voice revenues due to the reduction in the number of accesses and rates and to the progressive shift of voice traffic to mobile. Additionally, data transmission revenues have continued to decline. On the other hand, broadband revenue has grown. In recent years, operators have been primarily focused on increasing broadband penetration and on voice business protection through the introduction of bundled voice, broadband and services deals, in a highly competitive environment that has created 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 also offering mobile services, including as MVOs.

Competition in the Italian fixed telecommunications market is characterised by the presence, in addition to Telecom Italia, of a number of operators such as Wind-Infostrada, Fastweb, Vodafone, BT Italia and Tiscali.

In 2015, 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 applications and social network chat). This shift has been facilitated by the use of the internet, the spread of broadband, personal computers and other connected devices and the enhanced quality of service.

At 31 December 2015, fixed accesses in Italy numbered approximately 20.2 million (including full-infrastructured OLOs and FWA-Fixed Wireless Access), a decline from 2014. The competition in the access market has led to a gradual reduction in Telecom Italia's market share.

In the broadband market, at 31 December 2015, fixed broadband customers in Italy reached a penetration rate on fixed accesses of approximately 74%.

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

Competition in Mobile Telecommunications

The mobile market, saturated and mature in its traditional component of voice services, has continued to experience a decline in the number of lines. This development may be associated with a rationing by customers of second and third SIM cards. As of 31 December 2015, mobile lines in Italy numbered approximately 92.7 million, down by about 1.7% compared to 2014. However, penetration rates remain high at approximately 152% of the population.

The decreasing trend in revenues from components of traditional services such as voice and messaging continues, due to the competition among TLC operators and to the growing expansion of “communication apps”. However, in 2015 this trend recorded a progressive improvement compared to 2013 and the first half of 2014. 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 2015, the growth in mobile broadband customers continued, thanks to the development of the small screen component, with a high penetration rate on mobile lines, mainly due to the increasing spread of smartphones.

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, with major potential for growth in the medium term, such as Internet of Things (the network of physical objects—devices, vehicles, buildings and other items—embedded with electronics, software, sensors, and network connectivity that enables these objects to collect and exchange data) and mobile payments.

Competition in the Italian mobile telecommunications market is mainly characterised by the presence of Telecom Italia and of the other operators who own their networks (Vodafone, Wind, H3G). Moreover, in August 2015, VimpelCom and CK Hutchinson announced an agreement for a joint venture between Wind and 3 Italia, subject to the required regulatory approvals.

In addition to these operators, the field also includes MVOs, among which PosteMobile is the most important player. These operators continue to enjoy significant growth rates as compared to network operators.

Competition in the Brazilian Market

At the end of 2015, the Brazilian mobile market reached 257.8 million lines; 22.9 million lines (or 8.2%) lower than at the end of 2014, and a penetration rate of 125.7% of the population (138% in 2014). Consequently the churn rate in 2015 was 59.1% (49.6% in 2014).

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).

* * * *

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 2016 incorporated herein by reference.

REGULATION

The EU regulatory framework

Telecom Italia's operations within the European Union (EU) are subject to the EU framework on electronic communications regulation, which includes directives, regulations, recommendations and communications. As a Member State of the EU, Italy is required to transpose directives issued by the EU into national legislation. The regulations adopted by the European Commission (EC) have general application and are binding and directly applicable in each 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 each Member State.

The EC began liberalising the telecommunications market in the late 1980s and early 1990s. In Italy, as well as in all the main EU Member States, liberalisation opened up competition for public voice telephony and public network infrastructure in 1998. National Regulatory Authorities (NRAs), independent bodies tasked with regulating and supervising the telecommunications sector and compliance with the EU framework, were created. In Italy, this body is known as the *Autorità Garante per le Comunicazioni* (AGCom).

The growing convergence between telecommunications, broadcasting and information technology led to a first revision and consolidation of the EU Regulatory Framework in 2002. Five Directives (the directives "Framework", "Access and Interconnection", "Authorisation", "Universal Service and Users' Rights" "Privacy and Data Protection"), regulating all forms of fixed and wireless telecommunications, data transmission and broadcasting were adopted.

This legal framework was revised a second time in 2007, with the aim of defining a more consistent framework for the sector. The revision of the framework implemented in 2007 established a set of rules composed by the "Better Regulation Directive" (Directive 2009/140/EC, amending the "Framework", "Access" and "Authorisation" directives) and the "Citizens' Rights Directive" (Directive 2009/136/EC amending the "Universal Service" and "E-Privacy" directives and the Regulation 2006/2004 on Consumer Protection Cooperation) and by Regulation no. 1211/2009, establishing the Body of European Regulators for Electronic Communications (BEREC), a body with consultative tasks. The new EU telecommunication rules were adopted on 18 December 2009, to be transposed into national laws by 25 May 2011.

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 the measures to transpose the revised directives. The Legislative Decrees of 28 May 2012 (nos. 69 and 70) transposing the EU 2009 regulatory framework entered into force on 1 June 2012.

A Recommendation on "relevant product and service markets susceptible of ex ante regulation" completes this set of legal instruments with the definition of a list of relevant markets. The Recommendation "identifies those product and service markets whose characteristics may be such as to justify the imposition of regulatory obligations set out in specific directives" (EC explanatory note of 9 October 2014). The Recommendation currently in effect (no. 2014/710/UE) was published on 9 October 2014, following updates in 2003 and 2007. The number of relevant markets subject to ex ante regulation has been reduced over time from 18 to 4, following the growth of the competition in the whole sector (see "Market Analyses").

The EC adopted in 2010 a Communication, the "Digital Agenda for Europe" (the DAE), fixing the long-term strategies of the EU for broadband distribution and development. The DAE sets a list of objectives in terms of broadband coverage, service availability and degree of utilisation by customers to be reached in 2013 and 2020.

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

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” (no. 2013/5761). The Recommendation recommends imposing the Equivalence of Input (**EoI**) for the application of the regulatory remedy of non-discrimination and defines the criteria to lift price regulation of New Generation Access Network (**NGAN**) wholesale services when the following conditions are satisfied: (a) application of the principle of the EoI, (b) ability to technically and economically replicate retail offers and (c) presence of significant competitive constraints exerted by the legacy copper access network or by alternative networks.

The appropriate level of return on capital to be included in regulated wholesale prices for operators investing in new high-speed networks is of fundamental importance to reach the objectives of the DAE. The EC wants to grant operators regulatory consistency and predictability to incentivise efficient investment and innovation.

The principle of cost recovery to be utilised by the NRA must respect the principle that prices will “ensure that operators can cover efficiently incurred costs and receive an appropriate return on invested capital” (Recommendation no. 2013/5761).

During 2013, the EC also began revising the regulatory context concerning: harmonisation of the radio spectrum, rights of end users, net neutrality and intra-EU mobile roaming (the “Telecom Single Market Regulation” or **TSM Regulation**). After lengthy negotiations among the European Institutions and reduction of its scope, the TSM Regulation was approved in November 2015, covering intra-EU international roaming and Net Neutrality (see below).

The TSM Regulation, approved in November 2015, introduces new rules on intra-EU roaming by amending the roaming Regulation no. 531/2012 (the so-called “Roaming III Regulation”), which entered into force on 1 July 2012.

On 6 May 2015 the EC presented the Digital Single Market (**DSM**) Strategy for Europe.

The DSM Strategy sets out 16 key actions under 3 pillars which the EC will deliver by the end of 2016:

- a. Better access to digital goods and services across Europe for consumers and businesses: breaking down of barriers to EU cross-border e-Commerce (e.g., differences in contract law among Member States, unjustified geo-blocking, high tariffs for cross-border parcel delivery, copyright rules and different VAT regimes);
- b. Creating the right conditions and a level playing field for advanced digital networks and innovative services to flourish: promotion of high-speed, secure and trustworthy infrastructure and content services, supported by appropriate regulatory conditions for investment, fair competition and a level playing field;
- c. Maximising the growth potential of the digital economy: promotion of investment in ICT infrastructure and technology, such as Cloud computing and Big Data, and research and innovation to boost industrial competitiveness, better public services, inclusiveness and skills.

The review of the regulatory framework for electronic communications is one of the 16 actions of the DSM Strategy and a key element for creating the right conditions for digital networks and services to flourish (second pillar of the Strategy).

The EC carried out a public consultation from 11 September to 7 December 2015. The public consultation focused on the original instruments for the regulatory framework (i.e., Framework Directive, Access Directive, Authorisation Directive, Universal Service Directive), including the BEREC Regulation. The e-

Privacy Directive (to be reviewed after the General Data Protection Regulation is adopted), the EU Roaming Regulation and the Broadband Cost Reduction Directive are not included.

The consultation covers all three main pillars of the framework, namely:

- (a) the network pillar, intended to ensure a consistent and predictable regulatory environment that is supportive for infrastructure investments in both fixed and wireless networks;
- (b) the service pillar, intended to foster a modern regulatory regime for electronic communication services in a world of diverse online services; and
- (c) the governance pillar, intended to ensure that markets are regulated in a consistent manner across the EU, including with respect to access to spectrum.

The review will be preceded by a Regulatory Fitness and Performance Program (REFIT) evaluation aimed at assessing whether the current regulatory framework is “fit for purpose”.

The EC will present a legislative proposal to the European Parliament and EU Council in the second half of 2016.

The new framework will have to be subsequently transposed in the national legislation, therefore new rules will apply beyond 2020.

International Roaming: current rules

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

- o transparency measures, such as information SMS to customers on the applied retail tariffs;
- o the adoption of retail and wholesale price caps for voice, SMS and data services;
- o 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, which can be a Mobile Network Operator (MNO), a Mobile Virtual Network Operators (MVNO) or a reseller; and
- o 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 (eurocents/min)	14	10	5
SMS (eurocents/sms)	3	2	2
DATA (eurocents/MB)	25	15	5

at retail level:

	ROAMING III		
	1 July 2012	1 July 2013	1 July 2014
Voice out (eurocents/min)	29	24	19
Voice in (eurocents/min)	8	7	5
SMS (eurocents/sms)	9	8	6

at retail level:

ROAMING III

	1 July 2012	1 July 2013	1 July 2014
DATA (eurocents/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 services of the visited network) as the decoupling solutions to be implemented by MNOs.

New rules introduced by the TSM Regulation on International Roaming

The TSM Regulation provides for the abolishing of any roaming service surcharge on top of domestic service prices for a limited traffic quantity, defined according to “fair use” rules, to be defined by the European Commission by the end of 2016.

For intra-EU traffic exceeding the fair use limits, operators will be allowed to levy a surcharge on top of domestic tariffs; such surcharge will be capped at the wholesale caps defined in the Roaming III Regulation.

From April 2016 (when the TSM provisions will start to apply) to June 2017, pending the review of the wholesale market required to make the “Roam Like at Home” regime economically sustainable, operators will be allowed to levy a surcharge on top of domestic tariffs (wholesale caps defined in the Roaming III Regulation) for all intra-EU roaming traffic.

The TSM Regulation abolishes the decoupling obligations according to the Single IMSI model (i.e., separate selling of roaming services from domestic mobile services) introduced by the Roaming III Regulation.

New rules introduced by the TSM Regulation on Net Neutrality

The TSM Regulation introduces new rules on Net Neutrality, which will apply starting in April 2016. In particular, the TSM Regulation:

- establishes the right of end-user access to distribute information and content, use and provide applications and services and use terminal equipment of their choice and forbids internet service providers from blocking or slowing down specific content, applications or services, except in a very limited set of circumstances;
- allows reasonable traffic management aimed at improving the quality of the network based on objectively different technical quality of service requirements for specific categories of traffic. However, such traffic management must be transparent, non-discriminatory and proportionate and it must not be based on commercial considerations;
- allows operators to offer services, other than internet access services, that are optimised for specific content, applications or services only if the network capacity is sufficient to provide them in addition to any internet access services provided and the offering of such services is not to the detriment of the availability or general quality of internet access services for end-users; and
- allows commercial practices such as “zero rating”², subject to monitoring by the National Regulatory Authority.

² Zero-rating (also called toll-free data or sponsored data) is the practice of mobile network operators (MNO), mobile virtual network operators (MVNO), and Internet Service Providers (ISP) not to charge end customers for data used by specific applications or internet services through their network, in limited or metered data plans. It allows customers to use provider-selected content sources or data services like an app store, without worrying about bill shocks, which could otherwise occur if the same data was normally charged according to their data plans and volume caps. This has especially become an option to market 4G networks, but has also been used in the past for SMS or other content services.

The TSM Regulation also places additional transparency obligations on providers of internet access services in addition to those already included in the 2009 Electronic Communications Regulatory Framework. Contracts for internet access services must include:

1. information on how applied traffic management measures could impact the quality of internet access, end-users' privacy and the protection of personal data;
2. explanation as to how any volume limitation, speed and other quality of service parameters may in practice impact internet access;
3. explanation as to how any specialised services, to which the end-user subscribes, might in practice have an impact on the same end-user's internet access services;
4. for fixed networks: explanation of minimum, maximum and advertised download and upload speeds of internet access services;
5. for mobile networks: the estimated maximum and advertised download and upload speed of internet access services; and
6. explanation of the remedies available to consumers in case of any continuous or regularly occurring discrepancy between the actual and contractually agreed on performance of the internet access service.

New General Data Protection Regulation (GDPR)

On 14 April 2016, the European Parliament approved the new General Data Protection Regulation (**GDPR**), following the adoption by Council on 8th April. GDPR will bring two important elements of harmonisation:

- territorial harmonisation within the Digital Single Market. Being a Regulation (directly applicable, no need for transposition into national laws), GDPR will contribute to achieving harmonisation within the EU and to creating a consistent experience for all consumers across the Digital Single Market, no matters the Member State of the consumer or the provider. A single set of rules across 28 Member States will mitigate the current fragmentation of national Data Protection laws.
- territorial scope. GDPR will apply to companies established in the EU, but also to companies not established in the EU offering goods or services to EU citizens.

Both issues above are positive to achieve a level playing field between EU players as well as between EU & non-EU players. Other important issues refer to Data Portability, Right to be Forgotten, data breach notifications, figure of Data Protection Officers, Privacy Impact Assessments, Privacy by Design and Privacy by Default, joint liability for controllers and processors, consent, administrative fines, one-stop-shop and consistency mechanism.

The Italian Regulatory Framework

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, Authorisation, Framework and Universal Service directives;
- the “Data Protection Code”;

- the “Consolidated Law on Radio-Television” containing the principles regulating the organisation 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*; the **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 fiber 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 (10 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 fiber 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 Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*; 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;
- Law no. 183/2014 (the so-called Italian “Jobs Act”) and its implementing decrees, setting forth measures to reform the labour market, including safety nets in order to secure a generational turnover;
- Decree of 2 December 2014 of the Ministry of Environment, implementing the Decree Law no. 179/2012, setting forth certain guidelines in the area of electromagnetic emissions. Two further decrees on this matter are expected to be published;

- Law no. 115 of 2015 (European Law 2014), amending the contribution fees paid to AGCom by the Operators;
- Law no. 124 of 2015 (Law on the restructuring of the Public Administration) establishing a reduction of payments to Operators for the mandatory services of the Judicial Authority; and
- Law no. 208/2015 (“Legge di stabilità 2016”) setting forth measures of specific interest in the communication sector concerning: i) the creation of the “Fund for the Radio Spectrum re-organisation” within the Ministry of Economic Development (**MISE**); ii) the setting of the charges for the right of use of the digital television frequencies applied to the local and national operators; and iii) the tender for the frequencies 3.6 – 3.8 Ghz (C-band for fixed wireless and LTE).

The MISE is responsible for the general policy in the electronic communications sector and AGCom is responsible for ensuring fair competition in the telecom market and protecting customers in the telecom market.

The Italian regulatory framework

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 since 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 the following 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-organisational domain for the solutions and for the improvement of the internal delivery processes;
- cultural-behavioural domain providing for a Code of Conduct and for intensive training activities carried out in order to spread the principles of internal-external equal treatment; and
- economic-regulatory domain regarding the service contracts and the 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 supervisory body (the **Supervisory Board**); the AGCom Undertakings’ Monitoring Group for the

monitoring of the work in progress (*Gruppo per il Monitoraggio degli Impegni - 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, organisational 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.

On 5 November 2015, Telecom Italia's Board approved a "plan to introduce a new equivalence model, aimed at further strengthening the efficiency and effectiveness of the delivery (activation) and assurance (support) processes" for its wholesale access services (New Equivalence Model – NEM).

The New Equivalence Model aims to put Telecom Italia's sales divisions on equal footing, relative to one another and other operators, in order to achieve more effective internal and external equality of treatment and greater transparency in the management of line activation requests.

As an initial and immediate step in the process of implementing the equivalence model, Telecom Italia put in place an organisational structure that will affect Open Access and National Wholesale Services. Pursuant to this new organisational structure, these two functions will report hierarchically to the same manager of a newly created wholesale department.

Telecom Italia will invest over 120 million euros to strengthen equality of access to its infrastructure. The process is expected to be implemented within 18 months, reflecting the most recent regulatory guidelines and providing for strong interaction among the various players in the ecosystem for the assessment of performance.

Market analyses

The EU regulatory framework (Art. 16 of the Framework Directive) obliges National Regulatory Authorities to carry out market analyses before imposing obligations on individual operators having a Significant Market Power (**SMP**) according to the specific EU guidelines.

According to art. 14.2 of the Directive "*an undertaking 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 basis of the market analyses is the Recommendation on "relevant markets susceptible of ex ante regulation" which identifies the "relevant markets". The first version of the Recommendation was adopted in 2003 and contained a list of 18 relevant markets. In 2007 the EC adopted the second version and reduced the number of markets to 7 (both retail and wholesale markets): 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 version which is currently in force and 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 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. Vice-versa, the EC has no veto power for what concerns the imposition of the remedies, but can raise serious doubts following which the BEREC is requested to give an opinion. The EC, the BEREC and the NRA then must cooperate to find a solution within three months. Neither the EC nor BEREC are able to make a binding intervention. The NRA can decide not to amend or withdraw its decision on remedies but it must provide a "reasoned justification".

Following a first round (2006-2007) and a second round (2007-2010) of market analyses, a third round was started by AGCom in 2012 (with two years of delay). As of the date of this EMTN Programme Prospectus, the third round has not been completed. In particular, the market analyses of the fixed interconnection market are still ongoing.

With respect to retail markets, despite the fact that they are not included in the current list of the EU relevant markets (Recommendation of 2014), the final AGCom decision of the market analysis on wholesale access markets, retained some obligations, such as the notification of retail charges prior to the commercial launch and the obligation to carry a replicability test of the retail offers (taking into account the most efficient network architecture that could be used by AltNets to compete in a specific context).

A description of the wholesale market analyses is summarised below together with the main recent developments regarding the electronic communications markets.

Wholesale markets

Wholesale fixed access markets

In September 2012, AGCom launched the third round of market analysis on wholesale and retail access markets (markets 1, 4 and 5 of 2007 Recommendation) to set the remedies to be applied to copper and fiber networks (Decision 390/12/CONS). In March 2013, AGCom published Decision 238/13/CONS, covering the period from 2014 to 2016, and, on 13 February 2015, submitted for public consultation a change of Decision 238/13/CONS, extending the covered period to 2017 (Decision 42/15/CONS).

On 22 December 2015, AGCom published the final Decision (623/15/CONS) on market analyses. The national scope of the obligations on Telecom Italia has been confirmed, despite the increasing development of infrastructure-based competition in many geographical areas of the Country.

The main features relate to the following items:

- **Non-discrimination**

The Decision provides for an increased level of non-discrimination. AGCom confirms the application of the Equality of Output (**EoO**) model with certain amendments. In particular, the Decision:

- introduces strict Service Level Agreements (**SLA**) and penalties;
- imposes specific access obligations to allow the provision of certain ancillary services, such as line activation and fault repair, by third parties in a competitive environment;

- introduces a new set of quality-of-service key performance indicators and objectives (KPIs and KPOs);
- simplifies and reduces certain differences, with respect to retail services, of the supply processes, e.g., by giving access to the same network and customer address databases (“equivalence of network information”) to various operators.

In particular, AGCom required Telecom Italia to provide proposals regarding the enhancement of the current EoO model (Art.64) and the disaggregation/externalisation of delivery and assurance services for LLU and SLU (Art. 22).

On 22 February 2016, Telecom Italia submitted to AGCom:

- a proposal regarding the New Equivalence Model (NEM) which responds to AGCom’s requests and also includes, on a voluntary basis, a measure of full equivalence for the “bottleneck” wholesale access services;
- a proposal regarding the implementation of “System Unico” (i.e. the possibility for alternative operators to use external enterprises in charge of the ancillary services) for the delivery and assurance of LLU and SLU (i.e. disaggregation model), which ensures operational flexibility and autonomy to OAOs;
- the motivations why a full externalisation model, in Telecom Italia’s view, would not be a proportionate and a fit-for-purpose solution to the competitive problems identified by AGCom.

AGCom has opened a national public consultation on Telecom Italia’s proposals. The (draft) Decision on the equivalence measures and the model of disaggregation/externalisation will be notified to the European Commission in the next months.

• **Price control and transparency**

In the final decision, access service charges are cost oriented, according to the Bottom-Up Long Run Incremental Costs model based on Current Costs Accounting (“BU-LRIC CCA”) methodology and taking into consideration a value of the regulated WACC of 8.77% (reduced from the former value of 9.36%).

For purposes of determining the charges for NGA services, AGCom used the BU-LRIC model as defined in the decision n. 238/13/CONS with some methodological improvements to account for network typology, in particular Fiber to the Curb (**FTTC**) and Fiber to the Home (**FTTH**) accesses.

AGCom did not introduce any geographic differentiation for Virtual Unbundling of the Local Access (**VULA**) in terms of price and regulation. Moreover, Telecom Italia is now obliged to propose a Reference Offer for AGCom's approval every year by 31 July for each wholesale service (the deadline for the issue of the Reference Offer has been anticipated of three months).

The following tables show the new economic conditions:

Service	2013/14	2015	2016	2017
LLU (euro/month/line)	8.68	8.61	8.61	8.61
SLU (euro/month/line)	5.79	5.57	5.43	5.3
SA (euro/month/line)	0.86	0.73	0.73	0.73
WLR POTS (euro/month/line)	11.14	11.06	11.06	11.06

WLR ISDN (euro/month/line)	13.78	13.67	13.67	13.67
Bitstream shared (euro/month/line)	6.74	4.96	4.63	4.29
Bitstream naked (euro/month/line)	15.14	13.59	12.8	12.46
VULA FTTC shared (30 Mbps) (euro/month/line)	13.94	7.92	7.90	7.88
VULA FTTC shared (50 Mbps) (euro/month/line)	13.94	9.73	9.68	9.63
VULA FTTC naked (30 Mbps) (euro/month/line)	20.63	13.58	13.42	13.27
VULA FTTC naked (50 Mbps) (euro/month/line)	20.63	15.38	15.20	15.02
VULA FTTH (100 Mbits/10 Mbits) (euro/month/line)	24.9	23.15	22.64	22.12
VULA FTTH (40 Mbits/40 Mbits) (euro/month/line)	34.53	32.08	31.36	30.65
VULA FTTH (100 Mbits/100 Mbits) (euro/month/line)	86.49	81.37	79.57	77.77

NGA wholesale physical access				
Monthly fees (euro)	2013/14	2015	2016	2017
Miniduct access – new infrastructures – (IRU 15 years euro/miniduct/meter)	10.60	10.1	9.61	9.11
Miniduct access – existing infrastructures – (IRU 15 years euro/miniduct/meter)	6.44	6.36	6.29	6.21
Entries to buildings (IRU 15 years euro/miniduct)	385.46	382.70	379.95	377.19
Dark fibre – primary section (IRU 15 years/fiber)	3,900.35	3,639.97	3,379.58	3,119.20
Dark fibre – secondary section (IRU 15 years/fiber)	1,700.91	1,697.32	1,693.72	1,690.13
End to End service (euro/month/line)	65.10	61.53	57.96	54.39
Fibre terminating segment (euro/month/line)	5.96	5.84	5.72	5.60

- **Terminating segment of leased lines**

On 28 October 2013, AGCom launched the third round of market analysis on terminating segments of leased lines (market 6 of the 2007 Recommendation). The final decision, covering the period until 2017 and published on 3 August 2015, didn't introduce significant changes compared to the previous market analysis. In particular:

- Telecom Italia is regulated in the product sub-market (A) covering the provision of dedicated capacity between an end user and an alternative network operator's point of presence at a Telecom Italia node;
- Telecom Italia is not regulated in the other product sub-market (B) for dedicated capacity for mobile base station (BTS) backhaul that was deemed to be competitive;
- Telecom Italia's trunk (inter-regional) segments of leased lines were deregulated in 2010 together with retail leased lines.

In the same decisions AGCom confirmed the second round's obligations and imposed a set of regulatory remedies referring to sub-market (A) including: access to, and use of specific network facilities, transparency, including the publication of a Reference Offer on 31 July of every year; non-discrimination, accounting separation, cost accounting. In relation to the price control obligation, for the period 2015 – 2017, the price setting is based on a "Network cap" mechanism only for the following baskets of sub-market A:

- Terminating segment on PDH and speeds up to 155 Mbit/s and Terminating segment on Ethernet over SDH:
 - Access: RPI – 6.0%;
 - Backhaul: RPI – 8.6%.

- **Wholesale fixed interconnection markets**

With respect to the fixed call termination, origination and transit services (markets 2 and 3 of the 2007 Recommendation; market 2 has been removed from the 2014 Recommendation), on April 20, 2016, AGCom launched the proceeding related to the 3rd round of market analysis on fixed voice termination market in order to regulate interconnection rates until 2019.

AGCom is proposing:

- to confirm SMP designation for TI in the origination market, although this market has been removed from the Commission's Recommendation on relevant markets, being effectively competitive;
- to confirm SMP designation for TI and alternative network operators in the termination markets;
- to set stable fixed call termination rates for TI and alternative network operators until the end of 2019, with only a very small cut of 0.002 €cents to the current rate of 0.043 €cents/min from January 1, 2019 (the current regulated rate of 0.043 €cents/min will apply until January 1, 2019);
- to exclude from the scope of price regulation (and to leave to free negotiations) the termination rates of calls originated outside the European Economic Area (EEA, including the EU member states and Iceland, Liechtenstein and Norway);
- to remove the existing obligations imposed on TI in the wholesale market for district-level transit.
- to confirm the obligation imposed on TI to notify its retail voice call services that rely on the regulated interconnection services 30 days before commercialisation (in order to carry out “replicability” tests).

Telecom Italia is waiting for the publication of the final decision by AGCom.

- **Wholesale mobile markets**

Termination on mobile networks is susceptible to ex ante regulation pursuant to the Recommendation of 2014. In this respect, on 11 February 2014, AGCom launched the fourth round of a market analysis on mobile termination rates and on 30 September 2015, AGCom published the final decision (no. 497/15/CONS) covering the period until 2017.

Compared to AGCom’s previous market analysis, there are two main changes:

- all operators that offer voice termination on their mobile networks, including full MVNO operators (BT Italia, Lycamobile, Noverca and Poste Mobile) have SMP;
- termination rates of calls originated outside the European Economic Area (EEA) are explicitly excluded from the scope of price regulation and are based on free negotiations.

In addition,

- WACC value has been set at 10.25% (higher than the value of 8.77% set for the fixed access network);
- the termination rate have to meet a price ceiling equal to 0.98 €cents/min for the period 2014-2017; for full MVNO, this obligation is not retroactive to 2014 but only applies from 30 September 2015.

Accounting separation and network cost accounting

SMP operators are required to have a transparent accounting system of their costs and to provide AGCom on a yearly basis 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 periodic Market Analyses.

Through Decision 623/15/CONS on fixed access Market Analyses for the period 2015–2017, AGCom set the average cost of capital employed (WACC) for fixed networks at 8.77% nominal pre tax. Telecom Italia asked to review this decision because it believes that this value is too low.

Through Decision 497/15/CONS on mobile termination for the period 2015–2017, AGCom set the WACC for the mobile network at 10.25% nominal pre tax.

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 was completed in 2015 by the auditor appointed by AGCom.

The regulatory accounting report for the year 2014 was produced during 2015 and delivered to AGCom in January 2016.

It is pending the preparation of the regulatory accounting report for the year 2015 which will be delivered within 90 days of approval of the financial statements in Telecom Italia shareholders’ meeting held on 25 May 2016.

Retail fixed Markets

• Retail Offers

In May 2015, Telecom Italia launched a simplification of the tariff offers:

- the former “basic offer” for consumer customers was replaced with a flat offer that includes the line rental and unlimited calls (option "Tutto Voce"). The basic offer was retained for customers that opt for a single per minute charge for both national and fixed-to-mobile calls. In addition, in July 2015, the billing period was changed from every two months to monthly billing.

- Telecom Italia increased (i) the price of the standard offer for Business users from 22.50 euros to 24.90 euros per month and (ii) the charge of the ISDN lines, both single and multiple (Basic rate and Primary rate access). For voice call services, the new tariff is composed of a per minute charge of 5 eurocents and a call set-up fee of 30 eurocents.

In August 2015, Telecom Italia launched the TIM SMART offer. This new bundled offer is characterised by a modular structure (building blocks) that allows customers to build a package that best suits their needs by starting with a single basic block that can be complemented with additional options. This structure is technologically neutral, as the customer chooses the speed of access data and not the technology used. The technology is chosen by Telecom Italia based on the coverage available at each customer's location.

The basic block includes PSTN access and broadband access (up to 20 Mbit/s).

The basic option available are:

- TIM SMART Casa: traffic package with unlimited calls to all fixed and mobile numbers;
- TIM SMART Mobile: mobile subscription with a plafond of minutes and gigabytes included;
- TIM SMART Fibra: which enables the increase of access speed up to 100/20 Mbit/s (300/20 Mbit/s in FTTH areas).

In the last year there has been a growing attention by the Authorities (AGCM and AGCom) to the strict compliance with the rules on the transparency of the offers and of services not explicitly solicited by consumers; this stricter approach concerns not only Telecom Italia but the other competitors too.

Unlike other operators, Telecom Italia decided to open a dialogue with both the Authorities to clarify the criteria to be applied for the certain and predictable implementation of the retail regulation in force, which still presents some aspects requiring further clarifications.

Quality of services

The 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 Internet Service Provider (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.

Drive test campaigns to test the quality of the data service on the 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.

The video streaming services have been tested since 2015.

To date, the results of the second half 2013 Campaign are available whilst those of the first 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 was made on the data services on smartphones.

Finally, from 2015 measurements was extended to 4G networks.

The Universal Service

The Universal Service is a minimum set of services of a certain quality, which must be made available to all customers, regardless of their geographical location in Italy and must be offered at a reasonable price, taking into account specific national conditions. To date, Telecom Italia is the only operator obliged by the Code of Electronic Communications (art. 58) to provide the Universal Service under the Universal Service Obligation (USO) throughout Italy. Currently the services included in the USO are the provision of access at a fixed location and of telephone service, the directory inquiry service and the directories, the availability of public payphones, and the provision of specific measures for disabled users.

A Fund (The Universal service Fund), established by the Ministry of Communications, is used to finance the net cost for the provision of Universal Service sustained by the designated operator (Telecom Italia) by

means of contributions paid by the other operators. All the main companies active in the sector, including Telecom Italia, must contribute to this 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 incurred by the same company in the absence of the obligation.

It is AGCom's responsibility to verify the net cost of the USO provision and to assess whether this amount represents an unfair burden for the operator. The designated operator can receive compensation only if the burden is determined to be unfair.

AGCom assessed the net cost and authorised the funding mechanism until the year 2005 and did not recognize any contribution for the years 2006 and 2007.

In 2008, AGCom published a decision having retroactive effect, introducing a new methodology to calculate the net cost for the provision of USO, which led to a significant decrease of the amount to be financed.

Telecom Italia submitted the net cost calculations of the USO for the years 2008, 2009, 2010, 2011 and 2012 to AGCom. The audit of the 2008 and 2009 net costs was completed in March 2014, but AGCom has not yet issued a final decision.

Generally, the process of setting the USO contribution levels by the other operators is characterised by litigation and delays. Both Telecom Italia and the other operators have appealed each of AGCom's previous decisions.

The Council of State, with a decision published on 2 October 2015, rejected the retroactivity of the criteria introduced by AGCom's Decision 01/08/CIR, so the Italian NRA has been called upon to renew all the procedures for the years 2004 to 2007, applying the net cost calculation methodologies which were in effect at the time. The judgment of the Council of State may result in a reassessment of the net cost for the years 2004–2007.

Concerning past litigations, the Council of State, with a decision published on July 7, 2015, rejected the appeal filed by Telecom Italia against the decision of the Administrative Court (**TAR**) regarding the contributions for the years 1999-2000 and 2001-2003. The decision of the Council of State voided AGCom's Decision of 2010 establishing the renewal of the procedures for the years concerned.

Following the State Council decision, Vodafone requested that Telecom Italia refund the amounts paid for 1999-2000, 2002-2003 and subsequent periods. The Ministry of Economic Development asked Telecom Italia to settle all economic relations, taking into account the actions taken by Vodafone.

The Ministry of Economic Development is responsible for reviewing the scope and definition of the USO every two years and, in September 2014, together with AGCom, it opened a formal proceeding concerning the identification of the criteria for designating one or more operators responsible for providing the universal service. The proceeding is ongoing.

Following the AGCom's block of Telecom Italia's planned repricing of the offer TIM Consumer "Voce", the Italian Authority launched a proceeding (March 2016) on the most effective approach to guarantee the universal service provision at an "affordable" price (Decision 112/16/CONS). Moreover, in May 2016, AGCom launched a public consultation on the inclusion of basic broadband access in the scope of Universal Service (Decision 113/16/CONS).

Public Telephony

In 2010, AGCom established 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 (i.e. the obligation to install a specified number of payphones). As a consequence, Telecom Italia is authorised to remove the unprofitable coin-boxes after a consultation with city councils and interested citizens. At the end of 2015, the total number of public payphones was about 59,000.

CONTRIBUTION FEES FOR THE FUNCTIONING OF AGCOM

Telecom Italia and the other operators are obliged to pay contribution fees to fund the running costs of AGCom. These fees are calculated on the basis of each operator’s revenues and they have given rise to a series of litigation proceedings and appeals among Telecom Italia, AGCom and other operators. The current situation is described below.

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 TAR and the following judgment of the Council of State, AGCom confirmed the use of Telecom Italia’s total revenues as payment calculation base and set the contribution rate at 1.15 per thousand, diverging 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 accelerated to 1 April 2015.

Telecom Italia, under reserve, paid 17.5 million euros, calculated on a revenues basis, applying the 2015 AGCom rate of 1.15 per thousand.

This payment for the 2015 contribution does not involve compliance by the Company with the long dispute between Telecom Italia and AGCom.

In October, AGCom published its second report on the 2014 overview of the administrative costs and of the total amount of the collected charges (“2014 Annual Report”) focused on the electronic communications sector. This last report highlights that AGCom “collected” from operators of the electronic communications sector amounts that are approximately euro 1.3 million higher than the costs incurred by AGCom in the same period.

On 21 December 2015, with Decision 691/15/CONS on the Contribution fee for the year 2014, AGCom requested Telecom Italia to provide within 60 days (20 February 2016) an additional payment of approximately 9.4 million euros to integrate the amount already paid, under reserve, in 2014 (14.0 million euros); the additional payment has been done even if it does not involve compliance by the Company with the long dispute between Telecom Italia and AGCom.

With respect to the 2016 contribution fee, despite the judgment of the TAR and the subsequent judgment of the Council of State, AGCom confirmed the use of the total revenues from sales and services on the 2014 income statement as a payment basis and raised the contribution rate to 1.4 per thousand. (Decision 668/15/CONS of December 2015). On 1 April 2016 Telecom Italia, under reserve, paid 19.8 million euros calculated on a revenue basis, applying the 2016 AGCom rate of 1.4 per thousand.

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 and ultra-broadband networks through simplified procedures to build the relevant networks.

In this regard, of particular relevance is the recent D.Lgs. 33/2016, implementing Directive 61/2014, which provides:

- a lighter authorisation procedure for the deployment of broadband and ultra-broadband networks;

- simplified rules for innovative digging techniques (mini-trenches) for the deployment of optical fiber equipment;
- a right of access for telecommunication operators to public utilities passive infrastructures and common parts of buildings for the installation of ultra-broadband networks; and
- creation of a public infrastructure data base.

Article 14 of Law Decree no. 179/2012, enacted by Law no. 221/2012 has modified 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 (s.c. “Linee Guida”). As of today, the guidelines have been published only partially, thus limiting the scope of the legal reform.

Italian Digital Agenda

In March 2015, the Italian Government issued a strategic plan for ultra-broadband deployment throughout the country. In order to meet the European Digital Agenda goals (50% population with at least a 100 Mbps connection and 100% of the population covered with at least 30 Mbps) by 2020, the Government set the following strategic target:

- up to 85% of Italian population covered with at least 100 Mbps;
- at least 30 Mbps guaranteed to 100% of population; and
- at least 100 Mbps guaranteed to public sites (schools and hospitals in particular), industrial areas, the main tourist areas and logistic hubs;

based on:

- technological neutrality, open networks, fair access and non-discriminatory approach;
- lowering the entry level costs;
- infrastructure Data Base for a better use of existing infrastructure;
- a plan structured into clusters based on different competitive NGAN (New Generation Access Network); and
- harmonisation of international electromagnetism limits.

In August 2015, the Inter-ministry Committee for Economic Programming (**CIPE**) issued the economic support levels for the years 2014 to 2020 to achieve the strategic plan for ultra-broadband, following EU Guidelines for the application of state aid rules in connection with the rapid deployment of broadband networks (2013/C 25/01). In May 2016 CIPE endorsed Ministry Ultrabroadband Committee (COBUL) decision to fund the roll-out of a broadband network, that remains in public ownership, but whose operation will be offered through a competitive tender procedure to a commercial operator to manage and exploit it at the wholesale level.

On February 2016, MISE signed a Memorandum of Understanding with all Italian Regions, which provided:

- nearly 1.6 billion euros out of 2.2 billion euros assigned to the Program from CIPE to build in-market failure areas (Cluster C and Cluster D), a state-operated ultra-broadband network, by in-house company Infratel;

- an additional 1.8 billion euros of regional funding.

On 3 June 2016, Infratel (Economic Development Minister in-house company) released a pre-qualification bid (Phase I) for the concession of the realisation, operation and management of a State-owned ultrabroadband network in non-competitive areas (white areas) of Abruzzo/Molise for 123,008,137 euros, Emilia Romagna for 232,356,786 euros, Lombardia for 439,210,421 euros, Toscana for 222,209,102 euros and Veneto for 388,593,504 euros, covering nearly 3,000 municipalities, 6.5 millions of inhabitants and 3.5 households. The tender will close on 18 July 2016. The call for other Regions will follow.

The network will be operated at wholesale level with regulated prices following the rules and principles defined by AGCOM (Decision no. 120/16/CONS). These prices may be lower than Telecom Italia Reference Offer in competitive areas (black and grey areas).

Each participant is obliged to present by 18 July 2016 the technical and economic conditions for accessing to its owned existing infrastructures by other participants. This is the first time in which such obligations is applicable to all participants beyond Telecom Italia.

The concession will expire after twenty years from the beginning of the operations and not after 31 December 2037. The awarded operator will be required to pay a concession fee starting from 2023. Infratel will define the concession fee value.

The concession will be awarded on the best value offering of the followings:

- a. technical offer for construction, management and maintenance;
- b. equivalence of wholesale offer to other operators;
- c. coverage;
- d. services to other operators;
- e. price;
- f. starting date.

The score for each criteria will be defined in Phase II. As regards as the point b), wholesale-only operator may acquire additional points as reflected in EU Guidelines.

On 30 June 2016, the EU Commission authorised the State Aid Program for a total amount of 4 billions euro with Decision SA. 41647/2016 since the public intervention:

- concerns “white areas” not overlapping private investments, i.e. areas where Next Generation Access (NGA) networks do not at present exist and where they are not likely to be built within 3 years;
- promotes the use of existing infrastructure (primarily public utilities), thus minimizing the use of State funds;
- stimulates competition between operators and beneficial to consumers ensuring that the new infrastructures are open to all interested operators;
- involves the provision of State aid through open tendering in compliance with Italian and EU public procurement regulations and with the principle of technological neutrality.

On 22 April 2016, AGCom issued the final decision (Decision no. 120/16/CONS) on the “Guidelines for the wholesale access conditions to publicly subsidised ultra-broadband networks (i.e. the networks benefiting from the Public Funding Plan provided for by the Italian Ultra-Broadband Strategy for the NGAN “white areas” of the Country).

In particular, the guidelines establish the wholesale access conditions applicable to gap funding and direct intervention ultrabroadband infrastructures.

In the first case Telecom Italia's Reference Offer prices are applicable while in the latter (that will be applicable under Decision SA. 41647/2016) the economic conditions have to remunerate only operating costs (no return on investments since financed entirely by the State) and the licence fee (Reference Offers economic conditions as upper limit).

Telecom Italia has appealed against Decision 120/16/CONS because of different economic conditions with respect Telecom Italia Reference Offer and for discriminatory approach between awarded operators if SMP or non-SMP.

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 organisations in certain areas, including telecommunications' services; and (3) sanctions and remedies.

The Privacy Code applies to all data processing within Italy and also affects organisations 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. The data retention terms for crime prevention and prosecution provided by the Italian Data Protection Code are: 24 months for telephony traffic (fixed and mobile); 12 months for electronic communications traffic; and 30 days for unsuccessful call attempts. However, over the course of 2015 and 2016, Decree no. 7/2015, on urgent antiterrorism measures, and the subsequent Law no. 21/2016, introduced transitional rules according to which telephone and electronic communication traffic data, as well as unsuccessful call attempts, generated after 21 April 2015 must be retained until 30 June 2017. Such transitional provisions will cease to apply on 1 July 2017.

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 1 February 2011.

Finally, CSPs must adopt technical and organisational 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 unauthorised 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, unauthorised 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.

Further relevant provisions

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

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".

Telecom Italia implemented the requested measures to comply with the above mentioned provision.

ANTITRUST ISSUES

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.

Proceedings

During 2015 two antitrust proceedings involved Telecom Italia before AGCM:

- **Proceeding “I 761”**: on 23 December 2015, AGCM notified Telecom Italia of a final decision determining the existence of a cartel composed of Telecom Italia and six companies involved in maintenance activities of the Telecom Italia network. Based upon these findings, AGCM imposed a 21.5 million euro administrative fine on Telecom Italia. On February 22, 2016, Telecom Italia appealed the AGCM decision to the Regional Administrative Court of Lazio. On 21 March 2016 Telecom Italia paid the above mentioned fine (however this payment was conditionally made in the light of the still pending appeal filed before the Administrative Court of Lazio);
- **Proceeding “A428C”**: on 17 July 2015, Telecom Italia received the filing from a proceeding concerning a possible infringement of the order contained in the A428 decision with reference to the abuse of dominant position related to the supply of wholesale services to OLOs (KO). The proceeding is expected to conclude on 31 July 2016.

Antitrust issues at the European level

Legislation on competition

Telecom Italia is subject to the European competition law. European competition policy was developed from rules set out in the Treaty on the Functioning of the European Union (**TFEU** or **Treaty**) and covers anticompetitive practices and abuse of dominance, mergers and state aid:

- anticompetitive practices: agreements between two or more independent market operators which restrict competition are prohibited by Article 101 of the 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 obvious example of illegal conduct infringing Article 101 is the creation of a cartel between competitors (which may involve price-fixing and/or market sharing);

- abuse of dominance: 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;
- mergers: the EC is responsible for reviewing mergers if the annual turnover of the combined businesses exceeds specified thresholds in terms of global and European sales. In such cases, the EC must be notified of the transaction. Transactions falling below these thresholds may be reviewed by the national competition authorities in the EU Member States; and
- state aid: public 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 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 competition 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.

Main Competition dossier before the European Commission

The main cases involving Telecom Italia and currently pending before the EC are:

- merger 3/Wind: On 5 February 2016, CK Hutchison Holdings Ltd. (“CK Hutchison”), parent company of Italian mobile operator 3 Italia, and VimpelCom Ltd. (“VimpelCom”), parent company of WIND, notified the EC (the body in charge of evaluating the merger) the creation of a 50/50 joint venture that would own and operate their telecommunications businesses in Italy. On March 30, 2016 the EC opened an in-depth investigation to assess whether the proposed joint venture between the telecommunications activities of Hutchison and VimpelCom in Italy is in line with the EU Merger Regulation. The Commission's initial market investigation identified the following main concerns: (a) H3G and WIND currently compete against each other and the transaction would remove two important competitive forces while the joint venture would have limited incentives to exercise significant competitive pressure on the remaining competitors. This would lead to higher prices and less investments in mobile telecommunications networks; (b) the transaction would reduce the number of MNOs that host mobile virtual network operators and, as a result, existing MVNOs would have less choice of host networks and hence a weaker negotiating power to obtain favorable wholesale access terms; (c) the reduction in the number of competitors would risk weakening competitive pressure and increasing the likelihood that MNOs would coordinate their competitive behavior and raise prices on a sustainable basis on the retail and wholesale markets. The Commission is now investigating in-depth the transaction to determine whether its competition concerns are confirmed. The Commission decision is expected by 8 September 2016;
- ultra-broadband State Aids: The Italian ”strategy for Next Generation Access Network”, presented by the Government in March 2015, aims to develop a high-speed optical access network throughout the country, meeting the objectives of the European Digital Agenda. The amount of 2.2 billion euros of public funds have been assigned to the Program as of October 2015. The State Aids scheme must be approved by the EC. The discussions are currently (as of the date of this EMTN Programme Prospectus) at the notification phase.

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

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

With regard to the operational activity of TIM 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.

Authorisations

ANATEL carried out the privatisation of the former public monopoly operator and gradually opened the sector to competition, in addition to fostering universal access to basic telecom services. According to the General Telecommunications Law and to the regulations issued by ANATEL, licences to provide telecommunications services are granted either under the public regime, by means of a Concession or a Permission, or under the private regime, by means of an Authorisation. Only certain fixed-line service providers are currently operating under the public regime (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 authorisations 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.

- **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 approval of the PGMC represents a milestone in the development of Brazilian regulation, which is gradually evolving towards a model based on market analysis and the application of ex ante regulatory obligations for SMP operators.

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

Fixed networks in fiber optics will benefit from a regulatory holiday of nine years, which will have to be confirmed in 2016, when PGMC is 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.

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% in the next three years;
- the obligation to offer the service of national roaming to operators not having SMP: regional licensed CTBC (Algar) and Sercomtel and national licensed Nextel;
- the obligation to offer the access to ducts and trenches.

The second analysis and definition of SMP operators was held in 2015 confirming the previous decision of 2012, leaving the remedies imposed on TIM Brasil unchanged. The review of the markets to be regulated and the remedies to apply to possible SMP operators is expected in 2016.

Main regulatory developments

- **Cost models' implementation**

In 2005, ANATEL issued a ruling for "Accounting Separation and Cost Accounting". This ruling introduced the obligation to present the Accounting Separation and Allocation Document ("*Documento de Separação e Alocação de Contas*" – **DSAC**) for licence holders and groups holding SMP in the fixed and/or mobile network interconnection and wholesale leased lines markets ("*Exploração Industrial De Linha Dedicada*" – **EILD**). Operators (TIM included) have been providing ANATEL with the requested information since 2006 for fixed services and since 2008 for mobile services.

In August 2011, ANATEL launched a project called "*Modelo de Custos*", setting up a consortium of consultants in charge of developing the cost model for fixed and mobile networks for communications services.

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. In July 2014, ANATEL published the final decision regarding the cost model and the reference values of the mobile termination rates that will apply from 2016 to 2019 for the operators with SMP. Following the so-called "glide path", the reference value of the MTR was reduced by 40% in 2016 to approximately 0.10 Reais per minute and will be reduced by 45% in the following years: approximately 0.056 Reais per minute in 2017; approximately 0.03 Reais per minute in 2018; and approximately 0.017 Reais per minute 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%. According to the previous rules 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.

- **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's block was awarded 1,947 million Reais (approximately 487 million euros).

The frequencies will be available, in every Brazilian town, only nine months 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 December 2018.

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 total amount of these costs is about 3,600 million R\$ (i.e. about 1,200 million R\$ / 300 million euros for TIM). Since a national block was not assigned, the total amount of these costs was shared by the 3 winners instead by 4 operators. The offset was discounted from the 700 MHz auction price (TIM paid 1,678 million R\$ i.e. 420 million €).

- **Revision process of the Legal/Regulatory Framework**

The process to reform the General Law of Telecommunications of 1997 is ongoing. The aim is to account for new market conditions, competition, technology and development of communications services. The reform would be designed to overcome the existence of Concessionaries (Oi, Telefonica and Embratel Telmex) for the supply of services deemed to be of a "public nature".

Following a public consultation closed on 15 January 2016, the Brazilian Ministry of Communications issued guidelines for the regulator, Anatel, on how to transform the current fixed telephony concession regime into individual licences regime.

The Ministry asks Anatel to:

- propose criteria to enable the phasing-out of concessions;
- schedule the phasing out of the asset reversion scheme (the network assets of concessionaries belong to the State and the law envisages a restitution at the concession expiration);
- assess the consistency of the new licensing rules with the existing infrastructure coverage obligations;
- ensure service provision in less attractive economic areas;
- give incentives to concessionaires to migrate to the new licensing framework;
- lessen the Universal Service Obligations for fixed telephony (the concessionaries have USO obligations);

- review the recurring licensing fees.
- **MARCO CIVIL**

The Marco Civil law, issued in April 2014, establishes the general framework for Net Neutrality as well on privacy, data retention and ISP liability.

The law envisages a general prohibition on internet service providers (ISPs) to discriminate or degrade traffic, block or filter specific applications, or pursue deep packet inspection (Principle of net neutrality). Any discrimination or degradation of traffic is prohibited, “except due to technical requirements for adequate service provision or prioritisation of emergency services communications”.

A Presidential decree, was issued in May 2016, in relation to the law with the aim of:

- clarification of the scope and implementation of the net neutrality rules;
- implementation of the rights and obligations for the protection of personal data;
- governance of the Marco Civil, including authorities in charge of its enforcement.

In particular, the recent decree specifies the “possible exceptions” regarding the blocking, degradation or discrimination of traffic:

- network security, such as blocking of spam, or countering a cyber attack;
- management of exceptional network congestion, or emergency situations;
- emergency services.

BROADCASTING REGULATORY FRAMEWORK IN ITALY

Persidera S.p.A., the former Telecom Italia Media Broadcasting S.r.l. (**TIMB**) operates as a national digital terrestrial network operator.

Persidera is a “pure” network operator, not vertically integrated with any content provider. It offers digital terrestrial capacity through five national terrestrial networks (5 multiplexers - **MUXes**) hosting more than 40 independent TV channels and 7 independent radio stations. The Ministry awarded to Persidera in June 2016 till the end of 2032 the TV channel for the Vatican City.

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 authorisation regime compliant with EU Directives. Following these modifications, all network operators’ licences were converted into general authorisations with a 20-year duration.

Pending this infringement procedure:

- AGCOM resolution 181/09/CONS set up the criteria for the complete digital conversion of the terrestrial television networks (switch-off). In this conversion, TIMB was incorrectly assimilated to RAI and Mediaset, and it was assigned only three out of the four networks managed by the Telecom Italia Media Group before the switch-off.

- On 28 June 2012, MISE formally assigned to TIMB the digital rights for three national MUXes with the duration of 20 years (December 2032). The frequency rights fees are not yet defined.
- Law no. 44/12 replaced the digital dividend assignment through a “beauty contest” with an economic bid. The tender was launched in 2014 on the basis of AGCom Resolution 277/13/CONS and Cairo Group was awarded one MUX for 31.626 million euros. TIMB, incorrectly assimilated to RAI and Mediaset, was not entitled to participate in this bid.

TIMB set up a lengthy litigation on (i) the analogue-to-digital conversion criteria and (ii) against the “beauty contest” repeals. The Regional Administrative Court of Lazio rejected the appeals and TIMB appealed before the Council of State. The Council of State suspended the appeals and called for an intervention by the EU Court of Justice on both proceedings.

700 MHz

On 2 February 2016 the Commission issued a proposal to coordinate the use of the 700 MHz band for mobile services by June 2020.

This proposal with the introduction of two years of flexibility is under discussion in the European Parliament and the European Council.

With respect to the sub-700 MHz band (470-694 MHz), the proposal set a long-term priority for the distribution

of audiovisual media services to the general public, along with a flexible approach for spectrum use to allow for different levels of digital terrestrial television uptake in Member States.

The proposal will have a strong impact on the entire sector of the Italian broadcast operators, whose frequency rights will expire in 2032, since all frequencies in 700 MHz band are in use by broadcasting services on national and local basis.

No steps have been taken in Italy thus far to define the roadmap for the release of 700 Mhz band. Stability Law 2016 has set a fund of 276,000 euros at the MISE for conducting studies.

CH 55

If technical and regulatory conditions are satisfied, as part of the agreement signed with Gruppo Editoriale “l’Espresso”, TIM can acquire the right of use of the UHF channel 55 (742-750 MHz) assigned to MUX TIMB2. TIM has reserved two different purchase options: (i) the purchase of the right to use the UHF channel 55 or (ii) the purchase of the entire participation in the share capital of TIMB2 S.r.l, a company established in 2014, which would be awarded this right of use. Both options may be exercised during the period between 30 June 2016 and 30 June 2019. UHF channel 55 trading to TIMB2 S.r.l. would be associated with a lease agreement from TIMB2 to Persidera in order to guarantee transmission services continuity.

The above operations will be put into effect without the need for authorisation from the competent authority as an intra-group agreement.

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 2016, the Telecom Italia Group has posted liabilities totalling 397 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 August 2014, the Rome Court filed its grounds for the judgment pronounced in October 2013. The Court fully acquitted three former managers of Telecom Italia Sparkle from charges of transnational conspiracy for the purpose of tax evasion and false declaration by the use of invoices or other documents for non-existent transactions (the so-called "*Frode carosello*" or "carousel fraud"). A further 18 defendants were found guilty, with sentences of 20 months to 15 years. The grounds for the judgment acknowledged that the former managers of Telecom Italia Sparkle were completely uninvolved in the "carousel fraud" and acknowledged the correctness of their actions.

The not guilty verdict was, however, appealed by the Rome Public Prosecutor's Office, including as it relates to the Telecom Italia Sparkle employees, and the the hearings before the Court of Appeal began in May 2016.

Telecom Italia Sparkle is still being formally investigated for an administrative offence pursuant to Legislative Decree 231/2001, with the predicate offence of conspiracy and transactional money laundering.

Following the outcome of this trial, and notwithstanding the pending appeal, the company requested and obtained from the judicial authority, by order in June 2014, the release and return of the whole sum of the 72,234,003 euro surety used to guarantee any obligations arising 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.

Following the Telecom Italia Sparkle affair, the 2009 consolidated financial statements provided for a risk reserve in a total amount of 86 million euros (72 million euros of which referred to the risk pursuant to Legislative Decree 231/2001), which was recognised in the financial statements and was fully released in the profit and loss account during 2014.

As for risks of a fiscal nature, in February 2014, the *Agenzia delle Entrate* (Lazio Regional Office) served three formal notifications of fines for the years 2005, 2006 and 2007, based on the assumption that the telephone traffic in the "carousel fraud" did not exist. The amount of the fines – 25% of the "crime related costs" unduly deducted – totals 280 million euros. In this respect the company filed an appeal with the Provincial Tax Commission in April 2014. In May 2016 the Tax Commission filed the decision confirming the findings notified by the *Agenzia delle Entrate*. The company is arranging to file an appeal before the second level Tax Commission (*Commissione Tributaria Regionale*). In light of the investigations carried out, and considering the favourable outcome of the associated criminal proceedings, the risk of obligation to pay these fines is still believed to be only potential, so no provisions were made in the financial statements.

International tax and regulatory disputes

On 22 March 2011 Tim Celular was served notice of a tax assessment issued by the Federal Tax Authorities of Brazil for a total sum of 1,265 million reais including fines and interest, as a result of the completion of a

tax investigation for 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 progressively incorporated into Tim Celular in the context of corporate restructuring in Brazil.

The assessment notice includes various adjustments; the main claims may be summarised as follows:

- non-recognition of the fiscal effects of the merger of Tim Nordeste Telecomunicações S.A. and Maxitel S.A.;
- non-recognition of the fiscal deductibility of the write-down of goodwill relating to the purchase of Tele Nordeste Celular Participações S.A. (TNC).

The adjustments included in the assessment notice were challenged by Tim Celular, before an administrative court, with the submission 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, confirming the findings set out in the assessment notice; Tim Celular promptly appealed this decision on 21 May 2012.

The Management, supported by legal opinions, believes it is unlikely that the company will suffer any negative consequences in relation to these matters.

Certain of the Tim Participações' subsidiaries are subject to tax disputes (including for significant amounts) but the risk of losing in these instances is deemed improbable (for the aforementioned companies), on the basis of legal opinions issued to the companies.

The most relevant cases relate to the fiscal deductibility of the write-down of goodwill, indirect taxation and contributions to the local regulatory authority (ANATEL). Of the main disputes concerning indirect taxation, several disputes regarding lowering the tax base on the basis of discounts granted to customers may be noted; the regulatory authority, however, alleges that the Company did not pay sufficient contributions to the FUST/FUNTEL funds.

Finally, in December 2013, Tim Celular received a tax assessment served by the Brazilian Federal District Finance Secretariat of approximately 582 million reais, including penalties and interest, on account of alleged non-payment 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 23 October 2015, Tim Celular was served notice of the decision of the lower administrative court, which substantially confirmed the claims included in the assessment notice, although it reduced the amount in dispute, by a small amount. TIM Celular promptly filed an appeal in administrative proceedings against this decision on 24 November 2015. Also on the basis of specific legal advice, Tim Celular does not consider an unfavourable outcome to be likely.

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

In June 2014, at the end of a tax investigation that lasted over a year, the Milan Guardia di Finanza served Telecom Italia International N.V., a subsidiary company with offices in the Netherlands, with a formal notice of assessments for the fiscal years from 2005 to 2012, with which it formalised findings on the alleged tax residence in Italy of the aforementioned subsidiary company, due to the presumed place of effective management in Italy.

The total amount of the assessment for these fiscal years, comprising potential tax expense (corporate income tax - **IRES**; regional business tax - **IRAP**), fines and interest totaled approximately 350 million euros at that time.

In December 2014, based on the prior assessment, the Milan office of the Agenzia delle Entrate (Italian Revenue Agency) served separate notices of assessments for IRES and IRAP on the Dutch company for the fiscal years 2005, 2006 and 2007, which amounted to a total of approximately 148 million euros in tax, fines and interest.

The company believed that this claim was unfounded, based on opinions provided by professional advisors. However, intending to avoid a dispute that would have likely been lengthy and uncertain, the whole claim for the years 2005 to 2012 was settled on 9 July 2015, by recourse to tools to "deflate" the dispute, using the means available in law. The agreement involved the payment of a total of 30 million euros for taxes, fines and interest, on 17 July 2015.

Irregularities concerning transactions for the leasing/rental of assets

In relation to the irregularities detected with regard to some leasing and rental transactions, which in some cases led to disputes relating to Direct Taxes and VAT, the Company arranged to make provision for risks; the actual amount of the risk provision is around 10.3 million euros.

* * *

In many proceedings described in the paragraphs below, 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.

Investigation by the Public Prosecutor's Office of Monza

Criminal proceedings are currently pending before the Judge for Preliminary Hearings of the Monza Court, following the committal to trial formulated by the Public Prosecutor and with the preliminary hearing scheduled in June 2016, regarding a number of transactions for the leasing and/or sale of goods, which allegedly involve various offences committed to the detriment, among others, of Telecom Italia. The alleged offences relate to financial abuses, tax crimes and fraud with more than one aggravating circumstance. Within the context of said proceeding, Telecom Italia filed a charge against persons unknown in 2011. Telecom Italia proposes that it join the proceedings as a civil party as the person injured and damaged by the offence.

In the proceedings, one of the defendants is a former employee of the company.

Antitrust Case A428

At the conclusion of case A428, in May 2013, the Italian Competition 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 Company allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; and (ii) offered its access services to consumers on 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 the country where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with the company.

Telecom Italia appealed the decision before the Administrative Court (**TAR**) for Lazio, applying for a suspension of the fine. In particular, the company alleged: infringement of its rights to defend itself in the proceedings the fact that the organisational choices challenged by AGCM and allegedly at the base of the abuse of the OLO provisioning processes had been the subject of specific rulings made by the industry regulator (**AGCom**) the fact 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 behavior by Telecom Italia) and (regarding the second abuse) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In May 2014, the judgment of the Lazio TAR was published, rejecting Telecom Italia's appeal and confirming the fines imposed in the original challenged order. In September 2014, the company appealed the decision.

On May 2015, with the judgment no. 2479/2015, the Council of State found that the decision of the court of first instance did not present the deficiencies alleged by Telecom Italia and confirmed the AGCM ruling. The company had already paid the fines and the accrued interest.

In a decision handed down in July 2015, AGCM initiated proceedings for non-compliance against Telecom Italia, to ascertain if the company had respected the notice to comply requiring it to refrain from undertaking behaviors analogous to those that were the object of the breach established by the decision in case A428, dated May 2013.

If non-compliance with the notice requiring the company to refrain from these behaviors, article 15, subsection 2 of Law no. 287/90 provides for the application of a minimum administrative fine of no less than double the original fine imposed, and a maximum limit of 10% of the turnover of the firm.

Telecom Italia requested access to the case files, in order to have full knowledge of the alleged breaches reported, and in July 2015 partial access was granted only to the documents generated by AGCM.

In October 2015, a defence statement was filed, which evidenced the activities undertaken to improve the ways in which the access services requested by the OLOs are provided, and subsequently the company presented the changes that are being made to the processes and systems of supply for access services at the AGCM offices.

The term set for the conclusion of the non-compliance proceedings, originally set at 13 January 2016, has been extended to 31 July 2016 to enable AGCM to assess the aforementioned structural and process changes.

Antitrust Case I761

With a ruling issued on 10 July 2013, the AGCM extended the investigation started in March 2013 into some firms active in the fixed network maintenance sector to Telecom Italia. The investigation aims to establish if

an agreement prohibited by article 101 of the Treaty on the Functioning of the European Union exists. The proceedings were initiated after Wind filed two complaints in which the AGCM was informed 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 Administrative Court (TAR), claiming 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 the extension provision, the AGCM also extended the deadline for closing the proceedings from 31 July 2014 to 31 July 2015. This extension was also challenged before the Administrative Court (TAR) of Lazio claiming that the AGCM does not have authority in this matter.

In November 2014, for reasons of procedural economy and also convinced that it was acting legitimately, Telecom Italia presented to the AGCM a proposal of undertakings in order to resolve the competition concerns subject to the investigation. In its 19 December 2014 resolution, AGCM considered that these undertakings were not manifestly groundless and later ordered their publication for the purposes of market testing.

On 25 March 2015, AGCM definitively rejected the aforesaid undertakings, considering them not suitable for removing the anticompetitive aspects investigated.

On 21 July 2015, the Communication of the Results of the Investigation was served on the parties to the proceedings, in which the Offices of AGCM expressed their position pertaining to archiving the complaints regarding the abuse of dominant position and confirming, instead, that there exists between Telecom Italia and the maintenance firms an agreement to coordinate the economic offers drawn up for Wind and Fastweb, and to proceed to supply, in unbundled form, the ancillary technical services.

On 16 December 2015, the final order was issued, confirming the conclusions of the Communication of the Results of the Investigation, sustaining that, between 2012 and 2013, there existed an agreement that restricted competition, and as a result, imposing a fine of 21.5 million euros on the company. The relevant market is the corrective maintenance (assurance) market and, more precisely, the market for troubleshooting the Telecom Italia LLU lines. The purpose of the conduct maintained by the company and the network firms would have been to limit competition and prevent the evolution of forms of disaggregated supply of ancillary technical services.

On 22 February 2016, Telecom Italia appealed the AGCM decision to the Regional Administrative Court of Lazio.

On 21 March 2016 Telecom Italia paid the above mentioned fine (however this payment was conditionally made in the light of the still pending appeal filed before the Administrative Court of Lazio).

VODAFONE

In August 2013, Vodafone, as the company into which operator Teletu has been incorporated, submitted to the Milan Court a claim for damages for presumed abusive and anticompetitive behavior (founded principally on AGCM case A428), which Telecom Italia allegedly carried out in the period 2008 to 2013. Vodafone sought damages totaling between 876 and 1,029 million euros.

In particular, Vodafone alleged technical boycotting activities, with refusal to activate lines requested for Teletu customers (in the period from 2008 to June 2013), together with the adoption of allegedly abusive price policies for wholesale network access services (period from 2008 to June 2013). Furthermore, the other party complained of the presumed application of discounts to business customers greater than those planned ("margin squeezing") and the carrying out of presumed illegal and anticompetitive winback 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 the other party regarding the matter and the amount and making a counterclaim. The judgment in question has been suspended, while awaiting the judgment of the Supreme Court (Court of Cassation) on the Company's appeal against the order with which the Court rejected the Company's argument that it did not have territorial jurisdiction.

With a writ of summons dated 28 May 2015, before the Milan Court, Vodafone advanced further claims for compensation, based on the same AGCM case A428 and referring to alleged damages it suffered in the period July 2013 to December 2014, for approximately 568.5 million euros.

The case also allows for further damages to be quantified, during the proceedings, for subsequent periods during which the alleged abusive conduct may have continued. The first hearing is scheduled for July 2016.

FASTWEB

In April 2014, Fastweb and Telecom Italia reached a technical-procedural agreement to waive the arbitration proceedings started by Fastweb in January 2011 by virtue of 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 content of the AGCM's A428 decision, Fastweb has quantified this claim to be 1,744 million euros.

The company filed an appeal challenging the claims made by Fastweb regarding the matter, as well as the amount of damages, and has made a counterclaim. Subsequently, as part of a structured agreement between the parties, the case ended with a settlement.

BT ITALIA

With a writ of summons in June 2015, BT Italia has advanced, before the Milan Court, claims for compensation of approximately 638.6 million euros against Telecom Italia referring to alleged damages suffered, during the period from 2009 to 2014, due to technical boycotting and margin squeezing (these claims refer to the known AGCM A428 case). BT Italia, assuming that the unlawful conduct of Telecom Italia is still occurring, also proposes to update the claim for damages up to the month of May 2015, recalculating the total to be 662.90 million euros. Telecom Italia filed an appearance, challenging the claims of the other party. As part of a structured agreement between the Parties, the case was recently settled.

COLT TECHNOLOGY SERVICES

With a writ of summons served in August 2015, before the Milan Court, operator Colt Technology Services claimed damages based on the decision in case A428, referring to alleged damages suffered over the period

2009 to 2011, due to the presumed inefficient and discriminatory conduct of Telecom Italia in the process of supplying wholesale services. The damage claimed was quantified as 27 million euros in loss of profits for the alleged non-acquisition of new costumers, or for the alleged impossibility of supplying new services to the customers it had already acquired. Colt Technology Services also formulated an express request for compensation for the damages to its image and commercial reputation. This case follows the extrajudicial claim for approximately 23 million euros, previously advanced by Colt in June 2015, which the Company rejected in its entirety. The Company filed an appearance, contesting the claims of Colt Technology Services in full.

KPNQ West Italia S.p.A.

With a writ of summons issued by the Rome Court, KPNQ West Italia has sued Telecom Italia, claiming damages of 38 million euros for alleged abusive and anti-competitive conduct during the period 2009 to 2011, through technical boycotting (KOs and refusals to activate wholesale services). These claims were based on the content of the Italian Competition Authority ruling that settled the A428 case. Telecom Italia filed an appearance challenging the claims of the other party.

TISCALI

With a writ of summons issued before the Milan Court, served in January 2015, Tiscali has claimed damages of 285 million euros for alleged abusive behavior by Telecom Italia in the years 2009 to 2014, through technical boycott activities and by making economic offers to its business clients, in areas open to LLU service, which their competitors were not capable of replicating due to the alleged excessive squeezing of their discount margins. Tiscali's claim is based on the content of AGCM case A428. This dispute was settled in June 2015.

TELEUNIT

With a writ of summons issued before the Rome Court, Teleunit has brought claims for compensation against Telecom Italia in an amount of 35.4 million euros, on the same grounds as the A428 antitrust proceeding. In particular, Teleunit claims to have been subject to, during the period of 2009 to 2010, abusive behavior in the nature of technical boycotts (refusal of the activation of services for the access to the network – KO) and anticompetitive practices of “margin squeezing” (excessive pressure on the discount margins that is deemed abusive in that they are not replicable by the competitors). The preliminary hearing is scheduled for September 2016. Telecom Italia intends to defend against these claims.

With a writ issued in October 2009, before the Milan Appeals 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.

After the ruling of January 2014 with which the Court of Appeal declared that it was not competent in this matter, Teleunit reinstated the case before the Milan Court the following April.

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

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. The complainants quantified their damages at a total of approximately 730 million euros.

The case follows a precautionary procedure in which the Milan Appeals Court prohibited certain behaviors of the company relating to the management of some financial relations with Eutelia and Voiceplus

concerning the Non Geographic Numbers, for which Telecom Italia managed the payments from the end customers, on behalf of such OLOs and in the light of regulatory requirements.

After the ruling pursuant to which the Milan Appeals Court 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 Appeals Court. The first hearing took place in March 2014. Telecom Italia filed an appeal challenging the claims of the other parties. After the collapse of Voiceplus, the Milan Court declared the case suspended, in an order in September 2015. The case was subsequently resumed by Voiceplus.

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

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 Forli, in the context of proceedings in which the defendants included one subsequently suspended employee and three former employees of the company.

In September 2013, the 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 deemed to be territorially competent.

This matter was the subject of an audit and an internal investigation 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 address some invoices issued to the San Marino companies 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 judgments issued in the lower courts established an outcome that was partially favourable to Olivetti, and have been appealed by Poste in individual rehearings.

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

After the judgment 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 judgment was resubmitted to another section of the Rome Appeals Court.

Elinet S.p.A. bankruptcy

The receivers of collapsed Elinet S.p.A., and subsequently the receivers of Elitel S.r.l. and Elitel Telecom S.p.A. (the controller of the Elitel group at the time), have appealed the judgment of the Rome Court rejecting the claims for compensation made by the receivers of Elinet-Elitel, reasserting a claim for damages totaling 282 million euros. The claims made concern the alleged performance of management and coordination activities by the Company, and with it the Elitel group (an alternative operator in which Telecom Italia has never had any type of interest), allegedly enacted by trade receivables management. Telecom Italia filed an appearance, challenging the claims of Elinet S.p.A.

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

With regard to the judgments 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 (for a total amount of 113 million euros), the Administrative Court (TAR) for Lazio rejected the Company'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 against revenues not received due to bad debts. Telecom Italia lodged an appeal.

Through two further judgments, the Administrative Court (TAR) for Lazio, reiterating the reasons expressed previously, also rejected the appeals in which the company challenged the requests for payment of outstanding balances of licence fees for the years 1995 and 1996 to 1998, in the amount of approximately 46 million euros. Telecom Italia has appealed these judgments before the Council of State.

Vodafone Dispute - Universal Service

In a decision published in July 2015, the Council of State rejected the appeal lodged by AGCom and Telecom Italia against the judgment of the Lazio Administrative Court (TAR) on the financing of the universal service obligation for the period 1999 to 2003, in which the administrative judge granted the appeals by Vodafone against AGCom decisions 106-109/11/CONS on the renewal of the related proceedings, adding Vodafone to the list of subjects required to contribute a sum of approximately 38 million euros. Essentially, the judgment confirms that AGCM has not demonstrated the particular degree of "replaceability" between fixed and mobile telephony for mobile operators to be included among the subjects required to repay the cost of the universal service, which means that AGCom needs to issue a new ruling.

Telecom Italia has instituted renewal proceedings at AGCom and an appeal at the Italian Supreme Court against the ruling of the Council of State on the grounds that it has exceeded its jurisdictional authority.

In April 2016 Vodafone appealed against the Ministry of Economic Development and Telecom Italia to the Council of State, for non-compliance with the judgment of the Council of States that had already been appealed by Telecom Italia. This appeal referred to AGCom decision 109/11/CONS (2003 yearly payment, on the basis of which Vodafone had paid the sum of approximately 9 million euros as contribution, restitution of which was requested).

Formal Notice of Assessments against Telecom Italia S.p.A.

On 29 October 2015, the Guardia di Finanza concluded a tax investigation into Telecom Italia S.p.A., started in 2013, regarding the period from 2007 to 2014. The formal notice of assessment (*Processo Verbale di Constatazione*, or PVC) contained two substantial findings. The first one relates to the presumed missed charge of royalties to the company's indirect subsidiary Tim Brasil, for the use of the "TIM" brand. The second one concerns the alleged missed withholding tax on interest paid to the subsidiary Telecom Italia Capital S.A.

It should be noted that the PVC does not involve demands for payment since the decision as to whether or not assessment notices are to be issued is to be made by the Revenues Agency.

On this point, in December 2015, based on the aforementioned formal notice of assessment, the Milan Revenues Agency served assessment notices on the Company for the 2010 fiscal year.

Telecom Italia believes that it has correctly fulfilled all of its tax obligations and in May 2016 filed an initial defence before the first level Tax Commission (*Commissione Tributaria Provinciale*).

Olivetti – Asbestos exposure

In September 2014, the Ivrea Public Prosecutor's Office closed the investigation on the presumed exposure to asbestos of 15 former workers of 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.", "Sixel S.p.A." and "Olteco S.p.A." and served notice that the investigations had been concluded on the 39 people investigated (including former Directors of the aforementioned companies).

In 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.

During the preliminary hearing, which started in April 2015, Telecom Italia assumed the role of civilly liable party, after being formally summoned by all 26 civil parties (institutions and individuals) joined in the proceedings. At the end of the preliminary hearing, 18 of the original 33 persons accused were committed for trial.

The trial started in November 2015, and prosecution experts and witnesses are currently giving evidence. As party liable for damages, the Company has, as of now, settled with 12 of the 18 individuals (heirs/injured persons/family members), who have taken steps to withdraw from the legal proceedings against the accused and the legal proceedings against Telecom Italia as civil defendant.

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 claimant's allegations, such damages would be related to matters emerging in the context of the criminal proceedings pending before the Court of Milan regarding, among others, unlawful activities of former employees of Telecom Italia.

The investigatory phase has been completed and the hearing took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case.

In September 2015, the Board of Arbitration declared the proceedings closed. Subsequently, the Board of Arbitration allowed the parties to exchange short arguments and the ICC Court extended the term for the filing of the award.

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 Brasil group as guarantee ("*Alienação Fiduciária*") for the indemnity obligations undertaken by the Docas group upon acquisition of Intelig (a Docas group subsidiary) through 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 Board 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 Court of Arbitration 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, Docas and JVCO filed their "Statement of Claim". In March 2014, the counterclaim by Tim Brasil, Tim Participações and Intelig was filed, and the discovery phase started. In February 2015 the statements of defence of all the parties were filed, in view of the examination hearing.

In September 2015, there was an examination hearing in Rio de Janeiro, in which the witnesses were cross-examined and legal and financial experts gave evidence.

In December 2015, the parties filed their final arguments. The Tim Brasil group also asked that JVCO's application for the appointment of an expert by the Court be rejected.

The statements of costs were filed in January 2016. Tim's counsel believes that the Board of Arbitration will file its award soon.

Brazil - JVCO Dispute

In September 2013, Telecom Italia was served notice of judicial proceedings started by JVCO Participações Ltda. (**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 by Telecom Italia and Telecom Italia International is declared abusive, and for compensation to be awarded for the damages caused by the exercise of such allegedly abusive control, the amount of which should be determined during the proceedings.

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

In November 2014, JVCO appealed against the judgment of the court of first instance. On 10 December, 2014 Telecom Italia, Telecom Italia International and Tim Participações filed both their respective responses to this appeal and their own appeal against the costs awarded to them in the judgment of the court of the first instance, deemed to be too low. Subsequently, JVCO filed a response to the appeal filed by Telecom Italia, Telecom Italia International and Tim Participações.

In June 2015, JVCO withdrew its appeal and as a result the judge closed the case.

Brazil - CAM JVCO Arbitration

In September 2015, JVCO Participações Ltda filed an application for arbitration before the Camara de Arbitragem do Mercado (**CAM**), based in Rio de Janeiro, against Telecom Italia, Telecom Italia International, Tim Brasil Serviços e Participações S.A. and Tim Participações S.A., claiming compensation for damages due to an alleged abuse of controlling power over Tim Participações. In October, all the companies entered appearances and filed statements of defence.

Constitution of the Board of Arbitration is underway.

b) Other information

Mobile telephony - criminal proceedings

In March 2012, Telecom Italia was served notice of the conclusion of the preliminary enquiries, which showed that 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 (the suspensions were 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 a civil party to the trial and, in November 2013, the motions were filed reaffirming that Telecom Italia was not a participant in the offences claimed.

In April 2016, at the end of the trial, the Public Prosecutor asked for Telecom Italia to be sentenced to pay an administrative fine of 900 thousand euros, but decided not to ask for any of the presumed profits of the offences to be confiscated (quantified in the committal proceedings as totaling several million euros), based on the assumption that Telecom Italia had in any event remedied the presumed organisational inadequacies. While acknowledging the notable redimensioning of the accusations, the company will argue in the trial for the Court to recognise its total non-involvement in the facts at issue.

Dispute concerning the licence fees for 1998

Telecom Italia has initiated civil proceedings against the Presidenza del Consiglio dei Ministri (the office of the Prime Minister) for compensation for damage caused by the Italian State through appeal judgment 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 on which the proceedings are founded 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 judgment that has become definitive, in respect of which no other remedy may be applied. The judgment of the Council of State definitively denied the right of Telecom Italia to restitution of the concession charge for 1998 (totalling 386 million euros for Telecom Italia and 143 million euros for Tim, plus interest), which had already been rejected by the Lazio regional administrative court despite the favourable and binding opinion of the European Court of Justice in February 2008 concerning the conflict between EC Directive 97/13 on general authorisations and individual licences in the telecommunications services industry, and the national regulations that had deferred, for 1998, the obligation to pay the fee payable by telecommunications concession holders, despite the intervening deregulation process. The 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 (a 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. In March 2015 the Rome Court issued its judgment in the first instance, declaring the Company's application inadmissible. Telecom Italia has appealed this decision and the judgment is pending the closing arguments phase.

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. The Interior Ministry and Telecom Italia are obliged, jointly, to provide the security (or establish another form of guarantee), on the understanding that the fulfilment of this obligation by one of the parties will exempt the other from having to establish a second identical guarantee and that if the guarantee is enforced against the main obliged party, that party shall retain the possibility of acting by way of recourse against the other party.

TELECOM ITALIA GROUP – SELECTED FINANCIAL INFORMATION AND STATISTICAL OPERATING DATA

Financial information prepared in accordance with IFRS at and for the years ended 31 December 2015 and 2014

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 2015 and 2014, which has been extracted or derived from the audited Consolidated Financial Statements of the Telecom Italia Group included in the 2015 Telecom Italia Annual Report (which is incorporated by reference) and which have been audited by PricewaterhouseCoopers S.p.A. as independent auditors.

In 2015, 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 2015, described in the audited Consolidated Financial Statements of the Telecom Italia Group included in the 2015 Telecom Italia Annual Report and incorporated by reference herein.

The financial information described below should be read in conjunction with the 2015 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**).

The selected financial data set forth below includes, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures (such as Operating profit/Revenues (ROS), Net Financial Debt) that are presented for purposes of a better understanding of the trend of operations and the financial condition. Such measures should, however, not be considered as a substitute for those required by IFRS.

In particular, as regards to Operating profit/Revenues (ROS), Telecom Italia believes that such measure represents an accurate indicator of how efficiently the Group is generating profits from its top-line revenues. In fact, ROS measures the performance of an entity by analyzing the percentage of total revenues that is converted into operating profit. This financial measure is used by Telecom Italia in internal and external presentations to analysts and investors. ROS is also used to compare current period calculations with calculations from previous periods. This allows Telecom Italia to conduct trend analysis and compare internal efficiency performance over time.

For further details about Net Financial Debt please also see note 5 to the Telecom Italia Group – selected financial information and statistical operating data at and for the years ended 31 December 2015 and 2014.

	Year ended 31 December	
	2015(*)	2014(*)
	<i>(millions of euros, except percentages, ratios, employees and per share amounts)</i>	
Separate Consolidated Income Statement Data:		
Revenues	19,718	21,573
Operating profit (loss)	2,961	4,530
Profit (loss) before tax from continuing operations	447	2,347
Profit (loss) from continuing operations	46	1,419
Profit (loss) from Discontinued operations/Non-current assets held for sale	611	541
Profit (loss) for the year	657	1,960
Profit (loss) for the year attributable to owners of the Parent ⁽¹⁾	(72)	1,350
Capital expenditures	5,197	4,984
Financial Ratios:		
Operating profit (loss)/Revenues (ROS)	15.0%	21.0%
Employees, average number in the Group, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (average number)	61,553	59,285
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)	15,465	15,652
Basic and Diluted Earnings per Share (EPS)⁽²⁾:		
Ordinary Share	0.00	0.06
Savings Share	0.00	0.07
Dividends:		
per Ordinary Share	— ⁽³⁾	— ⁽³⁾
per Savings Share	0.0275 ⁽³⁾	0.0275 ⁽³⁾

	As of 31 December	
	2015	2014
	<i>(millions of euros, except employees)</i>	
Consolidated Statement of Financial Position Data:		
Total Assets	71,232	71,551
Equity:		
Equity attributable to owners of the Parent.....	17,610	18,145
Non-controlling interests	3,723	3,554
Total Equity	21,333	21,699
Total Liabilities	49,899	49,852
Total Equity and Liabilities	71,232	71,551
Share Capital ⁽⁴⁾	10,650	10,634
Net Financial Debt carrying amount ⁽⁵⁾	28,475	28,021
Adjusted Net Financial Debt ⁽⁵⁾	27,278	26,651
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)	65,867	66,025
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (number at year-end).....	16,228	16,420

	As of 31 December	
	2015	2014
	<i>(thousands)</i>	
Statistical Data:		
Domestic (Italy) Business Unit		
Physical accesses ⁽⁶⁾	19,209	19,704
<i>Of which physical accesses (retail)</i>	<i>11,742</i>	<i>12,480</i>
Broadband accesses ⁽⁷⁾	8,890	8,750
<i>Of which retail broadband accesses</i>	<i>7,023</i>	<i>6,921</i>
Mobile lines	30,007	30,350
Brazil Business Unit		
Mobile lines ⁽⁸⁾	<u>66,234</u>	<u>75,721</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. The agreements made in connection with this transaction were subsequently modified in October 2014. On 8 March 2016, the Telecom Italia Group completed the sale of Sofora—Telecom Argentina group.
- (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 year, 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 14,889,773,009 for the year ended 31 December 2015 and 14,851,386,060 for the year ended 31 December 2014 (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 6,026,677,674 for the year ended 31 December 2015 and 6,026,120,661 for the years ended 31 December 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 (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 2015, was clipped on 20 June 2016, and was payable from 22 June 2016.
- (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 2015 and 31 December 2014 is calculated as follows:

	As of 31 December	
	2015	2014
	<i>(millions of euros)</i>	
Non-current financial liabilities		
Current financial liabilities		
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	348	43
Gross Financial Debt (A)	37,090	37,054
Non-Current Financial Assets (B)	(2,989)	(2,445)
Current financial assets:		
– Securities other than investments.....	(1,488)	(1,300)
– Financial receivables and other current financial assets	(352)	(311)
– equivalents cash and Cash	(3,559)	(4,812)
– Financial assets relating to Discontinued operations/Non-current assets held for sale	(227)	(165)
Total Current Financial Assets (C)	(5,626)	(6,588)
Financial Assets (D = B + C)	(8,615)	(9,033)
Net Financial Debt Carrying Amount (A + D)	28,475	28,021
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	<i>(1,197)</i>	<i>(1,370)</i>
Adjusted Net Financial Debt	27,278	26,651

- (6) “Physical accesses” does not include full-infrastructured OLOs and FWA-Fixed Wireless Access.
- (7) “Broadband accesses” does not include LLU and NAKED, satellite and full-infrastructured OLOs and FWA-Fixed Wireless Access.
- (8) Starting from 2014, data also includes company lines (active SIM cards used by the TIM Brasil group and its employees).

Financial information prepared in accordance with IFRS at and for the three months ended 31 March 2016 and 2015

The summary selected financial data set forth below, which has been extracted or derived from the Unaudited Condensed Consolidated Financial Statements at 31 March 2016, 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 2016 and 2015 (revised); and
- (ii) with respect to the statement of financial position information, the unaudited financial data as of 31 March 2016 and as of 31 December 2015 (revised).

The accounting policies and consolidation principles adopted in the preparation of the Unaudited Condensed Consolidated Financial Statements at 31 March 2016 are the same as those adopted in the Telecom Italia Group annual Audited Consolidated Financial Statements at 31 December 2015, to which reference can be made, except for the application of the new Standards/Interpretations adopted by the Group from 1 January 2016. However, as described in the notes to the Unaudited Condensed Consolidated Financial Statements at 31 March 2016, the new Standards/Interpretations had no effects on the Consolidated Financial Statements of the Group.

Within the Brazil Business Unit, Management recently identified that incorrect accounting entries were made in prior years in connection with the recognition of service revenues from the sale of prepaid traffic. Such incorrect accounting entries, which did not have any impact either in terms of net financial position nor on cash and cash equivalents, resulted in the early recognition of revenues with respect to prepaid traffic not yet consumed. The comparative financial information as of 31 December 2015 and for the three-month period ended 31 March 2015, has been therefore revised, with no material impact on the figures under comparison.

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 2016 are not necessarily indicative of results that may be expected for the entire year.

Other than the completion of the sale of the Sofora – Telecom Argentina group, in the three month period ended 31 March 2016 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.

The selected financial data set forth below includes, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures (such as Operating profit/Revenues (ROS), Net Financial Debt) that are presented for purposes of a better understanding of the trend of operations and the financial condition. Such measures should, however, not be considered as a substitute for those required by IFRS.

In particular, as regards to Operating profit/Revenues (ROS), Telecom Italia believes that such measure represents an accurate indicator of how efficiently the Group is generating profits from its top-line revenues. In fact, ROS measures the performance of an entity by analyzing the percentage of total revenues that is converted into operating profit. This financial measure is used by Telecom Italia in internal and external presentations to analysts and investors. ROS is also used to compare current period calculations with calculations from previous periods. This allows Telecom Italia to conduct trend analysis and compare internal efficiency performance over time.

For further details about Net Financial Debt please also see note 4 to the Telecom Italia Group – selected financial information and statistical operating data at and for the three months ended 31 March 2016 and 2015.

Telecom Italia Group – Correction of errors

Within the Brazil Business Unit, Tim Brasil's Management recently identified that incorrect accounting entries were made in prior years in connection with the recognition of service revenues from the sale of prepaid traffic.

Such incorrect accounting entries, which were attributable to the method used for recognising prepaid traffic revenues in non-recent years, resulted in the early recognition of revenues and consequently the underestimation of deferred revenue liabilities for prepaid traffic not yet consumed. The incorrect accounting entries did not have any impact either in terms of net financial position nor on cash and cash equivalents.

In assessing the level of significance of the error for the purposes of the related financial statement presentation in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), Management also considered US accounting standards and related guidance.

In particular, this analysis indicated that the impact of the error was not material with respect to consolidated results of operations for each of the years ended 31 December 2015, 2014 and 2013 but the correction of the cumulative error as of 31 December 2015 would have a material impact on full-year consolidated results of operations for 2016, if entirely recognised at charge of such year.

In light of the above and for the purposes of Interim Report as of 31 March 2016, the Company's Management decided to revise the comparative financial information as of 31 December 2015 and for the three-month period ended 31 March 2015, segment information included. In accordance with IAS 1 and IAS 8, a revised statement of financial position as of 1 January 2015 is also presented.

Impacts of correction of errors are detailed below:

Separate consolidated income statements

(millions of euros)	Three months ended 31 March 2015		Three months ended 31 March 2015
	Historical (a)	Adjustments (b)	Revised (a+b)
Revenues	5,053	1	5,054
Operating profit (loss)	979	2	981
Profit (loss) before tax from continuing operations	163	3	166
Profit (loss) from continuing operations	89	3	92
Profit (loss) for the period	258	3	261
Profit (loss) for the period attributable to Owners of the Parent	80	2	82

Earnings per share

The correction of errors did not have any impact on the calculation of the Basic and Diluted Earnings Per Share.

Consolidated Statements of financial position

(millions of euros)

	As of 31 December 2015		As of 31 December 2015	As of 1 January 2015		As of 1 January 2015
	Historical (a)	Adjustments (b)	Revised (a+b)	Historical (c)	Adjustments (d)	Revised (c+d)
Total Assets	71,232	36	71,268	71,551	45	71,596
Equity						
Equity attributable to Owners of the Parent	17,610	(56)	17,554	18,145	(77)	18,068
Non-controlling interests	3,723	(28)	3,695	3,554	(38)	3,516
Total Equity	21,333	(84)	21,249	21,699	(115)	21,584
Current Liabilities	7,762	120	7,882	8,376	160	8,536
Total Equity and Liabilities	71,232	36	71,268	71,551	45	71,596

In addition to the correction of the early recognition of revenues, which led to the increase in liabilities for prepaid traffic not yet consumed, the related changes in indirect and direct taxes were also considered. Costs for sales commissions and related liabilities have been revised.

	Three months ended 31 March	
	2016 (Unaudited)	2015(*) (Revised) (Unaudited)
	<i>(millions of euros, except percentages, ratios, employees and per share amounts)</i>	
Separate Consolidated Income Statement Data:		
Revenues	4,440	5,054
Operating profit (loss)	704	981
Profit (loss) before tax from continuing operations	678	166
Profit (loss) from continuing operations	457	92
Profit (loss) from Discontinued operations/Non-current assets held for sale.....	47	169
Profit for the period	504	261
Profit (loss) for the period attributable to owners of the Parent ⁽¹⁾	433	82
Capital expenditures	944	964
Financial Ratios		
– Operating profit/Revenues (ROS)(%)	15.9%	19.4%
Employees, average number in the Group, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (average number)	59,369	59,437
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)	10,322	15,541
Basic and Diluted earnings per Share (EPS)⁽²⁾:		
Ordinary Share	0.02	0.00
Savings Share	0.03	0.01

	As of 31 March 2016 (Unaudited)	As of 31 December 2015 (Revised)
<i>(millions of euros, except employees)</i>		
Consolidated Statement of Financial Position Data:		
Total Assets	66,315	71,268
Equity:		
— Equity attributable to owners of the Parent	18,181	17,554
— Non-controlling interests	2,035	3,695
Total Equity	20,216	21,249
Total Liabilities	46,099	50,019
Total Equity and Liabilities	66,315	71,268
Share Capital ⁽³⁾	10,650	10,650
Net Financial Debt carrying amount ⁽⁴⁾	28,233	28,475
Adjusted Net Financial Debt ⁽⁴⁾	27,139	27,278

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)	65,107	65,867
Employees relating to the consolidated companies considered a Discontinued operations/Non-current assets held for sale (number at period-end)	-	16,228

	As of 31 March 2016	As of 31 December 2015
<i>(thousands)</i>		
Statistical Data:		
Domestic (Italy) Business Unit		
Physical accesses ⁽⁵⁾	19,145	19,209
<i>Of which retail physical accesses</i>	<i>11,602</i>	<i>11,742</i>
Broadband accesses ⁽⁶⁾	8,955	8,890
<i>Of which retail broadband accesses</i>	<i>7,067</i>	<i>7,023</i>
Mobile lines	29,846	30,007
Brazil Business Unit		
Mobile lines ⁽⁷⁾	67,269	66,234

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. The agreements made in connection with this transaction were subsequently modified in October 2014. On 8 March 2016, the Telecom Italia Group completed the sale of Sofora—Telecom Argentina group.
- (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 14,896,594,305 for the three months ended 31 March 2016 and 14,887,325,076 for the three months ended 31 March 2015;
- Savings Shares was 6,027,791,699 for the three months ended 31 March 2016 and 6,026,120,661 for the three months ended 31 March 2015.

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 2016 and 31 December 2015 is calculated as follows:

	As of 31 March 2016 (Unaudited)	As of 31 December 2015
	<i>(millions of euros)</i>	
Non-current financial liabilities	30,354	30,518
Current financial liabilities	4,440	
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	348
Gross Financial Debt (A)	34,794	37,090
Non-Current Financial Assets (B)	(2,766)	(2,989)
Current financial assets:		
– Securities other than investments	(735)	(1,488)
– Financial receivables and other current financial assets	(395)	(352)
– equivalents cash and Cash	(2,665)	(3,559)
– Financial assets relating to Discontinued operations/Non-current assets held for sale	-	(227)
Total Current Financial Assets (C)	(3,795)	(5,626)
Financial Assets (D = B + C)	(6,561)	(8,615)
Net Financial Debt Carrying Amount (A + D)	28,233	28,475
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	<i>(1,094)</i>	<i>(1,197)</i>
Adjusted Net Financial Debt	27,139	27,278

- (5) "Physical accesses" does not include full-infrastructured OLOs and FWA-Fixed Wireless Access.
- (6) "Broadband accesses" does not include LLU and NAKED, satellite and full-infrastructured OLOs and FWA-Fixed Wireless Access.
- (7) 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

The Shareholders' Meeting held on 16 April 2014 elected the Board of Directors of Telecom Italia (the **Board of Directors**) who will remain in office for the three years 2014-2016, until the approval of the 2016 annual financial statements..

The same Shareholders' Meeting established the number of Directors at 13; set the overall annual remuneration for the Board of Directors at 1,900,000 euros (to be divided among the members thereof in accordance with the resolutions to be adopted by the Board itself); authorised the Directors to continue with the activities specified in their respective *curricula vitae*, and released them from restrictions on competition, as permitted under Article 2390 of the Italian Civil Code.

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 as Chief Executive Officer of Telecom Italia.

The Shareholders' Meeting held on 15 December 2015 approved a shareholder proposal by Vivendi to increase the number of Directors of Telecom Italia from 13 to 17 members. Four new Directors, were appointed according to the proposal presented by Vivendi: Arnaud Roy de Puyfontaine, Stéphane Roussel, Hervé Philippe and Félicité Herzog. These new members will be in office for the remaining term of the existing Board of Directors. The Shareholders' Meeting also approved an increase in the overall remuneration of the Board of Directors, for the current term, in proportion to the number of Directors appointed (to 2,484,615 euros).

Telecom Italia and Mr. Marco Patuano reached an agreement to terminate Mr. Patuano's relationship as an employee and Director effective from 22 March 2016.

Subsequently, on 30 March 2016, effective immediately, the Board of Directors appointed Mr. Flavio Cattaneo, already a board director of the Telecom Italia, as the new Chief Executive Officer of the Telecom Italia.

At 31 March 2016 the Board of Directors was composed of the following:

Name	Age	Position	Appointed
Giuseppe Recchi	52	Chairman/Director	2014
Flavio Cattaneo	52	Chief Executive Officer/Director	2014
Arnaud Roy de Puyfontaine ⁽¹⁾	52	Director	2015
Tarak Ben Ammar.....	67	Director	2014
Davide Benello ⁽²⁾	62	Director	2014
Lucia Calvosa ⁽²⁾	54	Director	2014
Laura Cioli ⁽²⁾	52	Director	2014
Francesca Cornelli ⁽²⁾	53	Director	2014
Jean Paul Fitoussi ⁽³⁾	73	Director	2014
Giorgina Gallo ⁽²⁾	56	Director	2014
Félicité Herzog ⁽²⁾	48	Director	2015
Denise Kingsmill ⁽²⁾	69	Director	2014
Luca Marzotto ⁽²⁾	46	Director	2014
Hervé Philippe	57	Director	2015
Stéphane Roussel	54	Director	2015
Giorgio Valerio ⁽²⁾	49	Director	2014

Note:

- (1) On 27 April, 2016, the Board of Directors appointed the director Arnaud de Puyfontaine as Vice Chairman of the Company, without assigning him any delegated powers.
- (2) Independent Directors according to the Borsa Italiana Code.
- (3) Independent Directors according to legal requirements.

The business address of each of the members of the Board of Directors is Via Gaetano Negri 1, 20123 Milan, Italy.

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 Unipol Sai Assicurazioni S.p.A.

Tarak Ben Ammar

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

Lucia Calvosa

Lucia Calvosa is an Independent Director of Banca Monte dei Paschi di Siena S.p.A.

Francesca Cornelli

Francesca Cornelli is an Independent Director of Intesa San Paolo

Jean Paul Fitoussi

Jean Paul Fitoussi is a Director of Banca Sella Holding S.p.A.

Giorgina Gallo

Giorgina Gallo is an Independent Director of Intesa San Paolo 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	52	Chairman	2014
Flavio Cattaneo	52	Chief Executive Officer; Head a.i. of Consumer & Small Enterprise Market ⁽¹⁾	2016
Managers:			
Simone Battiferri.....	48	Head of ICT Solutions and Service Platforms ⁽²⁾	2012
Antonino Cusimano	51	Head of Legal Affairs	2008
Piergiorgio Peluso.....	48	Chief Financial Officer and Head of Administration Finance and Control; Head a.i. of Business Support Office	2012 2016
Francesco Micheli.....	70	Head of Progetti Speciali di Gruppo and Head a.i. of Human Resources and Organisational Development	2016
Cristoforo Morandini	53	Head of Regulatory Affairs & Equivalence	2015
Giuseppe Roberto Opilio	56	Head of Technology	2014
Stefano Ciurli.....	53	Head of Wholesale ⁽³⁾	2014
Stefano De Angelis	48	CEO Tim Participacoes	2016

Note:

(1) “Consumer” until 12 February 2016; such Function was subsequently renamed “Consumer & Small Enterprise Market”.

(2) “Head of Business” until 12 February 2016 . The position was subsequently renamed “Head of ICT Solutions and Service Platforms”.

(3) “Head of National Wholesale Services” until November 5, 2015. The position was subsequently renamed “Head of Wholesale”

The business address of each of the executive officers is Via Gaetano Negri 1, 20123 Milan, Italy.

Other Principal Activities

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 as of the date of this EMTN Programme Prospectus:

<u>Name</u>	<u>Position</u>	<u>Appointed</u>
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.

The business address of each of the members of the Board of Statutory Auditors is Via Gaetano Negri 1, 20123 Milan, Italy.

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
Paola Maria Maiorana	Chairman of the Board of Auditors of Moleskine S.p.A.
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

Where the Shareholders' Meeting of 16 April 2014 authorised the Directors appointed at that time to pursue the activities indicated in their respective *curricula vitae* (with release from the competition prohibition pursuant to art. 2390 of the Italian Civil Code, as necessary), the Shareholders' Meeting of 15 December 2015 did not approve the release from the competition prohibition of the new Directors in relation to the same activities, pursuant to article 2390 of the Italian Civil Code, where applicable. Regarding this, the Board of Directors proceeded to further consideration (carried out with the support of legal and business experts) and ascertained that the conditions for the application of the competition prohibition to Directors de Puyfontaine, Roussel, Philippe and Herzog did not exist, having considered the activities they undertake, as described in their respective *curricula vitae*.

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 on commercial companies of 10 August 1915, 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 Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés de Luxembourg*) under number 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 Luxembourg law on commercial companies of 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

Respectively on 9 June 2016 and 10 June 2016, the Boards of Directors of TI Finance and of Telecom Italia International N.V. (100% owned by Telecom Italia) approved the "Joint merger plan" in view of the merger of Telecom Italia International N.V. (**TI International**) with and into TI Finance. According to the terms of the merger, all assets and liabilities of TI International will be transferred by universal succession to TI Finance which will be vested with all right and liabilities of TI International and TI International will cease to exist.

The execution of the merger is subject to the approval by extraordinary shareholders' meetings of both TI Finance and TI International which are expected to take place by the end of July 2016. Once approved by the shareholders, the merger will be will effective as soon as the resolutions are published in accordance with applicable law.

**SELECTED FINANCIAL INFORMATION OF TI FINANCE FOR THE YEARS ENDED 31
DECEMBER 2015 AND 2014**

Balance Sheets

	As of 31 December 2015 (1)	As of 31 December 2014
	(€)	
Assets		
A) Subscribed capital unpaid	-	-
B) Formation expenses	10,554,232.53	19,674,097.23
C) Fixed assets		
Tangible fixed assets	152,324.82	24,145.81
Financial fixed assets:		
— Shares in affiliated undertakings	1,500,102,114.29	1,471,758,457.84
— Amounts owed by affiliated undertakings	2,859,479,169.08	2,286,938,623.51
— Shares in undertakings with which the undertaking is linked by virtue of participating interests	42,485.23	43,950.75
— Securities and other financial instruments held as fixed assets	2,576,031.94	4,735,461.35
Total C)	4,362,352,125.36	3,763,500,639.26
D) Current assets		
Debtors:		
— Amounts owed by affiliated undertakings	1,301,013,499.61	3,157,771,498.54
— Other receivables	343,719,260.95	229,931,552.44
Transferable securities and other financial instruments:		
— Other transferable securities and other financial instruments	1,177,764,698.87	1,036,572,161.05
Cash at bank, cash in postal cheque accounts, cheques and cash in hand	1,083,897,276.58	1,887,897,795.91
Total D)	3,906,394,736.01	6,312,173,007.94
E) Prepayments	531,042.38	540,960.88
	8,279,832,136.28	10,095,888,705.31
Shareholders' Equity and Liabilities		
A) Capital and reserves		
Subscribed capital	542,090,241.00	542,090,241.00
Reserves:		
— Legal reserve	21,799,229.82	16,626,743.45
— Other reserves	865,769,812.13	865,769,812.13
Profit or loss brought forward	384,075,379.07	285,798,137.99
Profit or loss for the financial year	68,048,586.21	103,449,727.45
Total A)	1,881,783,248.23	1,813,734,662.02
B) Subordinated debts	1,310,225,068.31	1,310,253,082.19
C) Provisions		
Provision for taxation	1,798,277.58	1,475,617.75
Other provisions	1,522,117.81	1,534,728.73
Total C)	3,320,395.39	3,010,346.48
D) Non subordinated debts		
Non convertible notes:		
— becoming due and payable within one year	73,756,620.86	74,351,486.84
— becoming due and payable after more than one year	1,015,816,505.78	1,152,871,983.98
Amounts owed to credit institutions:		
— becoming due and payable within one year	347,411,504.84	198,541,246.71
— becoming due and payable after more than one year	152,590,218.97	137,712,593.82
Trade creditors	543,958.70	318,621.41
Amounts owed to affiliated undertakings		
— becoming due and payable within one year	1,821,871,398.44	3,755,284,381.85
— becoming due and payable after more than one year	1,609,649,177.08	1,497,604,440.76
Social security debts	37,546.99	32,654.23
Other creditors		
— becoming due and payable within one year	11,591,199.35	13,000,688.33
— becoming due and payable after more than one year	23,350,685.59	79,872,368.48
Total D)	5,056,618,816.60	6,909,590,466.41
E) Deferred income	27,884,607.75	59,300,148.21
	8,279,832,136.28	10,095,888,705.31

Income Statements

	As of 31 December 2015 (1)	As of 31 December 2014
	(€)	
Income		
Net turnover	200,474.69	103,209.04
Other operating income	900.00	-
Income from financial fixed assets:		
— derived from affiliated undertakings	183,485,169.62	137,090,807.71
— other income from participating interests	1,219,475.60	278,400.23
Income from financial current assets:		
— other income	12,714,984.63	26,991,476.62
Other interest and other financial income		
— derived from affiliated undertakings	270,582,723.26	242,075,379.43
— other interest receivable and similar income	496,718,203.55	471,052,917.75
Extraordinary income	8,491.96	10,389.99
	964,930,423.31	877,602,580.77
Expenses		
Use of merchandise, raw materials and consumable materials	15,032.09	13,332.40
Other external charges	1,165,048.71	983,443.25
Staff costs:		
— Salaries and wages	925,279.30	848,932.21
— Social security on salaries and wages	98,895.43	94,064.01
— Supplementary pension costs	50,789.92	48,742.87
— Other social costs	3,627.54	4,389.71
Value adjustments:		
— on formation expenses and on tangible and intangible fixed assets	9,137,805.43	8,422,701.24
Other operating charges	146,787.75	242,265.09
Value adjustments and fair value adjustments on financial fixed assets	1,977,405.16	946,347.44
Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities	20,569,065.21	3,746,733.43
Interest and other financial charges		
— concerning affiliated undertakings	156,953,993.08	124,431,512.24
— other interest and similar financial charges	707,400,375.68	632,516,485.09
Extraordinary charges	692.44	-
Income tax	180,797.36	322,909.34
Other taxes not included in the previous caption	(1,743,758.00)	1,530,995.00
Profit for the financial year	68,048,586.21	103,449,727.45
	964,930,423.31	877,602,580.77

Note:

- (1) TI Finance's selected financial data as of and for the year ended 31 December 2015 have been extracted from Telecom Italia Finance's audited financial statements for the year ended 31 December 2015 (the 2015 Financials) prepared in accordance with Luxembourg GAAP, which have been approved by the shareholders of Telecom Italia Finance at its Annual Meeting held on 6 April 2016.

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.

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 Law No. 190 of 23 December 2014 (**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 income (income from capital and financial capital gains), as certified by the relevant withholding agent, and a notional 20 per cent. taxation, to the extent that such income is invested in medium- and long-term investments (as identified by the Decree of the Minister of Economy and Finance

of 19 June 2015, published in the Official Gazette No. 175 of 30 July 2015). 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 Article 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 invested in medium-and long-term financial investments (as identified by the Decree of the Minister of Economy and Finance of 19 June 2015, published in the Official Gazette No. 175 of 30 July 2015) 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 a decree to be issued under the authority of Article 11(4)(c) of Decree No. 239 (as amended by Legislative Decree No. 147 of 14 September 2015) or 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 income (income from capital and financial capital gains), as certified by the relevant withholding agent, and a notional 20 per cent. taxation, to the extent that such income is invested in medium- and long-term investments (as identified by the Decree of the Minister of Economy and Finance of 19 June 2015, published in the Official Gazette No. 175 of 30 July 2015). 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 income (income from capital and financial capital gains), as certified by the relevant withholding agent, and a notional 20 per cent. taxation, to the extent that such income is invested in medium- and long-term investments (as identified by the Decree of the Minister of Economy and Finance of 19 June 2015, published in the Official Gazette No. 175 of 30 July 2015). 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 Law Decree No. 66 of 24 April 2014 (**Decree No. 66**), converted with amendments into Law No. 89 of 23 June 2014, 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 managed 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 invested in medium- and long-term financial investments (as identified by the Decree of the Minister of Economy and Finance 19 June 2015, published in the Official Gazette No. 175 of 30 July 2015) 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 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 Notes) 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 can generally 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 Economy and 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.

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*), a temporary budget balancing tax (*impôt d'équilibrage budgétaire temporaire*) 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, the solidarity surcharge and the temporary budget balancing tax. 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 the exception 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 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg individual residents and to certain residual entities securing interest payments on behalf of Luxembourg individual residents 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 by paying agents located in an EU Member State other than Luxembourg, a Member State of the EEA other than an EU Member State or in certain dependent or associated territories of EU Member States.

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 or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

No gift, estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes, or in the case of a gift, the gift is neither recorded in a Luxembourg notarial deed nor registered in Luxembourg.

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate of inheritance for tax assessment purposes.

The proposed European financial transactions tax (FTT)

The European **Commission** has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. In December 2015, Estonia withdrew from the group of states willing to introduce the FTT (the **Participating Member States**).

The proposed FTT 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 current proposals, 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.

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.

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 certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. Telecom Italia Finance S.A. may be a foreign financial institution for these purposes. A number of jurisdictions (including Italy and Luxembourg) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding, in either case unless materially modified after such date (including by reason of a substitution of the relevant Issuer). However, if additional Notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

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 8 July 2016 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, as amended (the **Code**) and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether United States Treasury Regulation § 1.163-5(c)(2)(i)(C) (or any successor provision in substantially similar form that are applicable for purposes of Section 4701 of the Code) (the **TEFRA C Rules**) or United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (or any successor provision in substantially similar form that are applicable for purposes of Section 4701 of the Code) (the **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 EEA 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) be 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) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any 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 resolutions 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 Prospectus Act 2005, 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 2015 Telecom Italia Annual Report and the 2014 Telecom Italia Annual Report;
- (c) the audited unconsolidated financial statements of TI Finance in respect of the financial years ended 31 December 2015 and 31 December 2014;

- (d) the Telecom Italia Group’s Quarterly Report at 31 March 2016;
- (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 [93 to 94] and page [164] of this Base Prospectus, there has been no significant change in the financial or trading position of Telecom Italia since 31 March 2016 and there has been no significant change in the financial or trading position of TI Finance since 31 December 2015. There has been no material adverse change in the financial position or prospects of each of the Issuers since 31 December 2015.

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 2015 and 31 December 2014, 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 dei 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 2015 and 31 December 2014 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, Grand Duchy of 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 2014 and the 12 months ended 31 December 2015 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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Italy

**REGISTERED AND HEAD OFFICE OF
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L-2453 Luxembourg

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ISSUING AND PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch

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LUXEMBOURG PAYING AGENT

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Citigroup Global Markets Limited
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