

IMPORTANT NOTICE

You must read the following disclaimer before continuing. The following applies to the offering memorandum following this notice. Read this disclaimer carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them anytime you receive any information from us as a result of such access.

The offering memorandum has been prepared in connection with the proposed offer and sale of the debt securities (the “**Securities**”) described therein.

THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the Securities described therein, you must be a qualified institutional buyer (“**QIB**”) (within the meaning of Rule 144A under the Securities Act (“**Rule 144A**”). The offering memorandum is being sent at your request. By accepting this electronic transmission and accessing the offering memorandum, you shall be deemed to have represented to us and the joint lead managers set forth in the offering memorandum (collectively, the “**Joint Lead Managers**”) that you consent to the delivery of such offering memorandum by electronic transmission and you and any customers you represent are QIBs.

This offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the offering and sale of the Securities be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering of the Securities shall be deemed to be made by them or such affiliate on behalf of Telecom Italia S.p.A. (the “**Issuer**”) in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. Documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently, none of the Issuer and the Joint Lead Managers, nor any person who controls any of the Issuer or Joint Lead Managers, or any of their respective directors, officers, employees or agent of theirs, respectively, or any affiliate of any of the foregoing persons, accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

**TELECOM ITALIA S.p.A.**

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

U.S. \$1,500,000,000 5.303% Senior Notes due 2024

The U.S. \$1,500,000,000 5.303% Senior Notes due 2024 (the “**Securities**”) will be issued by Telecom Italia S.p.A. (the “**Issuer**” or “**Telecom Italia**”) on May 30, 2014 (the “**Issue Date**”).

The Securities will bear interest on their principal amount at a rate of 5.303% per annum. Interest on the Securities will be paid on May 30 and November 30 of each year, beginning on November 30, 2014 (each an “**Interest Payment Date**”).

Telecom Italia may redeem some or all of the Securities at the redemption prices described in this Offering Memorandum at any time. The Securities may also be redeemed at 100% of their principal amount in whole but not in part upon the occurrence of certain tax events described in this Offering Memorandum. See “*Description of the Securities—Redemption*”.

The Securities constitute direct, unsecured and unsubordinated obligations of Telecom Italia and will rank equally with Telecom Italia’s other senior unsecured indebtedness. The Securities will be issued in minimum denominations of U.S. \$200,000 and integral multiples of U.S. \$1,000 thereof.

An investment in the Securities and the Receipts involves certain risks that are described in the “Risk Factors” section beginning on page 18 of this Offering Memorandum.

Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Investments Directive (2004/39/EC). This document constitutes the listing particulars (the “**Listing Particulars**”) in respect of the admission of the Securities to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange and application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars.

The Securities will be issued pursuant to the terms of the indenture to be dated May 30, 2014, as amended by a supplemental indenture to be dated May 30, 2014 (as so amended, the “**Indenture**”), between the Issuer and Citibank, N.A., London Branch. The Securities will be evidenced by global securities (the “**Global Securities**”) registered in the name of Monte Titoli S.p.A. (“**Monte Titoli**”), as operator of the Italian central securities depository system. Initially, all of the book-entry interests in the Global Securities will be credited to a third-party securities account in Monte Titoli of Citibank, N.A., London Branch, as Receipt Issuer (the “**Receipt Issuer**”). The Receipt Issuer will issue and deliver Receipts (“**Receipts**”) that represent book-entry interests in the Global Securities that it holds on deposit on behalf of the beneficial owners of the corresponding Receipts. The Receipts will be evidenced by Global Receipts (the “**Global Receipts**”), which Citibank, N.A., London Branch will hold as custodian for The Depository Trust Company (“**DTC**”). The Global Receipts will be registered in the name of Cede & Co., as DTC’s nominee, for the benefit of DTC’s participants. Transfers of beneficial interests in the Global Receipts will be shown on, and will be effected only through, records maintained in book-entry form by DTC or any other securities intermediary holding an interest directly or indirectly through DTC.

After the initial placement of the Receipts, holders of Receipts who are “qualified institutional buyers” (“**QIBs**”) as defined in Rule 144A of the Securities Act of 1933, as amended (the “**Securities Act**”), will have the right, subject to the terms of the Deposit Agreement (as hereinafter defined) for the Receipts and the Tax Certification Procedures (as hereinafter defined), to request conversion of their Receipts to the corresponding Securities to be held in accounts by QIBs at participants in Monte Titoli that are “second level banks” as defined in Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time (“**Decree No. 239**”), including Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, Luxembourg (“**Clearstream**”), or that employ the services of an Italian tax representative (both herein referred to as a “**Second-level Bank**”). See “*Description of the Receipts and the Deposit Agreement*”. Similarly, QIBs will be able, subject to the terms of the Deposit Agreement and the Tax Certification Procedures, to convert their Securities into the corresponding Receipts to be held in an account at DTC.

Italian law requires financial institutions performing the duties of Second-level Banks to obtain from each eligible beneficial owner (as referred to in Decree No. 239) a certification of its eligibility to receive interest, premium and other income in respect of the Securities free from Italian substitute tax (*imposta sostitutiva*) upon the investor's first purchase of a beneficial interest in the Securities (either at the time of the issuance of Securities or, if purchased thereafter, upon a purchase of Securities in the secondary market), and to make that certification available to the Italian tax authorities. There are no ongoing certification requirements for investors following the initial certification of eligibility, subject, in the case of Securities represented by Receipts, to compliance with the Acupay Italian tax compliance and relief procedures described in "*Annex A: Acupay Italian Tax Compliance and Relief Procedures*" (the "**Tax Certification Procedures**") by them and their Financial Intermediaries (as defined below). The Issuer has arranged certain procedures with Acupay System LLC ("**Acupay**") and Monte Titoli to facilitate the collection of certifications from beneficial owners of Receipts through the relevant securities brokers and dealers, banks, trust companies, and clearing corporations that clear through DTC or maintain a direct or indirect custodial relationship with a DTC Participant (as defined in "*Description of the Securities*") (such direct or indirect participants in DTC, the "**Financial Intermediaries**"). In connection with such Tax Certification Procedures applicable to the Receipts, Monte Titoli will, as Italian tax representative, perform the functions of Second-level Bank in relation to all of the Securities represented by Receipts.

Italian substitute tax at the then-applicable rate (currently 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, according to the provisions of Law Decree No. 66 of April 24, 2014 ("Decree No. 66") to be converted into law within 60 days from its publication on the Official Gazette; conversion into law may result in amendments to the regime provided by Decree No. 66 as described in this Offering Memorandum) will be withheld from interest (including the accrual of original issue discount), other income in respect of the Securities or the Receipts and redemption premium (if any) arising in respect of the Securities received by any investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the Securities (including, in the case of investors holding Receipts, because of any failure of, or any non-compliance by an investor or a Financial Intermediary with, the Tax Certification Procedures). Such withholding will be applied to income received by such investors from payments made by the Issuer as well as to amounts attributable to accrued interest received by investors in connection with the transfer of beneficial interests in the Securities. The Issuer will not pay any additional amounts in respect of any such withholding. In addition, an investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the Securities or does not comply (either directly or through any Financial Intermediary through which it holds the Securities) with the Tax Certification Procedures applicable to Receipts will be permitted to transfer its beneficial interest in the Receipts only upon compliance with certain tax procedures, including payment of Italian substitute tax for the relevant interest accrual period. See "*Risk Factors—Risk Factors Relating to the Securities and Receipts*", "*Important Italian Substitute Tax Requirements and Information in Respect of the Tax Certification Procedures*", "*Book-Entry, Delivery and Form—Mandatory Exchange and Transfer Restrictions in the Event of Non-compliance with the Tax Certification Procedures*" and "*Annex A: Acupay Italian Tax Compliance and Relief Procedures*".

Neither the Securities nor the Receipts have been, or will be, registered under the Securities Act, or the securities laws of any state in the United States, and such securities may be offered, sold or otherwise transferred within the United States only to QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act. Prospective purchasers are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Securities and the Receipts are subject to U.S. tax law requirements. The Securities and the Receipts are not transferable except in accordance with the restrictions described under "*Transfer Restrictions*".

Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, BBVA Securities Inc., RBS Securities Inc. and UniCredit Bank AG (collectively, the "**Joint Lead Managers**" or the "**Initial Purchasers**") expect to deliver the Securities in the form of Receipts to purchasers in book-entry form only through the facilities of DTC on or about May 30, 2014.

Joint Lead Managers

Citigroup

Goldman, Sachs & Co.

J.P. Morgan

Morgan Stanley

BBVA

RBS

UniCredit Bank

May 29, 2014

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As used in this Offering Memorandum, unless the context otherwise requires, the term “**Issuer**” or “**Telecom Italia**” means Telecom Italia S.p.A., the operating company for fixed and mobile telecommunications services in Italy and the holding company for various businesses, principally telecommunications, and the terms “**we**”, “**us**” and “**our**” refers to the Issuer, and, as applicable, the Issuer and its consolidated subsidiaries. References to “**Telecom Italia Group**” or “**Group**” refer to the Issuer and its consolidated subsidiaries.

IMPORTANT INFORMATION

This Offering Memorandum has been prepared solely for use in connection with the proposed offering of the Securities and Receipts described in this Offering Memorandum. This Offering Memorandum does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Securities or Receipts. You are authorized to use this Offering Memorandum solely for the purpose of considering the purchase of the Securities and Receipts. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

This Offering Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Incorporation by Reference*”). This Offering Memorandum should be read and construed on the basis that such documents are so incorporated and form part of this Offering Memorandum.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Initial Purchasers, the Trustee, the Paying Agent, the Receipt Issuer, Acupay or Monte Titoli as to the accuracy or completeness of the information contained or incorporated in this Offering Memorandum or any other information provided by the Issuer in connection with the offering of the Securities (including the Receipts).

To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee, the Paying Agent, the Receipt Issuer, Acupay or Monte Titoli accepts any responsibility for the contents of this Offering Memorandum or for any other statements made or purported to be made by any of the Initial Purchasers or on their behalf in connection with the Issuer or the issue and offering of any Securities (including the Receipts). Each of the Initial Purchasers, the Trustee, the Paying Agent, the Receipt Issuer, Acupay or Monte Titoli accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Memorandum or any such statement.

No person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Memorandum or any other information supplied in connection with the offering of the Securities (including the Receipts) and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, any of the Initial Purchasers, the Trustee, the Paying Agent, the Receipt Issuer, Acupay or Monte Titoli.

Neither this Offering Memorandum nor any other information supplied in connection with the offering of the Securities (including the Receipts) (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Initial Purchasers, the Trustee, the Paying Agent, the Receipt Issuer, Acupay or Monte Titoli that any recipient of this Offering Memorandum or any other information supplied in connection with the offering of the Securities (including the Receipts) should purchase any Securities or Receipts. Each investor contemplating purchasing any Securities (including Receipts) should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither the delivery of this Offering Memorandum nor the offer, sale or delivery of any Securities or Receipts shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Securities or the Receipts is correct as of any time subsequent to the date indicated in the document containing the same. The Initial Purchasers, the Trustee, the Paying Agent, the Receipt Issuer, Acupay and Monte Titoli expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Securities or the Receipts or to advise any investor in the Securities or Receipts of any information coming to their attention.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer, or an invitation, to buy the Securities or the Receipts in any jurisdiction to any person to whom it is unlawful to make the offer or

solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of the Securities and the Receipts may be restricted by law in certain jurisdictions. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Receipt Issuer, Acupay or Monte Titoli represents that this Offering Memorandum may be lawfully distributed, or that the Securities or the Receipts 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 assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Receipt Issuer, Acupay or Monte Titoli that would permit a public offering of the Securities or the Receipts or the distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Securities or Receipts may be offered or sold, directly or indirectly, and neither this Offering Memorandum 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 Offering Memorandum or any Securities or Receipts may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of the Securities and the Receipts. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer or sale of the Securities and the Receipts in the United States. See “*Transfer Restrictions*”.

IMPORTANT ITALIAN SUBSTITUTE TAX REQUIREMENTS AND INFORMATION IN RESPECT OF THE TAX CERTIFICATION PROCEDURES

Under Italian law, interest in respect of the Securities may be subject to substitute tax in Italy, currently at the rate of 20.0 per cent. (and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Law Decree No. 66), upon (i) payment of interest, premium and other income in respect of the Securities, including upon redemption or (ii) transfer of the Securities. Interest in respect of the Securities will not be subject to such substitute tax if accruing to beneficial owners who are eligible non-Italian resident beneficial owners of the Securities with no permanent establishment in Italy to which the Securities are effectively connected, provided that all the requirements and procedures set forth in Decree No. 239 of April 1, 1996, as amended or supplemented from time to time (“**Decree No. 239**”), including for the avoidance of doubt as amended by Law Decree No. 138 dated August 13, 2011, converted with modifications into Law No. 148 dated September 14, 2011, and by the related implementing decrees, and in the relevant implementing rules (as amended) are complied with in due time in order to benefit from the exemption from substitute tax as well as by Decree No. 66.

For purposes of Decree No. 239, income subject to Italian substitute tax includes interest, premium and other income (including the difference, if any, between the redemption amount and the issue price) under the Securities. References in this Offering Memorandum to interest income or interest in connection with the description of amounts subject to Italian substitute tax shall include all such components of income, as applicable.

For purposes of Decree No. 239, beneficial owners of the Securities include (i) beneficial owners of payments under the Securities and (ii) certain institutional investors (as further described below). Institutional investors, for purposes of Decree No. 239, are generally those entities which, irrespective of their legal or tax status in their country of residence or incorporation, have as their principal activity the making and managing of investments for their own account or on behalf of third parties (other than entities established to manage investments made by a limited number of investors or to enable investors resident in Italy or countries that do not allow for a satisfactory exchange of information with Italy to benefit from the exemption from payment of Italian substitute tax), such as investment funds, open-end investment companies and pension funds. All such investors (other than ultimate beneficiaries investing in institutional investors considered as beneficial owners for purposes of Decree No. 239) must satisfy the requirements of Decree No. 239 and, in the case of investors investing in and holding Receipts, comply with certain formalities in order to benefit from the exemption to the application of Italian substitute tax.

References in this Offering Memorandum to beneficial owners, beneficial holders, Beneficial Owners or related terms, when used in the context of the Tax Compliance Procedures or the criteria for eligibility to benefit from such exemption, refer to all such investors. The term “Beneficial Owner” is defined under “*Description of the Receipts and the Deposit Agreement*”.

In order to qualify as eligible to receive interest free from Italian substitute tax, among other things, Beneficial Owners must be resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the “**White List States**”) currently listed in Decree of September 4, 1996, to be replaced in the future by the decree(s) set forth by Article 168-*bis* of Italian Presidential Decree No. 917 of December 22, 1986 (“**Decree No. 917**”). Subject to certain limited exceptions, such as for Central Banks and supranational bodies established in accordance with international agreements in force in Italy (which are accorded exempt status irrespective of the nation in which they are situated), this residency requirement applies to all ultimate beneficial owners of Securities, including ultimate beneficiaries of interest payments under the Securities holding via sub-accounts to which interests in the Securities may be allocated upon purchase or thereafter.

As of May 22, 2014, the White List States comprise:

| | | | |
|------------|---------|-------------|---------------------|
| Albania | Egypt | Macedonia | South Korea |
| Algeria | Estonia | Malta | Spain |
| Argentina | Finland | Mauritius | Sri Lanka |
| Australia | France | Mexico | Sweden |
| Austria | Germany | Morocco | Tanzania |
| Bangladesh | Greece | Netherlands | Thailand |
| Belarus | Hungary | New Zealand | Trinidad and Tobago |
| Belgium | Iceland | Norway | Tunisia |
| Brazil | India | Pakistan | Turkey |

| | | | |
|----------------|------------|--------------------|---------------------------|
| Bulgaria | Indonesia | Philippines | Ukraine |
| Canada | Ireland | Poland | United Arab Emirates |
| China | Israel | Portugal | United Kingdom |
| Côte d’Ivoire | Japan | Romania | United States of America |
| Croatia | Kazakhstan | Russian Federation | Venezuela |
| Cyprus | Kuwait | Singapore | Vietnam |
| Czech Republic | Latvia | Slovak Republic | Yugoslavia ⁽¹⁾ |
| Denmark | Lithuania | Slovenia | Zambia |
| Ecuador | Luxembourg | South Africa | |

⁽¹⁾ PLEASE NOTE: the Italian tax administration has not clarified whether the states derived from the former Yugoslavia are to be treated as being on the White List. Acupay will not treat such states as White Listed until this point is clarified to Acupay’s satisfaction.

Beneficial holders of the Securities in respect of whom the requirements and procedures set forth in Decree No. 239 are not complied with will receive payments net of Italian substitute tax, currently at the rate of 20.0 per cent. (and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014 pursuant to Decree No. 66). The Issuer will not pay additional amounts in respect of any such substitute tax (including possible penalties and interest related to the payment thereof) as set forth in “Description of the Securities—Payment of Additional Amounts”. See also “Taxation—Italian Taxation—Tax treatment of the Securities—Non-Italian resident holders of the Securities”.

The Issuer has agreed in the Deposit Agreement for the Receipts and the Tax Compliance Agency Agreement (as hereinafter defined), so long as any principal amount of the Securities underlying the Receipts remains outstanding and insofar as it is reasonably practicable, to maintain, implement or arrange the implementation of procedures to facilitate the collection of information concerning the Receipts and the Beneficial Owners thereof so long as such collection is required to allow payment on the Global Receipts to be free and clear of substitute tax to eligible investors. However, the Issuer cannot assure that it will be practicable to do so, or that such procedures will be effective.

The Issuer, Acupay and Monte Titoli will enter into a Tax Compliance Agency Agreement dated on or about May 30, 2014 (the “**Tax Compliance Agency Agreement**”). The Tax Compliance Agency Agreement sets forth, among other things, certain procedures arranged by Acupay, Monte Titoli and the Issuer that will facilitate the collection and processing of information regarding the identity and residence of the Beneficial Owners (as defined under “*Description of the Receipts and the Deposit Agreement*”) of the Receipts who (1) hold their interests through securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a direct participant in DTC or (2) hold their interests through a DTC Participant (persons under (1) and (2) above, “**Financial Intermediaries**”). The Tax Certification Procedures are set forth in Appendix A to this Offering Memorandum (the “**Tax Certification Procedures**”) and will not be available to Receipts issued in definitive form.

No arrangements or procedures have been made by the Issuer with respect to any depository or clearing system other than the Tax Certification Procedures arranged by Acupay, Monte Titoli and the Issuer. In addition, DTC may discontinue providing its services as central depository and clearing system with respect to the beneficial interests in the Receipts at any time. Monte Titoli has confirmed that the Securities, but not the Receipts, are eligible for inclusion in its central depository system. Euroclear and Clearstream are participants in Monte Titoli and qualify as Second-level Banks. Investors who may eventually hold Securities through Euroclear and Clearstream and who satisfy the requirements of Decree No. 239 and comply with the tax certification requirements contemplated in Decree No. 239 are eligible to benefit from the exemption from the application of the Italian substitute tax.

The Tax Certification Procedures provide that Beneficial Owners (as defined under “*Description of the Receipts and the Deposit Agreement*”) of Receipts (i) who are not eligible to receive payments of interest in respect of Receipts free of Italian substitute tax, (ii) who fail to submit the applicable Self-Certification Forms (as defined in Annex A) and related enclosures, (iii) whose Financial Intermediary has failed to supply correct Beneficial Owner information in connection with the settlement of purchases or sales of Receipts with respect to any of the Beneficial Owners holding through such Financial Intermediary (including, in each case, because of failure of, or noncompliance with, the Tax Certification Procedures), or (iv) who fail to comply with the Tax Certification Procedures, will in each case be subject to a mandatory exchange of such Receipts into Receipts of the same series

paying interest net of Italian substitute tax (a “**Mandatory Exchange**”). Beneficial Owners of Receipts that are subject to the application of Italian substitute tax (“**N Receipts**”) will be permitted to transfer their beneficial interests in such Receipts only upon compliance with the applicable transfer and exchange procedures described in the Tax Certification Procedures, including, without limitation, payment of the Italian substitute tax on any interest, including any original issue discount, accrued but not yet paid until the settlement date of a prospective transfer.

The Tax Certification Procedures also provide that payments of interest to or through any DTC Participant that fails to comply with the Mandatory Exchange contemplated in the Tax Certification Procedures would be paid net of Italian substitute tax in respect of such DTC Participant’s entire beneficial interest in the Receipts on all future payments to such DTC Participant. Accordingly, all Beneficial Owners who hold Receipts through such DTC Participant would, in that event, receive interest net of Italian substitute tax for so long as they continue to hold such Receipts through such DTC Participant.

The Tax Compliance Agency Agreement, including the Tax Certification Procedures annexed thereto, may be modified, amended or supplemented only by an instrument in writing duly executed by the Issuer, Acupay and Monte Titoli, the parties to such agreement; *provided, however*, that any modification, amendment or supplement to the tax certification procedures may be made only (i) if necessary to reflect a change in applicable Italian law, regulation, ruling or interpretation thereof or to comply with requests of any supervisory authorities; (ii) if necessary to reflect a change in applicable clearing systems rules or procedures or to add procedures for one or more new clearing systems; provided that the parties are provided with written communication from the applicable clearing system or clearing systems to this effect (including, without limitation, written communications in the form of an e-mail or written posting); or (iii) in any other manner that is not materially adverse to holders or Beneficial Owners.

Should a Beneficial Owner of Receipts otherwise entitled to an exemption suffer the application of substitute tax as a consequence of the Tax Certification Procedures no longer being in place or because of a failure by such Beneficial Owner or its DTC Participant or Financial Intermediary to comply with such procedures, such Beneficial Owner may request a refund of the substitute tax so applied directly from the Italian tax authorities within 48 months from the application of the tax. See the Tax Certification Procedures set forth in “*Annex A: Acupay Italian Tax Compliance and Relief Procedures—Article III: Procedure for Direct Refund from Italian Tax Authority*” for a description of such refund procedures. Beneficial Owners of Receipts should consult their tax advisors on the procedures required under Italian tax law to recoup the substitute tax in these circumstances. Such procedures may entail costs and any refund may be subject to extensive delays. None of the Issuer, the Joint Lead Managers, any of the Issuer’s agents, Monte Titoli, DTC or Acupay assumes any responsibility therefor.

See “Risk Factors—Risk Factors Relating to the Securities and Receipts—Italian substitute tax will be deducted from any interest, premium and other income in respect of the Securities and the Receipts to any investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax (including, in the case of Receipts, because of any failure of, or non-compliance with, the Tax Certification Procedures). Such ineligibility may arise from failure to comply with the Tax Certification Procedures by any of the Financial Intermediaries through whom the investor holds its interest in the Receipts”.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Neither the Securities nor the Receipts have been, or will be, registered under the Securities Act, or the securities laws of any state in the United States, and such securities may be offered, sold or otherwise transferred within the United States only to QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act. Prospective purchasers are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Securities and the Receipts are subject to U.S. tax law requirements. The Securities and the Receipts are not transferable except in accordance with the restrictions described under “*Transfer Restrictions*”.

Neither the Securities nor the Receipts have been approved or disapproved by the U.S. Securities and Exchange Commission (“**SEC**”) or any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is unlawful.

This Offering Memorandum is being submitted in the United States to QIBs for informational use solely in connection with the consideration of the purchase of the Securities in the form of Receipts being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT (“**RSA 421-B**”), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the financial information contained in this Offering Memorandum and incorporated by reference herein has been prepared in accordance with International Financial Reporting Standards issued by the IASB—International Accounting Standard Board (designated as “**IFRS**”). IFRS also include all effective International Accounting Standards (“**IAS**”) and all Interpretations issued by the IFRS Interpretations Committee (formerly called the International Financial Reporting Interpretations Committee—IFRIC), comprising those previously issued by the Standing Interpretations Committee (“**SIC**”).

The currency used by Telecom Italia in preparing its consolidated financial statements is the euro. References to “€”, “euro” and “Euro” are to the euro, and references to “U.S. dollars”, “dollars”, “U.S. \$” or “\$” are to U.S. dollars. For the purpose of this prospectus, “billion” means a thousand million.

On May 16, 2014, the Noon Buying Rate was €1.00=U.S. \$1.3708. The noon buying rate is determined based on cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes.

NON-GAAP FINANCIAL MEASURES

This Offering Memorandum and the documents incorporated by reference herein contain disclosure regarding Net Financial Debt as a Non-GAAP financial measure. Although this Non-GAAP financial measure is used by management to assess liquidity and the adequacy of the Telecom Italia’s financial structure, investors should not place undue reliance on this measure and should not consider such Non-GAAP financial measure as an alternative to any measure determined in accordance with IFRS. Since companies generally do not calculate this Non-GAAP financial measure in an identical or even similar manner, our measure may be inconsistent with similar, or similarly entitled, measures used by other companies. Finally, adjustments used by us in preparing our Non-GAAP financial measure rely on methods and calculations that are not based upon our IFRS financial accounts. See “*Summary—Non-GAAP Financial Measures*”.

Our Q1 2014 Earnings Release (as defined under “*Incorporation by Reference*”) includes additional Non-GAAP financial measures. These additional financial measures are “**EBITDA**”, “**Organic change in Revenues, EBITDA and EBIT**” and “**Adjusted Net Financial Debt**”.

- **EBITDA**: this financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of

measurement for the evaluation of the operating performance of the Telecom Italia Group (as a whole and at the business unit level), in addition to EBIT (Operating profit (loss)).

- **Organic change in Revenues, EBITDA and EBIT:** these measures express changes (amount and/or percentage) in revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation and exchange differences. Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level). The organic change in revenues, EBITDA and EBIT is also used in presentations to analysts and investors.
- **Adjusted Net Financial Debt:** such measure, with respect to the Non-GAAP financial measure “**Net Financial Debt**”, excludes effects that are purely accounting in nature, resulting from the fair value measurement of derivatives and related financial assets and liabilities. The purpose of this additional financial measure is to eliminate the impacts arising from the volatility of interest rates.

Although these additional Non-GAAP financial measures are used by Telecom Italia as noted above, investors who review the Q1 2014 Earnings Release incorporated by reference herein should not place undue reliance on these measures and should also not consider such Non-GAAP financial measures as an alternative to any measures determined in accordance with IFRS.

WHERE YOU CAN FIND MORE INFORMATION

Telecom Italia is subject to the informational requirements of the Securities Exchange Act of 1934, as amended and the rules and regulations of the SEC promulgated thereunder (the “**Exchange Act**”), applicable to foreign private issuers and files annual reports and other information with the SEC. You may read and copy any document Telecom Italia files with the SEC at its public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Since November 4, 2002, Telecom Italia has been required to file and furnish its documents to the SEC on EDGAR, the SEC’s electronic filing system. All such filings made since such date can be reviewed on EDGAR by going to the SEC’s website: www.sec.gov.

As a foreign private issuer, Telecom Italia is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and Telecom Italia’s officers, directors and controlling shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Telecom Italia’s ordinary share American Depositary Shares and savings share American Depositary Shares are listed on the New York Stock Exchange and you can inspect Telecom Italia’s reports and other information at the New York Stock Exchange Inc., 20 Broad Street, New York, New York.

INCORPORATION BY REFERENCE

We are incorporating by reference information into this Offering Memorandum, which means:

- incorporated documents are considered part of this Offering Memorandum;
- Telecom Italia can disclose important information to you by referring you to those documents; and
- information in this Offering Memorandum automatically updates and supersedes information in earlier documents that are incorporated by reference in this Offering Memorandum.

We are incorporating by reference the following documents:

- Telecom Italia’s annual report on Form 20-F for the year ended December 31, 2013 (the “**2013 Annual Report**”) filed with the SEC on April 15, 2014;

- Telecom Italia’s press release on Form 6-K furnished to the SEC on April 17, 2014, which announces, among other things, the appointment of Telecom Italia’s new board of directors;
- Telecom Italia’s press release on Form 6-K furnished to the SEC on April 18, 2014 which announces, among other things, the appointment of Marco Patuano as Chief Executive Officer of Telecom Italia; and
- Telecom Italia’s press release on Form 6-K/A furnished to the SEC on May 13, 2014, which contains unaudited condensed consolidated financial information of the Telecom Italia Group as of and for the three months ended March 31, 2014 (the “**Q1 2014 Earnings Release**”).

ENFORCEABILITY OF CIVIL LIABILITIES UNDER THE UNITED STATES SECURITIES LAWS

Telecom Italia is a joint stock company (*Società per Azioni*) organized under the laws of the Republic of Italy. With the exception of one Director, all of the members of the Board of Directors of Telecom Italia are resident outside the United States. All or a substantial portion of the assets of these non-U.S. residents and of Telecom Italia are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon the non-U.S. resident directors or upon Telecom Italia or it may be difficult to enforce judgments obtained in U.S. courts based on the civil liability provisions of the U.S. securities laws against Telecom Italia in Italy. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Italy. Enforceability in Italy of final judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the federal securities laws of the United States is subject, among other things, to the absence of a conflicting judgment by an Italian court or of an action pending in Italy among the same parties arising from the same facts and circumstances and started before the U.S. proceedings, and to the Italian courts’ determination that the U.S. courts had jurisdiction, that process was appropriately served on the defendant(s), and that enforcement would not violate Italian public policy. In general, the enforceability in Italy of final judgments of U.S. courts would not require retrial in Italy, subject to the decision of the competent Italian court ascertaining the existence, *inter alia*, of the above mentioned requirements and subject to challenge by the other party. In original actions brought before Italian courts, Italian courts may refuse to apply U.S. federal securities laws provisions or to grant some of the remedies sought (for example, punitive damages) if their application violates Italian public policy or mandatory provisions of Italian law and there may be doubts as to the enforceability of liabilities based on the U.S. federal securities laws.

STABILIZATION

IN CONNECTION WITH THE OFFERING OF THE SECURITIES, CITIGROUP GLOBAL MARKETS INC. (OR PERSONS ACTING ON ITS BEHALF) (THE “**STABILIZING MANAGER**”) MAY OVER-ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES (INCLUDING RECEIPTS) AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES (INCLUDING RECEIPTS) IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE SECURITIES, OR NO LATER THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES, WHICHEVER IS THE EARLIER. ANY STABILIZING ACTION OR OVER-ALLOTMENT OF THE SECURITIES (INCLUDING RECEIPTS) MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NO INCORPORATION OF WEBSITE

The contents of our website or any other website referenced in this Offering Memorandum do not form part of this Offering Memorandum.

CAUTIONARY STATEMENT RELATING TO FORWARD-LOOKING STATEMENTS

This Offering Memorandum and documents incorporated herein by reference contain certain forward-looking statements, which reflect Telecom Italia management's current views with respect to certain future events, trends and financial performance. Such forward-looking statements include, but are not limited to, the discussion of the changing dynamics of the telecommunications marketplace, including the continuing developments in competition in all aspects of our businesses from new competitors and from new and enhanced technologies, our outlook for growth in the telecommunications industry both within and outside of Italy, including our outlook regarding developments in the telecommunications industry, and certain trends we have identified in our core markets, including regulatory developments.

Forward-looking statements are statements that are not historical facts and can be identified by the use of forward-looking terminology such as "believes", "may", "is expected to", "will", "will continue", "should", "seeks" or "anticipates" or similar expressions or the negative thereof or other comparable terminology, or by the forward-looking nature of discussions of strategy, plans or intentions.

Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information is based upon certain key assumptions which we believe to be reasonable but forward-looking information by its nature involves risks and uncertainties, which are outside of our control, that could significantly affect expected results of future events.

The following important factors could cause our actual results to differ materially from those projected or implied in any forward-looking statements:

- our ability to successfully implement our strategy over the 2014-2016 period;
- the continuing effects of the global economic crisis in the principal markets in which we operate, including, in particular, our core Italian market;
- the impact of regulatory decisions and changes in the regulatory environment in Italy and other countries in which we operate;
- the impact of political developments in Italy and other countries in which we operate;
- our ability to successfully meet competition on both price and innovation capabilities of new products and services;
- our ability to develop and introduce new technologies which are attractive in our principal markets, to manage innovation, to supply value added services and to increase the use of our fixed and mobile networks;
- our ability to successfully implement our internet and broadband strategy;
- our ability to successfully achieve our debt reduction and other targets;
- the impact of fluctuations in currency exchange and interest rates and the performance of the equity markets in general;
- the outcome of litigation, disputes and investigations in which we are involved or may become involved;
- our ability to build up our business in adjacent markets and in international markets (particularly in Brazil), due to our specialist and technical resources;
- our ability to achieve the expected return on the investments and capital expenditures we have made and continue to make in Brazil;
- the amount and timing of any future impairment charges for our authorizations, goodwill or other assets;
- our ability to manage and reduce costs;

- any difficulties which we may encounter in our supply and procurement processes, including as a result of the insolvency or financial weaknesses of our suppliers; and
- the costs we may incur due to unexpected events, in particular where our insurance is not sufficient to cover such costs.

The foregoing factors should not be construed as exhaustive. See also “Risk Factors” for other important factors which could cause our actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

SUMMARY

This summary highlights selected information from this Offering Memorandum and the documents we have referred you to in “*Where You Can Find More Information*” and “*Incorporation by Reference*”. It may not contain all the information which is important to you and we recommend that you read the entire document as well as the documents referred to under “*Where You Can Find More Information*” and “*Incorporation by Reference*”.

Our Company

The Telecom Italia Group operates mainly in Europe, South America and the Mediterranean Basin. The Telecom Italia Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector. The operating segments of the Telecom Italia Group are organized according to the relative geographical localization for the telecommunications business (Domestic—Italy and Brazil) and according to the specific businesses for the other segments.

On November 13, 2013, Telecom Italia accepted the offer of Fintech Group for the acquisition of the entire controlling interest of Telecom Italia Group in the Sofora—Telecom Argentina group. Consequently, in accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*) the Business Unit Argentina was classified as discontinued operations (Discontinued operations/Non-current assets held for sale) and is no longer separately presented. Furthermore, the disposal of the stake in the Sofora—Telecom Argentina group is conditional upon obtaining certain required regulatory approvals.

Domestic Business Unit

Telecom Italia operates as the consolidated market leader in Italy in providing telephone and data services on fixed-line and mobile networks for final customers (retail) and other operators (wholesale). Furthermore the Telecom Italia Sparkle group operates in the international wholesale sector, while the Olivetti group operates in the field of products and services for information technology.

Telecom Italia is one of three mobile operators authorized to provide services using GSM 900 technology in Italy and one of three operators authorized to provide services using GSM 1800 (formerly DCS 1800) technology in Italy. It is also one of four operators holding a UMTS authorization and providing third-generation telephony services in Italy and it is one of the three operators that acquired a 800 MHz spectrum in 2011 to provide 4G service in Italy.

As of March 31, 2014, the Telecom Italia Group had approximately 13.0 million physical accesses (retail) in Italy compared to 13.2 million as of December 31, 2013. The broadband portfolio in Italy was approximately 8.8 million accesses (consisting of approximately 6.9 million retail accesses and approximately 1.9 million wholesale accesses) as of March 31, 2014 compared to approximately 8.7 million accesses (consisting of approximately 6.9 million retail accesses and approximately 1.8 million wholesale accesses) as of December 31, 2013. In addition, the Telecom Italia Group had approximately 31.0 million mobile telephone lines in Italy as of March 31, 2014 compared to approximately 31.2 million mobile telephone lines as of December 31, 2013.

Brazil Business Unit

The Telecom Italia Group operates in the mobile and fixed telecommunications sector in Brazil through TIM Brasil Serviços e Participações S.A. (“**Tim Brasil**”), Tim Participações S.A. (“**Tim Participações**”), Intelig Telecomunicações Ltda. (“**Intelig**”) and Tim Celular S.A. (“**Tim Celular**”) and, together with Tim Brasil, Tim Participações and Intelig, the “**Tim Brasil group**”) which offers mobile services using UMTS and GSM technologies. Focus is also on continued 2G and 3G expansion while 4G roll-out has begun. Moreover, with the acquisitions of Intelig, Tim Fiber RJ and Tim Fiber SP (now merged into Tim Celular), the portfolio of services has been expanded by offering fiber optic data transmission using full IP technology such as DWDM and MPLS and offering residential broadband services.

As of March 31, 2014, the Telecom Italia Group had approximately 73.9 million mobile telephone lines in Brazil compared to approximately 73.4 million mobile telephone lines as of December 31, 2013.

Recent Developments

- At Telecom Italia's annual shareholders' meeting on April 16, 2014, shareholders appointed a new board of directors of Telecom Italia, comprising 13 directors who will remain in office for three financial years, until approval of the financial statements as of December 31, 2016. Giuseppe Recchi was appointed as Chairman of the board of directors.
- On April 18, 2014, the board of directors of Telecom Italia appointed Marco Patuano as Chief Executive Officer of Telecom Italia, with responsibility for overall management of the Group and the management and development of business in Italy and South America. The board also appointed directors to serve on the board's Control and Risk Committee, and Nomination and Remuneration Committee.

Company Information

Telecom Italia is a joint-stock company established under Italian law on October 29, 1908, with registered offices in Milan at Piazza degli Affari 2, 20123 Milan, Italy. The telephone number is +39-02-85951. The company is recorded in the Milan Companies Register at number 00488410010, in the R.E.A. (*Repertorio Economico Amministrativo*) at number 1580695 and in the R.A.E.E. (*Rifiuti di Apparecchiature Elettriche ed Elettroniche*) register at number IT08020000000799. The duration of the company, as stated in the company's bylaws, extends until December 31, 2100.

The Offering

The following summary contains basic information about the Securities and the Receipts and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Securities and Receipts, please refer to the sections of this Offering Memorandum entitled “*Description of the Securities*”, “*Description of the Receipts and the Deposit Agreement*”, “*Book-Entry, Delivery and Form*” and “*Transfer Restrictions*”.

| | |
|-------------------------------------|---|
| Issuer | Telecom Italia S.p.A. |
| Securities | U.S. \$1,500,000,000 5.303% Senior Notes due 2024, in the form of Receipts. Beneficial interests in the Securities will be sold only to QIBs in reliance on Rule 144A, initially in the form of Receipts only. X Receipts will be issued by the Receipt Issuer and will represent beneficial ownership interests in X Securities. X Securities may be held by any Second-level Bank. Interest paid in respect of X Receipts is not subject to the withholding of Italian substitute tax (currently 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66). N Receipts will be issued by the Receipt Issuer and will represent beneficial ownership interests in N Securities. N Securities may only be held in Monte Titoli by the Receipt Issuer. Interest paid in respect of N Receipts is subject to the withholding of Italian substitute tax (currently 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66). |
| Issue Date | May 30, 2014 |
| Issue Price | 100.000% of the principal amount, plus accrued interest from May 30, 2014, if any. |
| Maturity Date | May 30, 2024 (the “ Maturity Date ”) |
| Interest Rate | The Securities will bear interest at a rate of 5.303% per annum. The Securities will bear interest from May 30, 2014 based on a 360-day year consisting of twelve 30-day months. |
| Interest Payment Dates | May 30 and November 30, beginning on November 30, 2014 (each, an “ Interest Payment Date ”). |
| Regular Record Dates | The record date to determine holders of Securities entitled to receive interest payments on the Securities will be the fourth Business Day (as defined in the Indenture for the Securities) prior to the relevant Interest Payment Date. |
| Further Issuances | Subject to certain conditions, the Issuer may, without the consent of the Holders, create and issue additional securities (the “ Additional Securities ”) ranking equally with the Securities in all respects (or in all respects save for the first payment of interest thereon) so that such Additional Securities may be consolidated and form a single series with the Securities under the Indenture, provided that such additional |

securities having the same CUSIP, ISIN or other identifying number as the outstanding Securities must be fungible with the outstanding Securities for U.S. federal income tax purposes. Any such Additional Securities will have the same terms as to status, redemption or otherwise as the Securities.

Unless the context otherwise requires, in this “*Summary—The Offering*” and in the “*Description of the Securities*” sections, references to the “Securities” include the Securities and any Additional Securities that are issued.

| | |
|---|---|
| Ranking | The Securities constitute direct, unsecured and unsubordinated obligations of the Issuer and rank (save for certain obligations required to be preferred by law) and will rank equally in right of payment with all other senior unsecured indebtedness of Telecom Italia from time to time outstanding. |
| Use of Proceeds | We estimate that the net proceeds from this offering (after deducting Initial Purchasers’ discounts and expenses) will be approximately U.S. \$1,490 million. The net proceeds of this offering are intended to be used for general corporate purposes, which may include the repayment of debt. See “ <i>Use of Proceeds</i> ”. |
| Optional Redemption | <p>The Securities will be redeemable in whole or in part at Telecom Italia’s option at any time at a redemption price equal to the greater of:</p> <ul style="list-style-type: none">• 100% of the principal amount of the applicable Securities, or• as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 45 basis points, <p>plus accrued interest thereon to the date of redemption. See “<i>Description of the Securities—Redemption</i>”.</p> |
| Tax Redemption | If, due to changes in the laws of any Tax Jurisdiction, Telecom Italia, as issuer (or its successors), is obligated to pay Additional Amounts (as hereinafter defined) on the Securities, Telecom Italia may redeem the outstanding Securities in whole, but not in part, at any time at a price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. |
| Taxation; Additional Amounts | All payments made by or on behalf of the Issuer under the Securities will be made free and clear of and without withholding or deduction for, or on account of any present or future Taxes, unless such withholding or deduction of the Taxes is required by law. In the event any such withholding or deduction is imposed, levied, collected or assessed by any Tax Jurisdiction, the Issuer will pay (subject to certain exceptions set forth in “ <i>Description of the Securities—Payment of Additional Amounts</i> ”, including that the Issuer will not pay additional amounts in respect of Italian substitute tax) such additional amounts |

(the “**Additional Amounts**”) as may be necessary in order that the net amounts received by each Holder of the Securities after such withholding or deduction will equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction.

Beneficial Owner Certification

Requirements; Italian

Substitute Tax.....

Italian law requires participants in Monte Titoli, acting as Second-level Banks, to obtain from each eligible Beneficial Owner (as referred to in Decree No. 239) a certification of its eligibility to receive interest or principal in respect of the Securities free from Italian substitute tax upon the Beneficial Owner’s first purchase of a beneficial interest in the Securities (either at the time of the issuance of Securities or, if purchased thereafter, upon a purchase of Securities in the secondary market) and to make that certification available to the Italian tax authorities. There are no ongoing certification requirements for investors following the initial certification of eligibility, subject, in the case of Securities represented by Receipts, to compliance with the Tax Certification Procedures. The Issuer has arranged certain procedures, the Tax Certification Procedures, with Acupay and Monte Titoli to facilitate the collection of certifications from Beneficial Owners of Receipts through the relevant Financial Intermediaries. In connection with such Tax Certification Procedures applicable to the Receipts, Monte Titoli will, as Italian tax representative, perform the functions of Second-level Bank in relation to all of the Securities represented by Receipts.

Italian substitute tax at the then-applicable rate, currently 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66, will be withheld from any payment of interest and other amounts payable in respect of the Securities to any Beneficial Owner that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of Securities (including in the case of Receipts, because of any failure of, or non-compliance with, the Tax Certification Procedures). The Issuer will not pay any additional amounts in respect of any such withholding. In addition, a Beneficial Owner that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the Receipts or does not comply (either directly or through any Financial Intermediary through whom it holds the Receipts) with the Tax Certification Procedures will be permitted to transfer its beneficial interest in the Receipts only upon compliance with the applicable transfer and exchange procedures described in the Tax Certification Procedures, including, without limitation, payment of the Italian substitute tax on any interest, including any original issue discount, accrued but not yet paid until the settlement date of a prospective transfer. For more information on these certification requirements and Italian substitute tax under Italian tax laws and on this restriction on transfer by certain investors, see “*Important Italian Substitute Tax Requirements and Information in Respect of the Tax Certification Procedures*”, “*Book-Entry, Delivery and Form—Mandatory Exchange and Transfer Restrictions in the Event of Non-compliance with the Tax*”

Certification Procedures” and “Taxation—Italian Taxation”.

In order to qualify as eligible to receive interest free from Italian substitute tax, among other things, Beneficial Owners must be resident, for tax purposes, in a White List State. Subject to certain limited exceptions, such as for Central Banks and supranational bodies established in accordance with international agreements in force in Italy (which are accorded exempt status irrespective of the nation in which they are situated), this residency requirement applies to all ultimate beneficial owners of Securities, including ultimate beneficiaries of interest payments under the Securities holding via sub-accounts to which interests in the Securities may be allocated upon purchase or thereafter. As of May 22, 2014, the White List States comprise:

| | |
|----------------|--------------------------|
| Albania | Macedonia |
| Algeria | Malta |
| Argentina | Mauritius |
| Australia | Mexico |
| Austria | Morocco |
| Bangladesh | Netherlands |
| Belarus | New Zealand |
| Belgium | Norway |
| Brazil | Pakistan |
| Bulgaria | Philippines |
| Canada | Poland |
| China | Portugal |
| Côte d’Ivoire | Romania |
| Croatia | Russian Federation |
| Cyprus | Singapore |
| Czech Republic | Slovak Republic |
| Denmark | Slovenia |
| Ecuador | South Africa |
| Egypt | South Korea |
| Estonia | Spain |
| Finland | Sri Lanka |
| France | Sweden |
| Germany | Tanzania |
| Greece | Thailand |
| Hungary | Trinidad and Tobago |
| Iceland | Tunisia |
| India | Turkey |
| Indonesia | Ukraine |
| Ireland | United Arab Emirates |
| Israel | United Kingdom |
| Japan | United States of America |
| Kazakhstan | Venezuela |
| Kuwait | Vietnam |
| Latvia | Yugoslavia ¹ |
| Lithuania | Zambia |
| Luxemburg | |

By investing in the Receipts, Beneficial Owners acknowledge and agree to become subject to the Tax Certification Procedures. The Tax Certification Procedures may be revised from time to time, among other reasons, to reflect a change in applicable Italian law, regulation, ruling or interpretation thereof or to comply with requests of supervisory authorities, including in the event that new regulations setting forth the procedural rules for complying with the provisions of Italian Decree No. 239, as amended, or equivalent law are promulgated (see

¹ PLEASE NOTE: the Italian tax administration has not clarified whether the states derived from the former Yugoslavia are to be treated as being on the White List. Acupay will not treat such states as White Listed until this point is clarified to Acupay’s satisfaction.

“Taxation—Italian Taxation”).

Should a Beneficial Owner of the Receipts otherwise entitled to an exemption suffer the application of substitute tax as a consequence of the Tax Certification Procedures no longer being in place or because of a failure by such Beneficial Owner or a Financial Intermediary through whom it holds the Receipts to comply with such procedures, such Beneficial Owner may request a refund of the substitute tax so applied directly from the Italian tax authorities within 48 months from the application of the tax. See “Annex A: Acupay Italian Tax Compliance and Relief Procedures—Article III: Procedure for Direct Refund from Italian Tax Authority”. Beneficial Owners of the Securities should consult their tax advisors on the procedures required under Italian tax law to recoup the substitute tax in these circumstances. None of the Issuer, the Initial Purchasers, any of the Issuer’s agents, Monte Titoli, the Receipt Issuer, DTC or Acupay assumes any responsibility therefor.

Form and Denomination

The Securities will be issued in fully registered form and only in denominations of U.S. \$200,000 and in integral multiples of U.S. \$1,000 in excess thereof.

Clearance and Settlement

The Securities will be evidenced by one or more Global Securities registered in the name of Monte Titoli, as operator of the Italian central depository securities system.

Initially, all of the book-entry interests in the Global Securities will be credited to the third-party securities account in Monte Titoli of the Receipt Issuer. The Receipt Issuer will issue Receipts that represent book-entry interests in the Global Securities that it holds on behalf of the beneficial owners of the corresponding Receipts and will issue and deliver Global Receipts evidencing the book-entry interests in the Global Receipts to DTC, the U.S. central depository and securities clearing system. The Global Receipts will be registered in the name of Cede & Co., as DTC’s nominee, for the benefit of DTC Participants. Transfers of beneficial interests in the Global Receipts will be shown on and will be effected only through, records maintained in book-entry form by DTC or any DTC Participant or Financial Intermediary holding an interest through DTC.

After the initial placement of the Receipts, holders of Receipts that are QIBs will have the right, subject to the terms of the Deposit Agreement for the Receipts and the Tax Certification Procedures, to request the conversion of their Receipts to the corresponding Securities to be held by QIBs in accounts at Second-level Banks in Monte Titoli (including Euroclear and Clearstream). QIBs will, thereafter, be able, subject to the terms of the Deposit Agreement and the Tax Certification Procedures, to convert their Securities to corresponding Receipts to be held in an account at DTC.

Receipts will be issued to Beneficial Owners that are eligible to receive interest in respect of the Securities free of the Italian substitute tax and that are in compliance with the Tax Certification Procedures in the form of X Receipts, which are not subject to the withholding of the Italian substitute tax and represent interests in a corresponding amount of X Securities.

Receipts will be issued to Beneficial Owners that are not eligible to receive interest in respect of the Securities free of the Italian substitute tax in the form of N Receipts, which are subject to the withholding of the Italian substitute tax and represent interests in a corresponding amount of N Securities.

X Receipts are subject to mandatory exchange into N Receipts, upon the terms of the Deposit Agreement and the Tax Certification Procedures, in the event the Beneficial Owner thereof (i) is not eligible to receive payments of interest in respect of the X Receipts free of Italian substitute tax, (ii) fails to submit the applicable Self-Certification Forms and/or related enclosures, (iii) fails to supply (through the applicable Financial Intermediary) correct beneficial owner information in connection with the settlement of purchases or sales of such Receipts, or (iv) who fail to comply with the Tax Certification Procedures. See “*Book-Entry, Delivery and Form—Mandatory Exchange and Transfer Restrictions in the Event of Non-compliance with the Tax Certification Procedures*” and “*Description of the Receipts and the Deposit Agreement—Mandatory Exchange of X Receipts for N Receipts*”.

Beneficial Owners of N Receipts will be able to transfer their interests in the N Receipts to a QIB in the form of N Receipts only upon delivery by the transferor of a valid N Receipt transfer request to Acupay and payment of the applicable Italian substitute tax to Monte Titoli, subject in each case to the terms of the Deposit Agreement and the Tax Certification Procedures. See “*Book-Entry, Delivery and Form—Special Procedure for Transfer of Interests in N Receipts*” and “*Description of the Receipts and the Deposit Agreement—Transfer of N Receipts to Non-Eligible Beneficial Owners in the form of N Receipts*”.

Beneficial Owners of N Receipts will be able to transfer their interests in the N Receipts to a QIB in the form of X Receipts only upon delivery by (i) the transferor of a valid N Receipt transfer request to Acupay and payment of the applicable Italian substitute tax to Monte Titoli, and (ii) the transferee of a valid Self-Certification Form and related enclosures (to the effect that the transferee is eligible to receive interest free of Italian substitute tax), subject in each case to the terms of the Deposit Agreement and the Tax Certification Procedures. See “*Book-Entry, Delivery and Form—Special Procedure for Transfer of Interests in N Receipts*” and “*Description of the Receipts and the Deposit Agreement—Transfer of N Receipts to Eligible Beneficial Owners in the form of X Receipts*”.

Beneficial Owners of X Receipts will be able to transfer their interests in the X Receipts to a QIB in the form of X Receipts only upon delivery by (i) the transferor of a transfer communication to Acupay, and (ii) the transferee of a valid Self-Certification Form and related enclosures (to the effect that the transferee is eligible to receive interest free of Italian substitute tax), subject in each case to the terms of the Deposit Agreement and the Tax Certification Procedures. See “*Description of the Receipts and the Deposit Agreement—Transfer of X Receipts to Eligible Beneficial Owners in the form of X Receipts*”.

Beneficial Owners of X Receipts will be able to transfer their interests in the X Receipts to a QIB in the form of N Receipts only upon delivery

by the transferor of a transfer communication to Acupay, subject in each case to the terms of the Deposit Agreement and the Tax Certification Procedures. See “*Description of the Receipts and the Deposit Agreement—Mandatory Exchange of X Receipts for N Receipts*”.

It is expected that the Receipt Issuer will close the books to transfers and exchanges of Receipts into Securities, and vice versa, and the transfers of N Receipts into X Receipts, and vice versa, for the period between the interest payment record date and the related Interest Payment Date.

Definitive Registered Securities (as defined herein) or Definitive Registered Receipts (as defined herein) will be issued in exchange for interests in Global Securities or Global Receipts, respectively, only under the limited circumstances set out under “*Book-Entry, Delivery and Form*”. Neither Definitive Registered Securities nor Definitive Registered Receipts issued will be eligible for the tax relief services provided pursuant to the Tax Compliance Agency Agreement.

For more information, see “*Book-Entry, Delivery and Form*”.

| | |
|---|---|
| Governing Law | <p>The Indenture in respect of the Securities and the Securities are governed by, and shall be construed in accordance with, the laws of the State of New York. The provisions of the Indenture concerning meetings of Holders and the appointment of the <i>rappresentante comune</i> in respect of the Securities are subject to compliance with Italian law.</p> <p>The Deposit Agreement, the Receipts and the non-contractual obligations arising out of or in connection with the Deposit Agreement and the Receipts are governed by, and shall be construed in accordance with, the laws of the State of New York.</p> |
| Trustee, Paying Agent, Registrar | Citibank, N.A., London Branch |
| Receipt Issuer | Citibank, N.A., London Branch |
| Security Codes | <p>X Securities: Common Code: 107312919 ISIN: IT0005024788</p> <p>N Securities: ISIN: IT0005024598</p> <p>X Receipts: CUSIP: 87927YAA0 ISIN: US87927YAA01</p> <p>N Receipts: CUSIP: 87927YAB8 ISIN: US87927YAB83</p> |
| Risk Factors | <p>Investing in the Securities and the Receipts involves substantial risks. In evaluating an investment in the Securities and the Receipts, you should carefully consider all of the information provided in this Offering Memorandum and, in particular, the specific factors set out under “<i>Risk Factors</i>” beginning on page 18.</p> |
| Transfer Restrictions | <p>Neither the Securities nor the Receipts have been, or will be, registered under the Securities Act and both the Securities and the Receipts are subject to certain restrictions on resale or transfer. See “<i>Transfer</i>”</p> |

Restrictions”.

Other restrictions may apply in relation to a Beneficial Owner that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of or does not comply (either directly or through, or because of its Financial Intermediaries) with the Tax Certification Procedures (including because of any failure of, or noncompliance with, the Tax Certification Procedures). Such Beneficial Owner will be permitted to transfer any Security (including any interest in a Global Receipt representing such a Security) it holds only upon compliance with the applicable transfer and exchange procedures described in the Tax Certification Procedures.

Ratings

Telecom Italia’s long-term rating is Ba1 with a negative outlook according to Moody's Investors Service España, S.A. (“**Moody's**”), BB+ with a negative outlook according to Standard & Poor's Credit Market Services France S.A.S. (“**S&P**”) and BBB- with a negative outlook according to Fitch Ratings Limited (“**Fitch**”).

Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Investments Directive (2004/39/EC). Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars.

Summary Selected Financial Information

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 December 31, 2009, 2010, 2011, 2012 and 2013, which have been extracted or derived, with the exception of financial ratios and statistical data, from the consolidated financial statements of the Telecom Italia Group prepared in accordance with IFRS as issued by IASB and which with respect to 2010, 2011, 2012 and 2013 have been audited by the independent auditor PricewaterhouseCoopers S.p.A., which replaced Reconta Ernst & Young as part of the normal required rotation of auditors. 2009 was audited by the independent auditor Reconta Ernst & Young.

In 2013, 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 January 1, 2013 described in the “Note—Accounting Policies” of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report and incorporated by reference herein.

The summary selected financial data set forth below for the Telecom Italia Group as of and for the three months ended March 31, 2014 and 2013 was prepared applying the same accounting policies and methods of computation as compared with our consolidated financial statements as of and for the year ended December 31, 2013 except for the new standards and interpretations adopted by the Group since January 1, 2014, which had no impact on the unaudited condensed consolidated financial information of the Telecom Italia Group as of and for the three months ended March 31, 2014.

Furthermore, 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 March 31, 2014 are not necessarily indicative of results that may be expected for the entire year.

The summary selected financial data below should be read in conjunction with the consolidated financial statements and notes thereto included in the 2013 Annual Report and the Q1 2014 Earnings Release which are incorporated into this Offering Memorandum by reference.

| | Year ended December 31, | | | | | Three months ended March 31, | |
|--|--|-------------------------------------|-------------------------------------|-------------------------------------|---------------------|--|-------|
| | 2009 ^(*) ^(**) | 2010 ^(*) ^(**) | 2011 ^(*) ^(**) | 2012 ^(*) ^(**) | 2013 ^(*) | 2013 ^(*) | 2014 |
| | (millions of Euros, except percentages and ratios) | | | | | (Unaudited) (millions of Euros, except percentages and ratios) | |
| Separate Consolidated Income Statement Data: | | | | | | | |
| Revenues | 26,894 | 26,781 | 26,772 | 25,759 | 23,407 | 5,889 | 5,188 |
| Operating profit (loss) | 5,493 | 5,748 | (1,190) | 1,709 | 2,718 | 1,154 | 1,167 |
| Profit (loss) before tax from continuing operations | 3,339 | 3,765 | (3,253) | (293) | 532 | 642 | 488 |
| Profit (loss) from continuing operations | 2,218 | 3,250 | (4,676) | (1,379) | (579) | 351 | 234 |
| Profit (loss) from Discontinued operations/Non-current assets held for sale | (622) | 322 | 310 | 102 | 341 | 97 | 133 |
| Profit (loss) for the period | 1,596 | 3,572 | (4,366) | (1,277) | (238) | 448 | 367 |
| Profit (loss) for the period attributable to owners of the Parent ⁽¹⁾ | 1,581 | 3,118 | (4,811) | (1,627) | (674) | 364 | 222 |
| Capital expenditures | 4,543 | 4,398 | 5,556 | 4,639 | 4,400 | 766 | 684 |

| | Year ended December 31, | | | | | Three months ended March 31, | |
|---|--|--------------------------|--------------------------|--------------------------|---------------------|---|-------|
| | 2009 ^(*) (**) | 2010 ^(*) (**) | 2011 ^(*) (**) | 2012 ^(*) (**) | 2013 ^(*) | 2013 ^(*) | 2014 |
| | (millions of Euros, except percentages and ratios) | | | | | (Unaudited) (millions of Euros, except percentages and ratios) | |
| Financial Ratios: | | | | | | | |
| Operating profit (loss) / Revenues (ROS)..... | 20.4% | 21.5% | — | 6.6% | 11.6% | 19.6% | 22.5% |
| Ratio of earnings to fixed charges ⁽²⁾ | 2.51 | 2.68 | (0.53) | 0.84 | 1.27 | 2.31 | 1.94 |

| | Year ended December 31, | | | | | Three months ended March 31, | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|------------------------------|-------------|
| | 2009 ^(*) (**) | 2010 ^(*) (**) | 2011 ^(*) (**) | 2012 ^(*) (**) | 2013 ^(*) | 2013 ^(*) | 2014 |
| | (Euros) | | | | | (Unaudited) (Euros) | |
| Basic and Diluted earnings per Share (EPS)⁽³⁾: | | | | | | | |
| Ordinary Share | 0.08 | 0.16 | (0.25) | (0.08) | (0.03) | 0.02 | 0.02 |
| Savings Share | 0.09 | 0.17 | (0.25) | (0.08) | (0.03) | 0.03 | 0.03 |
| Of which: | | | | | | | |
| <i>From continuing operations:</i> | | | | | | | |
| <i>Ordinary Share</i> | 0.11 | 0.15 | (0.27) | (0.09) | (0.05) | 0.01 | 0.01 |
| <i>Savings Share</i> | 0.12 | 0.16 | (0.27) | (0.09) | (0.05) | 0.02 | 0.02 |
| <i>From Discontinued operations/Non-current assets held for sale:</i> | | | | | | | |
| <i>Ordinary Share</i> | (0.03) | 0.01 | 0.02 | 0.01 | 0.02 | 0.01 | 0.01 |
| <i>Savings Share</i> | (0.03) | 0.01 | 0.02 | 0.01 | 0.02 | 0.01 | 0.01 |
| Dividends: | | | | | | | |
| Per Ordinary Share ⁽⁴⁾ | 0.0500 | 0.0580 | 0.0430 | 0.0200 | — | — | — |
| Per Savings Share ⁽⁴⁾ | 0.0610 | 0.0690 | 0.0540 | 0.0310 | 0.0275 | — | — |

| | As of December 31, | | | | | As of March 31, | |
|---|---------------------|---------------|---------------|---------------|---------------|------------------------------------|------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (millions of Euros) | | | | | (Unaudited) (millions of Euros) | |
| Consolidated Statement of Financial Position Data: | | | | | | | |
| Total Assets | 86,267 | 89,040 | 83,886 | 77,555 | 70,220 | 68,282 | |
| Equity: | | | | | | | |
| Equity attributable to owners of the Parent..... | 25,952 | 28,819 | 22,790 | 19,378 | 17,061 | 17,343 | |
| Non-controlling interests..... | 1,168 | 3,736 | 3,904 | 3,634 | 3,125 | 3,038 | |
| Total Equity | 27,120 | 32,555 | 26,694 | 23,012 | 20,186 | 20,381 | |
| Total liabilities | 59,147 | 56,485 | 57,192 | 54,543 | 50,034 | 47,901 | |
| Total equity and liabilities | 86,267 | 89,040 | 83,886 | 77,555 | 70,220 | 68,282 | |
| Share capital⁽⁵⁾ | 10,585 | 10,600 | 10,604 | 10,604 | 10,604 | 10,604 | |
| Net Financial Debt⁽⁶⁾ | 34,747 | 32,087 | 30,819 | 29,053 | 27,942 | 28,810 | |

| | Year ended December 31, | | | | | Three months ended March 31, |
|---|-------------------------|-------------------------|-------------------------|-------------------------|---------------------|------------------------------|
| | 2009 ^{(*)(**)} | 2010 ^{(*)(**)} | 2011 ^{(*)(**)} | 2012 ^{(*)(**)} | 2013 ^(*) | 2014 |
| Employees, number in the Telecom Italia 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) | | | | | | |
| <i>Number at period-end</i> | 71,384 | 84,200 | 84,154 | 83,184 | 65,623 | 65,613 |
| <i>Average number during the period</i> | 69,964 | 66,439 | 63,137 | 62,758 | 59,527 | 58,961 |
| Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale | | | | | | |
| <i>Number at period-end</i> | 2,205 | — | — | — | 16,575 | 16,518 |
| <i>Average number during the period</i> | 2,168 | 3,711 | 15,232 | 15,806 | 15,815 | 15,653 |

| | As of December 31, | | | | | As of March 31, |
|---|--------------------|--------|--------|--------|--------|-----------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| (thousands) | | | | | | |
| Statistical Data: | | | | | | |
| Domestic (Italy) Business Unit | | | | | | |
| Physical accesses ⁽⁷⁾ | 22,256 | 22,122 | 21,712 | 21,153 | 20,378 | 20,238 |
| <i>Of which retail physical accesses (retail)</i> | 16,097 | 15,351 | 14,652 | 13,978 | 13,210 | 13,027 |
| Broadband accesses | 8,741 | 9,058 | 9,089 | 8,967 | 8,740 | 8,761 |
| <i>Of which retail broadband accesses</i> | 7,000 | 7,175 | 7,125 | 7,020 | 6,915 | 6,933 |
| Mobile lines | 30,856 | 31,018 | 32,227 | 32,159 | 31,221 | 30,996 |
| Brazil Business Unit | | | | | | |
| Mobile lines | 41,102 | 51,015 | 64,070 | 70,362 | 73,417 | 73,890 |

(*) On November 13, 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*), during the fourth quarter of 2013, the Sofora—Telecom Argentina group was treated as Discontinued operations/Non-current assets held for sale. As a result of such treatment, prior years/periods have been restated, where applicable.

(**) Starting from 2012, the Telecom Italia Group early adopted and retrospectively applied revised IAS 19 (Employee Benefits); therefore, the comparative figures for 2011 and 2010 were restated on a consistent basis. The adoption of IAS 19 did not have any effect on the Group's statement of financial position other than for certain reclassifications under "Equity". 2009 data was not restated for the adoption of IAS 19 as the company considered the impact immaterial.

- (1) For the purposes of IFRS, "Parent", as used in this Offering Memorandum, means Telecom Italia S.p.A.
- (2) Due to the loss in 2012 and in 2011, the ratio coverage was less than 1:1. The Issuer would have needed to generate additional earnings of 339 million euros in 2012 and 3,226 million euros in 2011 to achieve a coverage of 1:1. For purposes of calculating the ratio of "earnings to fixed charges":
 - "Earnings" is calculated by adding:

- Profit (loss) before tax from continuing operations;
- “fixed charges” (as defined below);
- amortization of capitalized interest and debt issue discounts or premiums;
- dividends from associates and joint ventures accounted for using the equity method; and
- share of losses of associates and joint ventures accounted for using the equity method, and then subtracting:
- capitalized interest for the applicable period; and
- share of earnings of associates and joint ventures accounted for using the equity method.
- “Fixed charges” is calculated by adding:
 - interest expenses (both expensed and capitalized);
 - issue costs and any original debt issue discounts or premiums; and
 - an estimate of the interest within rental expense for operating leases. This component is estimated to equal 1/3 of rental expense, which is considered a reasonable approximation of the interest factor.

The calculation of the ratio of earnings to fixed charges excludes discontinued operations. However the impact on the ratio from the inclusion of the interest expenses related to discontinued operations would be immaterial.

- (3) 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 14,825,816,499 for the three months ended March 31, 2014, 13,278,472,713 for the three months ended March 31, 2013 and 13,571,392,501 for the year ended December 31, 2013 (such number includes 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.), 13,277,621,082 for the year ended December 31, 2012, 13,264,375,078 for the year ended December 31, 2011, 13,239,883,276 for the year ended December 31, 2010 and 13,220,792,908 for the year ended December 31, 2009;
- Savings Shares was 6,026,120,661 for the three months ended March 31, 2014 and 2013 and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009.

For diluted earnings per share the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Potential shares are those securities that, if converted into shares, would increase the total number of shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. The Telecom Italia Group’s profit is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.

- (4) Telecom Italia’s dividend coupons for its Savings Shares for the year ended December 31, 2013, were clipped on April 22, 2014, and were payable from April 25, 2014.
- (5) 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.
- (6) Net Financial Debt is a “Non-GAAP Financial Measure” as defined in Item 10(e) of Regulation S-K under the Exchange Act. For further details please see “—*Non-GAAP Financial Measures*”.
- (7) Physical accesses include Broadband accesses.

Business Unit Financial Data

The table below (which has been extracted or derived from the 2013 Annual Report) sets forth revenues, operating profit (loss), capital expenditures and number of employees by Business Units, for the years ended December 31, 2013, 2012 and 2011. On November 13, 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 (which made up the Argentina Business Unit). As a result and in accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), during the fourth quarter of 2013 Telecom Argentina was treated as Discontinued operations/Non-current assets held for sale. The data for prior periods have been restated.

| | Domestic | Brazil | Media | Olivetti | Other Operations | Adjustments and eliminations | Consolidated Total |
|---|---|--------|-------|----------|---------------------|------------------------------------|-----------------------|
| | (millions of Euros, except number of employees) | | | | | | |
| Revenues ⁽¹⁾ | | | | | | | |
| 2013 | 16,175 | 6,945 | 124 | 265 | — | (102) | 23,407 |
| 2012 | 17,884 | 7,477 | 222 | 280 | 62 | (166) | 25,759 |
| 2011 | 18,991 | 7,343 | 238 | 343 | 119 | (262) | 26,772 |
| Operating profit (loss) | | | | | | | |
| 2013 | 1,993 | 858 | (132) | (8) | 1 | 6 | 2,718 |
| 2012 | 1,078 | 966 | (263) | (65) | (3) | (4) | 1,709 |
| 2011 | (1,996) | 984 | (88) | (43) | (38) | (9) | (1,190) |
| Capital Expenditure (on an accrual basis) | | | | | | | |
| 2013 | 3,027 | 1,349 | 20 | 4 | — | — | 4,400 |
| 2012 | 3,072 | 1,500 | 57 | 3 | 7 | — | 4,639 |
| 2011 | 4,184 | 1,290 | 61 | 5 | 16 | — | 5,556 |
| Number of employees at year-end ⁽²⁾ | | | | | | | |
| 2013 | 52,695 | 12,140 | 84 | 682 | 22 | — | 65,623 |
| 2012 | 53,224 | 11,622 | 735 | 778 | 22 | — | 66,381 |
| 2011 | 55,047 | 10,539 | 765 | 1,075 | 378 | — | 67,804 |

- (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 year-end excludes employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale, and includes personnel with temp work contracts.

The table below sets forth revenues, operating profit (loss) and capital expenditures by Business Units, for the three months ended March 31, 2014 and 2013 and number of employees as of March 31, 2014 and December 31, 2013:

| | Domestic ⁽¹⁾ | Brazil | Media | Other Operations | Adjustments and Eliminations | Consolidated Total |
|---|-------------------------|--------|-------|---------------------|------------------------------------|-----------------------|
| (Unaudited) | | | | | | |
| (millions of Euros, except number of employees) | | | | | | |
| Revenues ⁽²⁾ | | | | | | |
| 1st Quarter 2014 | 3,728 | 1,451 | 15 | - | (6) | 5,188 |
| 1st Quarter 2013 | 4,066 | 1,786 | 48 | - | (11) | 5,889 |
| Operating profit (loss) | | | | | | |
| 1st Quarter 2014 | 990 | 181 | (1) | (3) | - | 1,167 |
| 1st Quarter 2013 | 1,073 | 209 | (125) | (3) | - | 1,154 |
| Capital Expenditure (on an accrual basis) | | | | | | |
| 1st Quarter 2014 | 493 | 189 | 2 | - | - | 684 |
| 1st Quarter 2013 | 579 | 178 | 9 | - | - | 766 |
| Number of employees at year-end ⁽³⁾ | | | | | | |
| As of March 31, 2014 | 53,302 | 12,206 | 84 | 21 | - | 65,613 |
| As of December 31, 2013 | 53,377 | 12,140 | 84 | 22 | - | 65,623 |

- (1) Effective as of and for the three months ended March 31, 2014, the results of the Olivetti group are included in our "Domestic" business unit mainly as a result of its commercial and business activities as well as the complementarity of its products and services with respect to the ones offered by Telecom Italia in the domestic (Italian) market. In the past, the results of the Olivetti group were included in the "Olivetti" business unit. Accordingly, the data for the three months ended March 31, 2013 and the year ended December 31, 2013 have been restated.
- (2) 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).
- (3) 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.

Non-GAAP Financial Measures

Net Financial Debt is a Non-GAAP financial measure as defined in Item 10(e) of Regulation S-K under the Exchange Act, but is widely used in Italy by financial institutions to assess liquidity and the adequacy of a company's financial structure. We believe that Net Financial Debt provides an accurate indicator of our ability to meet our financial obligations (represented by gross debt) by our available liquidity, represented by the other items shown in the reconciliation table. Net Financial Debt allows us to show investors the trend in our net financial condition over the periods presented. The limitation on the use of Net Financial Debt is that it effectively assumes that gross debt can be reduced by our cash and other liquid assets. In fact, it is unlikely that we would use all of our liquid assets to reduce our gross debt all at once, as such assets must also be available to pay employees, suppliers, and taxes, and to meet other operating needs and capital expenditure requirements. Net Financial Debt and its ratio to equity (including Non-controlling Interest), or leverage, are used to evaluate our financial structure in terms of sufficiency and cost of capital, level of debt, debt rating and funding cost, and whether our financial structure is adequate to achieve our business plan and our financial targets. Our management believes that our financial structure is sufficient to achieve our business plan and financial targets. Our management monitors the Net Financial Debt and leverage or similar measures as reported by other telecommunications operators in Italy and outside Italy, and by other major listed companies in Italy, in order to assess our liquidity and financial structure relative to such companies. We also monitor the trends in our Net Financial Debt and leverage in order to optimize the use of internally generated funds versus funds from third parties. Net Financial Debt is reported in our Italian Annual Report to shareholders and is used in presentations to investors and analysts.

Net Financial Debt is calculated as follows:

| | As of December 31, | | | | | As of March 31, |
|--|--------------------|----------------|---------------------|-----------------|----------------|--------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| | | | | | | (Unaudited) |
| | | | (millions of Euros) | | | |
| Non-current financial liabilities | 36,797 | 34,348 | 35,860 | 34,091 | 31,084 | 31,040 |
| Current financial liabilities | 6,941 | 6,882 | 6,091 | 6,150 | 6,119 | 5,182 |
| Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale | 659 | — | — | — | 27 | 27 |
| GROSS FINANCIAL DEBT (A) | 44,397 | 41,230 | 41,951 | 40,241 | 37,230 | 36,249 |
| NON-CURRENT FINANCIAL ASSETS (B) | (1,119) | (1,863) | (2,949) | (2,496) | (1,256) | (1,340) |
| Current financial assets: | | | | | | |
| Securities other than investments (current assets) | (1,843) | (1,316) | (1,007) | (754) | (1,348) | (1,292) |
| Financial receivables and other current financial assets | (1,103) | (438) | (462) | (502) | (283) | (354) |
| Cash and cash equivalents..... | (5,504) | (5,526) | (6,714) | (7,436) | (5,744) | (3,945) |
| Financial assets relating to Discontinued operations/Non- current assets held for sale | (81) | — | — | — | (657) | (508) |
| TOTAL CURRENT FINANCIAL ASSETS (C) | (8,531) | (7,280) | (8,183) | (8,692) | (8,032) | (6,099) |
| FINANCIAL ASSETS (D=B+C) | (9,650) | (9,143) | (11,132) | (11,188) | (9,288) | (7,439) |
| NET FINANCIAL DEBT (A+D) | 34,747 | 32,087 | 30,819 | 29,053 | 27,942 | 28,810 |

RISK FACTORS

An investment in the Securities and Receipts will involve a degree of risk, including those risks which are described in this section. You should carefully consider the following discussion of risks before deciding whether an investment in the Securities and Receipts is suitable for you. The risks described below are not the only ones we face. Additional risks not known to us or that we currently deem immaterial may also impair our business and results of operations. Our business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks, and investors could lose all or part of their investment.

We present below:

- 1) our main objectives as set out in our: 2014-2016 business and strategic plan (the “2014-2016 Plan”); and*
- 2) factors that may prevent us from achieving our objectives. For purposes of presenting our risk factors we have identified our risks based on the main risk categories, set out in the Committee of Sponsoring Organization of the Treadway Commission²:*
 - strategic risks;*
 - operational risks;*
 - financial risks; and*
 - compliance risks.*

Risk Factors Relating to Telecom Italia Group

Our business will be adversely affected if we are unable to successfully implement our strategic objectives. Factors beyond our control may prevent us from successfully implementing our strategy.

On November 7, 2013, we presented our 2014–2016 Plan, which envisages:

- a strong focus on investments relating to innovative networks and services, in order to enable the evolution of the telecommunication business model;
- stabilization of revenues in the Domestic (Italy) business unit, as well as maintaining revenue growth in Brazil;
- operating expense efficiency both in Italy and in Brazil;
- certain extraordinary transactions intended to strengthen the Group’s financial position, including issuing mandatory convertible bonds, the disposal of the stake in the Sofora-Telecom Argentina group, and other transactions to exploit the value of certain of its assets (transmission towers in Italy and in Brazil and Telecom Italia Media’s broadcasting infrastructure); and
- continued deleveraging.

Our ability to implement and achieve these strategic objectives and priorities may be influenced by certain factors, including factors outside of our control. Such factors include:

- the continuing effects of the global economic crisis in the principal markets in which we operate, including, in particular, our core Italian market;

² CoSO Report-ERM Integrated Framework 2004.

- the impact of regulatory decisions and changes in the regulatory environment in Italy and other countries in which we operate;
- the impact of political developments in Italy and other countries in which we operate;
- our ability to successfully meet competition on both price and innovation capabilities of new products and services;
- our ability to develop and introduce new technologies which are attractive in our principal markets, to manage innovation, to supply value added services and to increase the use of our fixed and mobile networks;
- our ability to successfully implement our internet and broadband strategy;
- our ability to successfully achieve our debt reduction and other targets;
- the impact of fluctuations in currency exchange and interest rates and the performance of the equity markets in general;
- the outcome of litigation, disputes and investigations in which we are involved or may become involved;
- our ability to build up our business in adjacent markets and in international markets (particularly in Brazil), due to our specialist and technical resources;
- our ability to achieve the expected return on the investments and capital expenditures we have made and continue to make in Brazil;
- the amount and timing of any future impairment charges for our authorizations, goodwill or other assets;
- our ability to manage and reduce costs;
- any difficulties which we may encounter in our supply and procurement processes, including as a result of the insolvency or financial weaknesses of our suppliers; and
- the costs we may incur due to unexpected events, in particular where our 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 our management can effectively be attained in the manner and within the time-frames described. Furthermore, if we are unable to attain our strategic priorities, our goodwill may be further impaired, which could result in further significant write-offs.

The following sets out more specific factors that may prevent us from achieving our objectives.

STRATEGIC RISKS

The global economic crisis and the continuing weakness of the Italian economy over the past several years, together with slow global economic growth, has adversely affected our business and continuing global and/or Eurozone economic weakness could further adversely affect our business and therefore have a negative impact on our operating results and financial condition.

Our business is dependent to a large degree on general economic conditions in Italy and in our other principal market, Brazil, including levels of interest rates, inflation, taxes and general business conditions. A significant deterioration in economic conditions could adversely affect our business and results of operations. The weak economic conditions of the last several years have had an adverse impact on our 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 our core Italian market.

Continuing uncertainty about global economic conditions poses a significant risk as consumers and businesses postpone spending in response to tighter credit, negative financial news (including high levels of unemployment) or declines in income or asset values, which could have a material negative effect on the demand for our products and services. Economic difficulties in the credit markets and other economic conditions may reduce the demand for or the timing of purchases of our products and services. A loss of customers or a reduction in purchases by our current customers could have a material adverse effect on our financial condition, results of operations and cash flow and may negatively affect our ability to meet our targets. Other factors that could influence customer demand include access to credit, consumer confidence and other macroeconomic factors.

Our strategy includes certain extraordinary transactions intended to strengthen the Group's financial position. Such transactions include the disposal of our stake in the Sofora-Telecom Argentina group and other transactions to exploit the value of certain of our assets (transmission towers in Italy and in Brazil and Telecom Italia Media's broadcasting infrastructure). Our ability to complete these transactions may be adversely impacted by factors outside our control, including political and regulatory developments as well as general economic and market conditions. In particular, the disposal of the stake in the Sofora-Telecom Argentina group is conditional upon obtaining certain required regulatory approvals. We cannot provide assurance that the required governmental and regulatory approvals will be obtained within the expected timeframe and that completion of the disposal of the Sofora-Telecom Argentina group will be made on the agreed terms.

Risks associated with Telecom Italia's ownership chain.

Telco S.p.A. ("**Telco**")—a company whose capital with voting rights at December 31, 2013 was broken down as follows : Generali group ("**Generali**") (30.58 per cent.), Intesa Sanpaolo S.p.A. ("**Intesa Sanpaolo**") (11.62 per cent.), Mediobanca S.p.A. ("**Mediobanca**") (11.62 per cent.), and Telefónica S.A. ("**Telefónica**") (46.18 per cent.)—is Telecom Italia's largest shareholder, holding an interest of approximately 22.38 per cent. of the voting rights.

The shareholders of Telco are part of a shareholders' agreement that has been significant for Telecom Italia since April 28, 2007. On February 29, 2012 the shareholders of Telco cancelled, by mutual consent, the agreement signed in 2007, as subsequently amended, signing a new agreement at the same terms and conditions as the previous one, with a duration until February 28, 2015 (the "**2012 Shareholders Agreement**"). On September 24, 2013, Telefónica subscribed an increase in the share capital of Telco for approximately 324 million euros, against the issue of non-voting shares, bringing its share of the capital of Telco to 66%; on the same date, the parties amended the 2012 Shareholders' Agreement (the "**2012 Amended Shareholders Agreement**").

According to the 2012 Amended Shareholders Agreement and subject to all necessary antitrust and communications authorizations (including, where necessary, those of the authorities in Brazil and Argentina) Telefónica undertook to subscribe a further amount of non-voting shares, increasing its share of the capital of Telco from 66% to 70%, and from January 1, 2014 is entitled (i) to convert the non-voting shares subscribed with the aforementioned increases in capital into voting shares, until it achieves a maximum share of 64.9% of the total voting capital, and (ii) to purchase for cash all the shares of the other Telco shareholders, at certain terms and conditions.

The 2012 Amended Shareholders Agreement identifies, among other things, the criteria for the composition of the slate of candidates for appointment to the Board of Directors of Telecom Italia to be submitted to the Shareholders' Meeting, according to the criteria indicated below:

- so long as it holds more than 30% but less than 50% of the voting shares in Telco, Telefónica will be entitled to designate 2 directors of Telecom Italia to be included in the slate; and, so long as the other shareholders hold over 50% of the voting capital of Telco, they shall have the right to designate the other candidates on the slate, of which three candidates would be appointed unanimously and the others on a proportional basis;

- after the conversion of Telefónica’s non-voting shares into voting ones takes place, and so long as Telefónica holds more than 50% of the voting shares in Telco: (i) the other shareholders will be entitled to designate the first two members on the slate, unanimously, and half of the remaining candidates (net of the directors to be reserved to the minority shareholders) in proportion to their respective shareholdings in Telco; (ii) Telefónica will be entitled to designate all the remaining candidates (always net of the directors to be reserved to the minority shareholders) to be listed on the Telco slate. The parties have agreed, assuming that the Board of Directors of Telecom Italia is composed of no fewer than 13 directors, that Telefónica shall be entitled to designate at least four Directors. To this end, they will ensure that Telco votes against any proposal to reduce the number of directors of Telecom Italia to less than 13 that might be presented in the Shareholders’ Meeting.

Based on the foregoing, Telco may exert a significant influence on all matters to be decided by a vote of shareholders, including appointment of directors. In the shareholders’ meeting held on April 12, 2011, 12 out of 15 Board members were elected from a slate proposed by Telco, while the remaining three Directors were elected from a slate proposed by a group of asset management companies and international institutional investors. In principle, the interests of Telco in deciding shareholder matters could be different from the interests of Telecom Italia’s other ordinary shareholders, and it is possible that certain decisions could be taken that may be influenced by the needs of Telco.

Telco is a holding company and the sole operating company in which it has an interest is Telecom Italia. Therefore, should Telco be unable to obtain funding from its shareholders, present or future, or from other sources, its cash flows would be entirely dependent upon the dividends paid on the Telecom Italia shares for its funding needs.

In addition, Telefónica is the largest shareholder of Telco. Presently, Telefónica and its associated companies (the “**Telefónica Group**”) and the Telecom Italia Group are direct competitors outside of their respective domestic markets, including Brazil; nevertheless, the 2012 Amended Shareholders Agreement provides that the Telecom Italia Group and the Telefónica Group will be managed autonomously and independently. In particular, the Board members designated by Telefónica to serve in Telco and Telecom Italia shall be directed by Telefónica to neither participate nor vote in board meetings (and nor will Telefónica itself exercise its right to vote in the Telco shareholders’ meetings) that examine and propose resolutions regarding the policies, management and operations of companies directly or indirectly controlled by Telecom Italia and that provide their services in countries where legal or regulatory restrictions or limitations concerning the exercise of voting rights by Telefónica are in force. In addition, specific provisions and prohibitions take account of certain regulatory requirements of the respective regulators in Brazil and Argentina. The presence of Telefónica in Telco could, however, result in legal or regulatory proceedings or affect regulatory decisions in countries where Telecom Italia Group may wish to operate if the Telefónica Group is also an operator or competitor in such jurisdictions.

Competition Risks

Strong competition in Italy or other countries where we operate may reduce our core market share for telecommunications services and may cause reductions in prices and margins thereby having a material adverse effect on our results of operations and financial condition.

Strong competition exists in all of the principal telecommunications business areas in Italy in which we operate, including, most significantly, the fixed-line and mobile voice telecommunications and broadband businesses. Competition has been intense since the liberalization of the Italian telecommunications market in 1998 and there is now entrenched competition from international and other telecommunication operators who have been present in the Italian market for some time and directly compete with our fixed-line and mobile telephony businesses and for broadband services.

Moreover, convergence has enabled lateral competition from information technology (“**IT**”), Media and Devices/Consumer Electronic players. This competition may further increase due to the consolidation and globalization of the telecommunications industry in Europe, including Italy, and elsewhere. We face competition from international competitors who have entered local markets to compete with existing operators as well as from

local operators, each of which has increased the direct competition we face in our Italian domestic fixed-line, mobile telephony and broadband businesses.

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

- price and margin erosion for our traditional products and services;
- a loss of market share in our 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 our Italian domestic fixed-line, mobile telephony and broadband businesses, has led, and could continue to lead to:

- obsolescence of existing technologies and more rapid deployment of new technologies;
- an increase in costs and payback period 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 we cannot generate sufficient profits and cash flows.

Although we have taken a number of steps to realize additional efficiencies and to rebalance 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 our results of operations and financial condition.

Continuing rapid changes in technologies could increase competition, reduce usage of traditional services or require us to make substantial additional investments.

Many of the services we offer are technology-intensive and the development or acceptance of new technologies may render such services non-competitive, replace such services or reduce prices for such services. Our markets are characterized by rapid and significant changes in technology, customer demand and behavior, and, as a result feature a constantly changing competitive environment. In addition, as the convergence of services accelerates, we make and will have to make substantial additional investments in new technologies to remain competitive. The new technologies we choose may prove to be commercially unsuccessful. Moreover, we may not receive the necessary authorizations to provide services based on new technologies in Italy or abroad, or may be negatively impacted by unfavorable regulation regarding the usage of these technologies. Furthermore, our most significant competitors in the future may be new entrants to our markets who do not have to maintain an installed base of older equipment.

As a result, if we are unable to effectively anticipate, react to or access technological changes in our telecommunications markets we could lose customers, fail to attract new customers or incur substantial costs in order to maintain our customer base or to maintain revenues from such customer base, all of which could have a material adverse effect on our business, financial condition and results of operations.

In addition to competitive pressures, as a result of the increasing substitution of data services in place of traditional voice and SMS communications, our traditional voice and SMS markets also have been decreasing and are expected to continue to decrease due to increasing competition from alternative modes of telecommunications.

We face increasing competition from non-traditional data services on new voice and messaging over the internet technologies, in particular over-the-top (OTT) applications, such as Skype, Google Talk, FaceTime and WhatsApp. These applications are often free of charge, other than for data usage, accessible via smartphones, tablets and computers and allow their users to have access to potentially unlimited messaging and voice services over the internet, bypassing more expensive traditional voice and messaging services such as short message service (“SMS”)

which have historically been a source of significant revenues for fixed and mobile network operators such as us. With the growing share of smartphones, tablets and computers in Italy as well as our principal international market of Brazil, an increasing number of customers are using OTT applications services in substitution for traditional voice or SMS communications.

Historically, we have generated a substantial portion of our revenues from voice and SMS services, particularly in our 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 our revenues and profitability. As a result of these and other factors, we face a mobile market in which price pressure remains intense.

In the long term, if non-traditional mobile voice and data services or similar services continue to increase in popularity, as they are expected to do, and if we 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 our products and services, thereby having a material adverse effect on our business, results of operations, financial condition and prospects.

The mobile communications markets have matured and competition has increased.

Although mobile communications markets have reached maturity levels in our domestic market in the voice services segment, the mobile broadband business continues to grow. However such change has had an adverse effect on revenues from our mobile services.

The evolution of the mobile telecommunications markets in which we operate will depend on a number of factors, many of which are outside our control. These factors include:

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

In addition, as our core domestic Italian market has become increasingly saturated there is a growing focus on customer retention. Such focus could result in increased expenses to retain customer loyalty or, if we are unable to satisfactorily offer better value to our customers, our market share and revenues could decline. Furthermore, in the last two years we have experienced a significant deterioration in the Italian mobile market, with a strong increase in the level of competition and nearly unprecedented price pressure in comparison with prior periods; a continuation of such price pressure could have an adverse effect on our current and future revenues and results of operations.

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

We may be adversely affected if we fail to successfully implement our Internet and broadband strategy.

The continuing development of internet and broadband services is an important part of our strategic objectives to increase the use of our networks in Italy and abroad. Our strategy includes the development of broadband and value added services in order to offset the decline of traditional voice services. Our ability to successfully implement this strategy may be affected if:

- Internet usage in Italy continues to grow more slowly than anticipated, for reasons such as changes in internet users' preferences or lower than expected penetration rate growth for PCs, tablets, smartphones and other Internet connected devices;

- broadband penetration does not grow as we expect;
- competition increases, for reasons such as the entry of new competitors (telcos, OTT players or players from adjacent markets), consolidation in the industry or technological developments introducing new platforms for Internet access and/or Internet distribution or other operators can provide broadband connections superior to those that we can offer; and
- we experience any network interruptions or related problems with network infrastructure.

Any of the above factors may adversely affect the successful implementation of our strategy, our business and results of operations.

Our business may be adversely affected if we fail to successfully implement our Information and Communications Technology (ICT) strategy.

We intend to continue focusing on IT-telecommunication (“TLC”) convergence by addressing the ICT market, offering network and infrastructure management, as well as application management.

Moreover as the use of cloud IT services matures and their adoption grows, we may take advantage of the new cloud opportunities especially in the Business customer segment providing a full range of services (from “core” Infrastructure to Software as a Service through partners’ ecosystem) integrated with a wide range of connectivity options and end-to-end service-level agreements. We expect to experience increasing competition in this market as additional competitors (mainly Telco operators through acquisition and partnership with IT operators) also enter this market.

There is no assurance that the services offered will be successful; as a result our revenues could be negatively affected.

We are subject to risks associated with political developments in countries where we operate.

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

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

In 2012, regulations relating to the special powers on share ownership in the sectors of defense and national security, and regarding activities of strategic importance in the energy, transport and communication sectors were published and became effective.

Prime Ministerial Decree 129 of October 2, 2013 extended the sphere of application of the special powers in the defense and national security sectors, to “*the networks and systems used to supply access to the end users of services that fall within the obligations of universal service and broadband and ultrabroadband services*”. As a result there is an obligation to provide the Prime Minister’s Office with certain notices, including:

- Telecom Italia is required to provide a notice giving full information on resolutions to be taken regarding the merger or demerger of the company, transfer of the business or a branch of the business, or of subsidiaries, transfer of the registered offices abroad, change of company purpose, dissolution, amendment of clauses in the company bylaws introduced pursuant to the law on privatization, the transfer of property rights or rights to use tangible or intangible assets or the assumption of limitations that affect their use;
- any other person who acquires a stake in the Company’s share capital with voting rights is required to provide a notice when the thresholds of 2%, 3%, 5%, 10%, 15%, 20% and 25% are exceeded, which notice gives a general description of the proposed acquisition, the purchaser and its sphere of operations.

Within a 15 day-period from the notice (suspended if further information is requested) a power of veto may be exercised, or prescriptions or conditions may be imposed every time this is sufficient to ensure the protection of the essential interests of defense and national security. Pending exercise of the veto power, the voting rights (and any rights other than the property rights) attaching to the shares that represent the relevant holding shall be suspended. The same rights are suspended in 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 with the determining vote of said shares or holdings, as well as the resolutions or acts adopted that breach or do not comply with the conditions imposed, shall be null and void.

In addition, publication in the Official Gazette is pending of the recently adopted decree which includes TLC networks and systems in the scope of the special powers in the energy, transport and communication sectors as well. When this happens the clauses in the Company's bylaws on special powers will cease to have effect and the Italian Government will be provided with:

- the authority to impose conditions and possibly to oppose the purchase by non-EU citizens, of controlling shareholdings in companies which hold strategic assets identified in the regulations. For non-EU citizens, any right to purchase will be permitted solely on condition of reciprocity with the purchaser's home jurisdiction; and
- a power of veto (including through prescriptions or conditions) on any resolution, act or transaction which has the effect of modifying the ownership, control or availability of strategic assets or changing their use, including resolutions of merger, demerger, transfer of registered office abroad, transfer of the company or business units which contain the strategic assets or their assignment by way of guarantee, amendment to company's bylaws purpose, company dissolution or amendment in bylaws provisions relating to limitations on voting rights.

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

OPERATIONAL RISKS

We face numerous risks in both the efficiency and effectiveness in resources allocation. Operational risks related to our 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 systems failures. These events can turn out as direct or indirect losses and adverse legal and regulatory proceedings, and harm our reputation and operational effectiveness.

We have in place risk management practices 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 we face and such failures could have a material adverse effect on our results of operations and could harm our reputation.

System failures could result in reduced user traffic and reduced revenue and could harm our reputation. In addition, our operations and reputation could be materially negatively affected by cyber-security threats or our failure to comply with data protection legislation.

Our success largely depends on the continued and uninterrupted performance of our information technology, network systems and of certain hardware and datacenters that we manage for our clients. Our technical infrastructure (including our network infrastructure for fixed-line and mobile telecommunications services) is vulnerable to damage or interruption from information and telecommunication technology failures, power loss, floods, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. Any of these occurrences could result in reduced user traffic and

reduced revenue and could negatively affect our levels of customer satisfaction, reduce our customer base and harm our reputation.

In addition, our 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 prevention of unauthorized access to, our networks, systems, computers, applications and data, such as customer accounting, network control, data hosting, cloud computing and other information technology systems is critical to our operations. We may be held liable for the loss, release, disclosure or inappropriate modification of the customer data stored on our equipment or carried by our networks. Information technology system failure, interruption of service availability, industrial espionage, cyber-attack or data leakage, in particular relating to customer data, could seriously limit our ability to service our clients, result in significant compensation costs for which indemnification or insurance coverage may not, or not to the full extent, be available, result in a breach of laws and regulations under which we operate or be associated with fines and could cause long-term damage to our business and reputation.

Our business depends on the upgrading of our existing networks.

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

- upgrade the functionality of our networks to offer increasingly customized services to our customers;
- increase coverage in some of our markets;
- expand and maintain customer service, network management and administrative systems;
- expand the capacity of our 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, our network investments may prove to be inadequate or may be superseded by new technological changes. Our network investments may also be limited by market uptake and customer acceptance. If we fail to make adequate capital expenditures or investments, or to properly and efficiently allocate such expenditures or investments, the performance of our networks, both in real terms and in relative terms as compared to our competitors, could suffer, resulting in lower customer satisfaction, diminution of brand strength and increased churn.

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

We are continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties and are 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 us, they could, individually or in the aggregate, have a material adverse effect on our results of operations, financial condition and cash flows in any particular period.

We are subject to numerous risks relating to legal, tax, competition and regulatory proceedings in which we are currently a party or which could develop in the future. We are 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 we are, or may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on our results of operations and/or financial condition and cash flows in any particular period. Furthermore, our involvement in such proceedings and investigations may adversely affect our reputation.

Risks associated with the internet usage by our customers could cause us losses and adversely affect our reputation.

Any illegal, illicit or unethical use of the internet or other data transmission facilities we provide access to by our customers may cause us to be involved in civil liability proceedings or lead to an unfavorable public perception of our brand or services. Any such event could result in direct or indirect losses, legal and/or regulatory proceedings directed against us and materially harm our reputation.

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

FINANCIAL RISKS

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

Our consolidated gross financial debt was 36,249 million euros at March 31, 2014 compared with 37,230 million euros at December 31, 2013. Our consolidated net financial debt was 28,810 million euros at March 31, 2014 compared with 27,942 million euros at December 31, 2013. Our high leverage continues to be a factor in our strategic decisions as it has been for a number of years and the reduction of our leverage remains a key strategic objective. As a result, however, we are reliant on cost cutting and free cash flow to finance critical technology improvements and upgrades to our network, although we are taking steps to raise additional capital to support critical investment.

Due to the competitive environment and continuing weak economic conditions, there could be deterioration in our income statement and statement of financial position measures used by investors and rating agencies in determining our 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 our ability to repay our debt.

Although rating downgrades do not have an immediate impact on outstanding debt, except for outstanding debt instruments that specifically contemplate ratings in order to determine interest expense, or on its relative cost to us, downgrades could lead to a greater risk with respect to refinancing existing debt or higher refinancing costs. Due to our downgrade below investment grade by Moody's in October 2013 and S&P in November 2013 against the background of concerns with respect to our ability to repay our outstanding debt and gradually reduce our leverage, the hybrid bond in the amount of 750 million euros issued in March 2013 lost its partial treatment as equity for ratings purposes and as a result we early redeemed the bond in February 2014.

Factors which are beyond our control such as deterioration in performance by the telecommunications sector, unfavorable fluctuations in interest rates and/or exchange rates, further disruptions in the capital markets, particularly debt capital markets, and, in a broader sense, continuing weakness in general economic conditions at the sovereign level could have a significant effect on our ability to reduce our debt, or our ability to refinance existing

debt through further access to the financial markets. As a result of the reduction of debt being a key element of our strategy, the failure to reduce debt could be viewed negatively and adversely affect our credit ratings.

The management and further development of our business will require us to make significant further capital and other investments. If we are unable to finance our capital investment as described above, we may therefore need to incur additional debt in order to finance such investment. Our future results of operations may be influenced by our ability to enter into such transactions, which in turn will be determined by market conditions and factors that are outside our control. In addition, if such transactions increase our leverage it could adversely affect our credit ratings.

Fluctuations in currency exchange and interest rates and the performance of the equity markets in general may adversely affect our results.

In the past, we have made substantial international investments, primarily in U.S. dollars, and have significantly expanded our operations outside of the Euro zone, particularly in Latin America.

We generally hedge our foreign exchange exposure, but do not cover translation risk relating to our foreign subsidiaries. Movements in exchange rates of the Euro relative to other currencies (in particular the Brazilian Real) may adversely affect our consolidated results. A rise in the value of the Euro relative to other currencies in certain countries in which we operate or have made investments will reduce the relative value of the revenues or assets of our operations in those countries and, therefore, may adversely affect our operating results or financial position.

In addition, we have raised, and may raise in an increasing proportion in the future, financing in currencies other than the Euro, principally the U.S. dollar and British pound. In accordance with our risk management policies, we generally hedge the foreign currency risk exposure related to non-Euro denominated liabilities, through cross-currency and interest rate swaps.

Furthermore, we enter into derivative transactions hedging our interest rate exposure to change interest rates in order to manage the volatility of our income statement, while remaining within predefined target levels. However, no assurance can be given that fluctuations in interest rates will not adversely affect our results of operations or cash flows.

Furthermore, an increase of sovereign spreads, and of the default risk it reflects, in the countries where we operate, may affect the value of our assets in such countries.

We may be exposed also 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 we operate in a heavily regulated industry, regulatory decisions and changes in the regulatory environment could materially adversely affect our business.

Our fixed and mobile telecommunications operations, as well as our broadband services, are subject to regulatory requirements in Italy and our international operations are subject to regulation in their host countries. In Italy, we are the only operator subject to universal service obligations, which requires us to provide fixed line public voice telecommunications services in non-profitable areas. As a member of the EU, Italy has adapted its telecommunications regulatory framework to the legislative and regulatory framework established by the EU for the regulation of the European telecommunications market. The last review of the EU common regulatory framework was approved at the end of 2009 and has been transposed into law in Italy in 2012.

Pursuant to this regulatory framework the Italian regulator in charge of supervising the telecommunications, radio and television broadcasting sectors (Autorità per le Garanzie nelle Comunicazioni—“AGCom”) is required to identify operators with “Significant Market Power” (“SMP”) on the basis of a Market Analyses proceedings. The framework established criteria and procedures for identifying remedies necessary to safeguard competition to be imposed on operators with SMP in the relevant markets identified by the corresponding European Commission

(“EC”) recommendation. The general regulatory approach is mainly focused on the regulation of Telecom Italia’s wholesale business, while the regulation of retail markets is being gradually withdrawn.

Within this regulatory framework the main risks we are facing are comprised of:

- lack of predictability concerning both the timing of the regulatory proceedings and their outcome;
- decisions with retroactive effects (i.e. 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 every three years, in order to cope with the evolutions of market conditions and technology developments and set the rules for the subsequent three-years period. The respect of this timetable by AGCom is necessary to grant regulatory predictability.

However, this regulatory review process is not always carried out following the required schedule. For example, the third round of Market Analyses for the access markets was expected to be concluded by the end of 2012, in order to set the rules for the following period 2013-2015, AGCom launched the third review of the fixed access markets in September 2012, in order to set wholesale access fees for both copper and fiber-based services for the 2013-2015 period. However, at the beginning of 2013, AGCom decided only to set the access fees for 2013, while postponing the decision regarding the 2014-2016 access fees to a separate proceeding. This approach has created a high level of uncertainty for market operators.

In addition, AGCom launched the fourth round of Market Analyses for mobile termination rates only in January 2014 and the schedule for fixed termination rates Market Analysis is not yet decided.

Regulatory uncertainty and regulatory changes imposed on us can have not only an adverse effect on our revenues, but can also make it difficult to take important decisions on investments. Regulation is a key factor in evaluating the likelihood of return on investments and therefore in deciding where to invest limited resources.

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: according to these judgments, AGCom is conducting a review of already established decisions, potentially leading to a change in the regulation and/or in prices, even with retroactive effects.

Also the Italian Competition Authority (*Autorità Garante per la Concorrenza ed il Mercato*—“AGCM”) may intervene in our business, setting fines and/or imposing changes in our service provision operating processes and in our offers. As an example, on March 27, 2013, AGCM initiated a proceeding about an alleged anti-competitive agreement among the companies providing network maintenance services to Telecom Italia, possibly aimed to artificially raise the underlying costs. Subsequently, AGCM extended the proceeding to Telecom Italia in order to determine whether Telecom Italia is involved in the agreement.

In addition there is currently political debate in Italy about Access Network separation which could potentially lead to significant changes in Telecom Italia’s organization, as well as in the Italian regulatory framework. The questions around this debate and the potential separation of the Access Network has also resulted in uncertainty and until such debate is settled will continue to impact on investment and other decisions made by the Company.

Our Brazilian Business Unit also is subject to extensive regulation. Our international operations, therefore, confront similar regulatory issues as we face in Italy, including the possibility for regulators to impose obligations and conditions on how we operate our businesses in Brazil as well as taking decisions that can have an adverse effect on our results, including setting, and in particular, reducing the mobile termination rates we can charge. As a result, the decisions of regulators or the implementation of new regulations in Brazil and the costs of our compliance with any such decisions or new regulations, may limit our flexibility in responding to market conditions,

competition and changes in our cost base which could individually or in the aggregate, have a material adverse effect on our business and results of operations.

In Brazil we operate under authorizations granted by the competent authorities. As a result, we are obliged to maintain minimum quality and service standards. Our failure to comply with all the requirements imposed by the *Agência Nacional de Telecomunicações* (“Anatel”) and by the Brazilian Government may result in the imposition of fines or other government actions, including the suspension of the commercial service for a given period.

Due to the continuous evolution of the regulatory regime affecting various parts of our business in Italy and in our international operations, we are unable to clearly predict the impact of any proposed or potential changes in the regulatory environment in which we operate both in Italy and internationally. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. Changes in laws, regulation or government policy could adversely affect our business and competitiveness. In particular, our ability to compete effectively in our 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 our authorizations, or those of third parties, could adversely affect our future operations in Italy and in other countries where we operate.

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

We operate under authorizations granted by government authorities.

Many of our activities require authorizations from governmental authorities both in Italy and abroad. These authorizations specify the types of services the operating company holding such authorization may provide. The continued existence and terms of our authorizations are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. Although authorization renewal is not usually guaranteed, most authorizations do address the renewal process and terms that, however, may be affected by political and regulatory factors.

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

Additional authorizations may also need to be obtained if we expand our services into new product areas, and such authorizations 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 we may not have previously had to comply. If we are unable to obtain such authorizations within the expected timeframe, at a commercially acceptable cost, or if the authorizations include onerous conditions, it could have a material adverse effect on our business, financial condition and results of operations.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but to date there is no scientific evidence of harmful effects on health. We 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.

Our mobile communications business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential

consumer liability. In addition, although Italian law already imposes strict limits in relation to transmission equipment, these concerns may cause regulators to impose greater restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

Risk Factors Relating to the Securities and Receipts

The Securities and Receipts may not be a suitable investment for all investors.

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities and Receipts, the merits and risks of investing in the Securities and Receipts and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and Receipts and the impact the Securities and Receipts will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities and Receipts, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Securities and Receipts and be familiar with the behavior of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Securities and Receipts unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and Receipts and the impact this investment will have on the potential investor's overall investment portfolio.

Early redemption risk.

The Issuer may redeem the Securities in whole or in part at its option at the redemption price described in “*Description of the Securities—Redemption at Telecom Italia’s Option*”. The Issuer may also redeem the Securities in the circumstances outlined in “*Description of the Securities—Optional Tax Redemption*”.

Since the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest rate on the Securities. 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 Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Any decline in the credit ratings of the Issuer may affect the market value of the Securities.

The Securities are expected to be assigned a rating by Moody's, by S&P and by Fitch. Each of Moody's, S&P and Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, as amended by the Regulation (EU) No. 513/2011 of the European Parliament and of the Council of May 11, 2011 (“**CRA Regulation**”). As such each of Moody's, S&P and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered->

and-certified-CRAs) in accordance with the CRA Regulation. The ratings granted by Moody's, S&P and Fitch or any other rating assigned to the Securities may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the assigning rating agency at any time. Any decline in the credit rating of Telecom Italia may adversely affect the market value of the Securities. We were downgraded below investment grade by Moody's in October 2013 and S&P in November 2013.

In addition, Moody's, S&P, Fitch or any other rating agency may change its methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Securities, sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Securities.

No limitation exists on issuing senior unsecured securities.

There is no restriction on the amount of securities or other liabilities which the Issuer may issue or incur and which rank *pari passu* with the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding-up of the Issuer.

The Securities will be effectively subordinated to our secured debt.

The Securities will not be secured by any of our assets. In the event of our bankruptcy, liquidation or reorganization, holders of our secured debt will have claims with respect to the assets securing their debt that have priority over the claims of holders of the Securities. To the extent that the value of the secured assets is insufficient to repay our secured debt, holders of the secured debt would be entitled to share in any of our remaining assets equally with holders of the Securities and any other senior unsecured creditors.

Servicing our debt obligations requires a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.

Our ability to pay the principal of, and interest on, our debt securities and our credit facilities, depends, among other things, upon our future financial performance and our ability to refinance indebtedness, if necessary. Our business may not generate sufficient cash flow to satisfy our debt service obligations, and we may not be able to obtain funding sufficient to do so. If this occurs, we may need to reduce or delay capital expenditures or other business opportunities. In addition, we may need to refinance our debt, obtain additional financing or sell assets to raise cash, which we may not be able to do on commercially reasonable terms, if at all.

The Securities are subject to provisions relating to modification, amendments, supplements and waivers.

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

Furthermore, in a meeting of Holders, certain matters regarding the amendments of the terms and conditions of the Securities could be approved by a resolution passed by one or more persons holding or representing at least one-half of the aggregate principal amount of the outstanding Securities, as set out in Article 2415, paragraph 3, of the Italian Civil Code. This is in spite of the fact that the Indenture provides for some matters in respect of which an amendment, supplement or waiver may only be approved with the consent of Holders of at least 75% of the outstanding Securities. The imposition of a super-majority requirement is untested under Italian law and may be challenged by Holders, the Issuer or others, and if challenged, might not be upheld by an Italian court, with the consequences that the super-majority voting threshold would be reduced to thresholds provided for under the Italian Civil Code.

The Indenture also provides that the Trustee may, without the consent of Holders, to the extent permitted by applicable law, agree to certain amendments to the Indenture and the Securities in the circumstances described in “*Description of the Securities—Amendment, Supplement and Waiver*”.

Changes in law may affect the terms and conditions of the Securities.

The Indenture, the Securities and the Receipts are governed by, and shall be construed in accordance with, the laws of the State of New York. The provisions of the Indenture concerning the meeting of Holders and the appointment of a joint representative of Holders (*rappresentante comune*) in respect of the Securities are subject to compliance with Italian law. See “*Description of the Securities—Meetings of Holders*”. No assurance can be given as to the impact of any possible judicial decision or change to New York or Italian law or administrative practice after the date of this Offering Memorandum.

Italian insolvency laws are applicable to the Issuer and may not be as favorable to holders of Securities and Receipts as those of other jurisdictions with which investors may be more familiar.

Under Italian law, the Issuer could become subject to any of the following insolvency proceedings:

- (a) bankruptcy (*fallimento*), which is governed by the provisions of Royal Decree No. 267 of March 16, 1942 (the “**Bankruptcy Law**”), as amended which may be concluded throughout a composition with creditors filed in the context of a bankruptcy proceeding (*concordato fallimentare*) which is governed by the provisions of the Bankruptcy Law;
- (b) a composition with creditors (*concordato preventivo*), which is also governed by the provisions of the Bankruptcy Law, as recently amended by Decree Law No. 83 of June 22, 2012 (“**Decree 83**”), as subsequently amended and enacted as Law No. 134 of August 7, 2012 and Decree Law No. 69 of June 21, 2013 (“**Decree 69**”), as subsequently amended and enacted as Law No. 98 of August 9, 2013;
- (c) debt restructuring agreements (*accordi di ristrutturazione dei debiti*), a procedure governed by Article 182-*bis* of the Bankruptcy Law, as recently amended by Decree 83;

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financings granted to a debtor “in execution of” (*in esecuzione di*) a debt restructuring agreement, as well as of a pre-bankruptcy composition with creditors benefit of a super senior status. Additionally, even the financings granted “in view of” (*in funzione di*) the filing of a petition for the court approval (*omologa*) of an agreement pursuant to Article 182-*bis* or a composition with creditors (*concordato preventivo*) procedure benefit of the same super senior status in case of subsequent bankruptcy of the debtor where such financings are contemplated under the underlying restructuring plan and the super priority status is expressly recognized by the court in the context of the sanctioning of the Article 182-*bis* agreement or the approval of the *concordato preventivo* procedure. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the Article 182-*quinqies* of the Italian Bankruptcy Law, the Court, pending the homologation (*omologa*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, (in relation to Pre-composition with creditors procedure described above) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with *in rem* securities (“*garanzie reali*”), provided that the expert appointed by the debtor declares that the new financing aims at providing a better satisfaction of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, already payable and due, provided that the expert declares that such payments are essential for the company to operate. This possibility may be available to the applicant whereas its business activity is kept as a going concern.

It should be specified that the provision of Article 182-*quinquies* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to pre-bankruptcy composition with creditors.

- (d) an extraordinary administration of large scale undertakings in a state of insolvency (*amministrazione straordinaria delle grandi imprese in stato di insolvenza*), which is governed by Legislative Decree No. 270 of July 8, 1999, as subsequently amended including by certain provisions of the Bankruptcy Law (“**Decree 270**”); and
- (e) an extraordinary administration for the industrial restructuring of large scale undertakings in a state of insolvency (*amministrazione straordinaria per la ristrutturazione industriale di grandi imprese in stato d’insolvenza*), which is governed by Law Decree No. 347 of December 23, 2003, as subsequently amended including by certain provisions of the Bankruptcy Law (“**Decree 347**”). For businesses performing essential public services, such as the Issuer, this type of proceedings would also be subject to Law Decree 134 of August 28, 2008 (“**Decree 134**”).

The proceedings indicated in paragraphs (a), (b), (c), (d) and (e) are initiated by petition to the competent court. The proceeding indicated in paragraph (e) is initiated by petition of the debtor company to the Ministry of Economic Development or, in case of an extraordinary administration pursuant to Decree 134, the proceeding may be filed by decree issued by either of the President of the Council and the Minister of Economic Development.

Below is a summary of certain essential features of each type of proceeding:

- (a) **Bankruptcy** (*fallimento*): Pursuant to the Bankruptcy Law, a debtor can be declared bankrupt (*fallito*) (either by its own initiative or upon the initiative of any of its creditors or of the public prosecutor) if it is insolvent (*i.e.* the debtor is unable to regularly pay his debts as they fall due). As a consequence of the declaration of bankruptcy the debtor loses the control over all his assets and over the management of his business which is taken over by a court-appointed receiver (*curator fallimentare*). Once the bankruptcy proceeding is commenced, no enforcement and interim proceedings can be taken or continued against the debtor over the assets included in the bankruptcy estate. Moreover, all action taken and proceedings already initiated by creditors are automatically stayed. Each creditor must lodge his claims with the court in charge; the judge delegated by the court (*giudice delegato*) will decide which claims are approved. Each creditor may appeal (*opposizione*) the decision of the judge in front of the court. The sale of the borrower’s assets is conducted in compliance with a liquidation program proposed by the receiver and approved by the creditors’ committee (*comitato dei creditori*). The Bankruptcy Law provides for the formation of a creditors’ committee, a body appointed by the judge delegated, made up of three or five members, which consults with the receiver. All the provisions which rule the bankruptcy proceeding ultimately aim to maximize the amount of money that will be distributed among the creditors who have submitted a claim afterwards admitted by the delegated judge. The Holders would not have a right as a class to appoint a representative to a creditors’ committee.

A bankruptcy proceeding can terminate prior to liquidation through a composition proposal with creditors (*concordato fallimentare*). The proposal can be filed, by the debtor, one or more creditors or third parties, from the declaration of bankruptcy. The proposal may be structured similarly to the proposal which can be filed for a composition with creditors (*see below*). The *concordato fallimentare* proposal must be approved by the creditors’ committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by the majority of the classes). Creditors who do not inform the bankruptcy judge of their dissent within the set time limit are considered as consenting. Once ratified by the Court, the bankruptcy composition with creditors under the bankruptcy proceeding is binding on all creditors whose claims arose before the bankruptcy proceeding was opened, including those that did not apply for their claims to be included in the list of approved claims. The guarantees in the bankruptcy composition with creditors under the bankruptcy proceeding that are issued by third parties, however, are not extended to the latter. The creditors retain the right to act against co-obligors, the bankrupt’s guarantors and obligors by recourse.

(b) ***A composition with creditors (concordato preventivo)***: A debtor that is insolvent or in “financial distress” (*i.e.*, facing financial distress which does not amount to insolvency yet) may file for a composition with creditors by submitting a plan for the composition with its creditors which may provide, *inter alia*, for:

- the restructuring of debts and the satisfaction of creditors in any manner even through assignments of assets, the assumption of debts or other extraordinary transactions, including the allocation to creditors, or to companies in which they have an interest, of shares, quotas, bonds (also convertible into shares) or other financial and debt instruments;
- the transfer to an assignee (*assuntore*) of the activities of the debtor company involved in the arrangement proposal;
- the division of the creditors into different classes according to their legal status and homogeneous economic interests; and/or
- different treatments for creditors belonging to different classes.

The procedure is based on the plan which contains the analytical description of the different methods of payment as well as a timeline which help the creditors to understand how and when their credit will be played. This plan must be supported by a report from a professional (*esperto*) appointed by the debtor certifying the truthfulness of the corporate data and the feasibility of the plan.

The court determines whether the proposal for the composition is admissible, in which case the court, *inter alia*, delegates a judge to follow the procedure (*giudice delegato*), appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors meeting.

Once the composition with creditors proceeding is commenced, *inter alia*, no enforcement and interim proceedings can be taken or continued against the debtor over the debtor’s assets. Moreover all action taken and proceedings already initiated by creditors are automatically stayed.

In accordance with article 177 of the Bankruptcy Law, the composition with creditors is approved by the creditors, at the creditors meeting or within a specified term thereafter, by the majority (by value of claims) of the creditors entitled to vote and, in case of different classes of creditors, also by the majority of classes). Once the voting procedures are done, the court may approve the composition with creditors even in case of challenge by a dissenting creditor pertaining to one or more dissenting classes or, in case of a sole class, by dissenting creditors representing at least 20 percent of the credits admitted to the vote, if the court deems that the composition with creditors would satisfy the interests of the dissenting creditors for an amount not less than that which would have been achieved under other practicable solutions.

The provisions of Article 161, Paragraph 6, of the Bankruptcy Law (as introduced by Decree Law No. 83 of June 22, 2012 as subsequently amended) now allow a debtor to file a petition for admission to the composition with creditors even before a composition plan has been filed with the court, with the debtor benefiting from the stay against enforcement over the debtor’s assets and being granted a maximum of up to 120 days (such term may be postponed for further 60 days in the presence of justified reasons) in order to produce a composition plan for court approval or, as an alternative, reaching a court approved private restructuring as addressed by Article 182bis of the Bankruptcy Law. Pursuant to the amendments introduced by Decree 69, the court handling the case may appoint a judicial commissioner (*commissario giudiziale*) who must supervise and monitor the debtor activities and to verify whether the debtor has realized any fraud towards his creditors.

The procedure of the composition with creditors ends with a decree which is to be issued by the competent court. If the creditors’ meeting does not approve the composition with creditors, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate

conditions apply, declare the company bankrupt. Once ratified, the composition with creditors is binding on all creditors whose claims arose before the order that opened the procedure.

The filing of the petition for the composition with creditors together with all the documentations required (as well as the filing of the petition for the homologation of a debt restructuring agreement together with all the documentations required, as described below) may be preceded by the filing of a preliminary petition (the Pre-composition with creditors), as provided for by Article 161, sixth paragraph, of the Italian Bankruptcy Law, as introduced in 2012 (*pre-concordato* or *concordato con riserva* or *concordato in bianco*). The debtor may file such petition along with its financial statements for the latest three financial years as well as the list of all its creditors reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period - assigned by a decree issued by the competent court – up to a maximum of 120 days from the date of the filing of the preliminary petition (60 in case of pending of a procedure for the a bankruptcy order pursuant to Article 15 Italian Bankruptcy Law), subject to only one possible further extension of 60 days, for reasonable grounds. During such period, all enforcement and interim proceedings by the creditors (whose debt become due before the sanctioning of the composition with creditors (*concordato preventivo*) by the court) are stayed. If the debtor doesn't file the complete documentation within the term given by the court, he will not be able to file, for the following two years, another petition for pre-composition with creditors.

Following the filing of the Pre-composition with creditors and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the court's authorization to carry out acts pertaining to its extraordinary activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company are treated as super senior (*prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9 of February 21, 2014 specified that the super-seniority of the claims – which arise out of loans granted with a view to allowing the filing of the Pre-composition with creditors - is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the composition with creditors within the same proceeding opened with the filing of the Pre-composition with creditors.

Pursuant to Article 161 of the Italian Bankruptcy Law as recently amended by Decree 69, (i) the court handling the case may impose regular disclosure obligations on the petitioner, partly in respect of the debtor's financial transactions and its preparations for the composition proposal and scheme, which the debtor must discharge at least once a month. The debtor is also obliged to file financial reports on a monthly basis, which the court clerk must enter in the applicable companies register by no later than the following day. Furthermore, (ii) a judicial commissioner (*commissario giudiziale*) may also be appointed by the court through the above mentioned decree. The judicial commissioner is appointed to supervise and monitor the debtor activities and to verify whether the debtor has realized any fraud towards his creditors. If the judicial commissioner finds out a fraud has been committed by the debtor, he has to refer to the competent court – upon the occurrence of the conditions set forth by the Italian Bankruptcy law – may reject the petition and upon the petition of creditors and/or public minister may declare – subject to the fulfillment of the conditions set out by the law – the debtor bankruptcy.

- (c) ***Debt restructuring agreements*** (*accordi di ristrutturazione dei debiti*): Article 182-bis of the Bankruptcy Law gives the debtor the opportunity to negotiate and conclude one or several private agreements between the debtor and his creditors representing at least 60 percent of claims owed. These agreements are subjected to court approval (*omologa*). The non-participating creditors remain extraneous to the restructuring plan and to the agreements and have to be fully paid within 120 days from the date of the *omologa*. A report (*attestazione*) is required to be provided by an independent expert appointed by the debtor as to the truthfulness of the business data provided by the company and feasibility of the agreements, particularly with regard to their suitability to ensure the full payment of non-participating creditors. Within 30 days from the publication of the agreements in the Company

Register, creditors and any other interested party may file an appeal against them (*opposizione*). Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to pre-existing debts. Should these agreements (or the payments towards the non-participating creditors) not been fulfilled by the debtor and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the agreements, subject to certain conditions (i) are not subject to claw-back action, and (ii) are exempted from certain potentially applicable criminal sanctions. Moreover, likewise the composition with creditors, the debtor is now able to petition the court for a stay on rights of enforcement even prior to the final restructuring agreement being filed, provided that an affidavit is filed by the debtor attesting that negotiations are ongoing with creditors representing at least 60 percent of claims owed and a declaration by an independent expert attests to the feasibility of such (potential) agreements.

- (d) ***An extraordinary administration of large scale undertakings in a state of insolvency*** (*amministrazione straordinaria delle grandi imprese in stato di insolvenza*): Decree 270 introduced a specific extraordinary administration proceeding, usually known as the “Prodi-*bis*” (the “**Prodi-*bis* procedure**”), applicable to insolvencies of major companies (the “**Extraordinary Administration**”).

The aim of the Prodi-*bis* procedure is to ensure continuation of the business operated by the debtor by either enabling the same to regain the ability to meet its obligations in the ordinary course of business by the end of the procedure or by transferring the business (on a going concern basis) to third parties.

To qualify for the Prodi-*bis* procedure, the company must have:

- employed at least 200 employees in the year before the procedure was commenced; and
- debts equal to at least two-thirds of the value of its assets as shown in its financial statements and two-thirds of income from sales and the provision of services during the last financial year.

Companies in a state of insolvency may be submitted to the Prodi-*bis* procedure if certain conditions are met and if they do not qualify per-se for the Prodi-*bis* too.

The Prodi-*bis* procedure is divided into two main phases:

- *Judicial phase*: following a petition, the court will determine whether the company meets the criteria for admission and, in particular, whether the company is insolvent. If the company is insolvent, the court will issue a decision to that effect and appoint one or three judicial receiver(s) (*commissario giudiziale*) to evaluate whether the business has serious prospects of recovery (either through a sale of assets or a reorganization of its business) and to report back to the court within 30 days. Following receipt of the report of the judicial receiver, the court has a further 30 days to decide whether to admit the company to the Extraordinary Administration procedure or place it into bankruptcy;
- *Administrative phase*: once the Extraordinary Administration procedure has been approved, the extraordinary commissioner(s) appointed by the Minister of Economic Development shall prepare a plan, to be approved by the Minister of Economic Development, for either: (i) a full asset liquidation by means of the sale of the company businesses as going concerns within one year or (ii) a reorganization of the business leading to the economic and financial recovery of the company or group within two years, in each case, unless extended by the Minister of Economic Development.

The proceedings are administered by the extraordinary commissioner(s) who act under the supervision of the Minister of Economic Development. While unsecured creditors may appoint one or two members to the supervisory committee for the proceedings, the majority of the supervisory committee, and also the chair, will be appointed by the Minister of Economic Development.

Once the Extraordinary Administration procedure has been approved, the principal effects are as follows:

- the company continues to trade and debts incurred during the Extraordinary Administration for the continuation of the business of the company are treated as priority claims which rank ahead of the claims of creditors whose rights accrued prior to the commencement of the Extraordinary Administration procedure and may be paid as they fall due;
- the Extraordinary Commissioner(s) is/are entitled to terminate pending contracts to which the company is a party.

Furthermore in the context of the Prodi-*bis* a debt restructuring plan is approved exclusively by the Minister of Economic Development but is not subject to any vote by creditors.

- (e) ***An extraordinary administration for the industrial restructuring of large scale undertakings in a state of insolvency*** (*amministrazione straordinaria per la ristrutturazione industriale di grandi imprese in stato d'insolvenza*): Decree 347 introduced a specific extraordinary set of rules for companies meeting certain size requirements. Decree 347 is complementary to the Prodi-*bis* and except as otherwise provided by Decree 347, the provisions of the Prodi-*bis* shall apply. Decree 347 only applies to insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least € 300 million of debt.

Under Decree 347, the decision whether to open the procedure is taken by the Minister of Economic Development who, upon request of the debtor (who at the same time must file with the relevant court an application for the declaration of its insolvency), assesses whether the relevant requirements are met and if such requirements are met appoints the extraordinary commissioner(s). The extraordinary commissioner(s) immediately becomes responsible for the management of the company. Once the procedure is admitted, the court decides on the insolvency of the company.

Within 180 days of his appointment (or 270 days if so agreed by the Minister of Economic Development) the extraordinary commissioner(s) must submit a plan for the rescue of the business by way of an asset liquidation or restructuring to the Minister of Economic Development for approval and at the same time must file with the competent court a report on the state of the business.

A restructuring plan proposed in the context of proceedings subject to Decree 347 may include a composition plan, with the possibility to divide creditors into classes, with different treatment applicable to creditors belonging to different classes and with proposals for a write-off of any obligations owed by the debtor and/or a conversion of debt securities (such as the Securities) into shares of the debtor company or any of its group companies. Decree 347 provides that a composition plan is approved by the creditors holding the majority (by value) of claims and, if classes are formed, also by the majority of the credits admitted to the voting session in each class. A non-vote is considered to be a consent to the arrangement. However, even if the arrangement is not approved by a majority of the classes of creditors, the court can still authorize the arrangement if it considers that in comparison with the alternatives, it doesn't prejudice the dissenting creditors. The judgment approving the arrangement is enforceable against all creditors whose claims arise prior to the judicial declaration of insolvency and can be appealed by the company, by the creditors, by the extraordinary commissioner within 15 days of being published. In case the creditors reject the arrangement the extraordinary commissioner(s) is able to file with the Ministry of Economic Development a disposal plan which can be extended to a period of time as long as two years. If the asset disposal program is not approved, the company is to be placed into liquidation.

Where Decree 134 applies to an extraordinary administration, its purpose is broadly to widen the powers of sale. For this purpose, the insolvency administrator is granted powers to identify and compose lines of business or partial lines of business, even if not pre-existing, which may be made subject to sale.

As a result of the above, Holders should be aware that they will generally have limited ability to influence the outcome of any insolvency proceedings which may apply to the Issuer under Italian law, especially in light of the current capital structure of the Issuer.

Article 67, Paragraph 3(d), of the Bankruptcy Law provides also for out-of-court debt restructuring agreements based on restructuring plans (*piani attestati di risanamento attestati*), which are prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition, and not to perform a liquidation procedure of the company. An independent expert appointed directly by the debtor has to verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company.

The terms and conditions of these plans are freely negotiable. Out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. Should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions, (i) are not subject to claw-back action, and (ii) are exempted from certain potentially applicable criminal sanctions.

Italian substitute tax will be deducted from any interest, premium and other income in respect of the Securities and the Receipts to any investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax (including, in the case of Receipts, because of any failure of, or non-compliance with, the Tax Certification Procedures). Such ineligibility may arise from failure to comply with the Tax Certification Procedures by any of the Financial Intermediaries through whom the investor holds its interest in the Receipts.

Italian Tax Law requires Second-level Banks that are participants in Monte Titoli, as holders of the Securities on behalf of the Beneficial Owners thereof, including those represented by Receipts, to collect Italian substitute tax at the then-applicable rate, currently 20.0 per cent. (and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66), unless the relevant investor is eligible to receive payment without deduction for such tax under Decree No. 239. See “*Taxation—Italian Taxation*”. An eligible Beneficial Owner shall be required to provide, for transmission to the relevant Second-level Bank, a certification of its eligibility to receive interest payments free from Italian substitute tax upon the investor’s first purchase of issued Securities or Receipts (either at the time of the issuance of Securities or Receipts or, if purchased thereafter, upon a purchase of Securities or Receipts on the secondary market), and such Second-level Bank will make such certification available to the Italian tax authorities. Beneficial Owners need only to deliver such certification once, subject to compliance, in the case of beneficial interest in Securities held in the form of Receipts, by them and their Financial Intermediary with the Tax Certification Procedures. The Issuer has arranged certain procedures, the Tax Certification Procedures, with Acupay and Monte Titoli to facilitate the collection and processing of these certifications from beneficial owners of Receipts through the relevant Financial Intermediary and the transmission of related data to the Italian tax authorities. See Annex A for a description of the Tax Certification Procedures applicable to Beneficial Owners of Receipts. The Issuer cannot assure you that you will be able to receive payments without deduction of the Italian substitute tax even if you may be an Eligible Beneficial Owner. Italian substitute tax at the then-applicable rate, currently 20.0 per cent. (and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66), will be deducted from the entire amount of any payment of interest, premium and other income to any Beneficial Owner of the Receipts that is not, or ceases to be, eligible to receive interest free of Italian substitute tax or does not comply (either directly or through a Financial Intermediary through whom it holds the Receipts) with the Tax Certification Procedures or in the event that the procedures do not enable receipt of the required certifications on a timely basis. In each such case, the X Receipts will be subject to a Mandatory Exchange into N Receipts and to the application of Italian substitute tax. The Issuer will not pay any additional amounts in respect of any withholding of Italian substitute tax. The Tax Certification Procedures provide that Beneficial Owners of interests in the Receipts (i) who are not eligible to receive payments of interest in respect of the Receipts free of Italian substitute tax, (ii) who fail to submit the applicable Self-Certification Forms and/or related enclosures, (iii) whose DTC Participant or Financial Intermediary has failed to supply correct beneficial owner information in connection with the settlement of purchases or sales of Receipts with respect to any of the Beneficial Owners holding through such Financial Intermediary (including in each case because of any failure of, or noncompliance with, the Tax Certification Procedures), or (iv) who fail to comply with the Tax Certification Procedures, will in each case be subject to a mandatory exchange into beneficial interests in a Receipt of the same series paying interest net of Italian substitute tax (a “**Mandatory Exchange**”). Investors holding Receipts that are subject to the

application of Italian substitute tax (i.e., N Receipts) will be permitted to transfer their beneficial interests in such Receipts only upon payment of the applicable amount of Italian substitute tax (net of applicable tax credit) as of the applicable transfer date and satisfaction of certain other conditions as described in the Tax Certification Procedures.

In addition, an investor's ability to benefit from these tax relief provisions may be impaired due to a failure to comply with the Tax Certification Procedures by a Financial Intermediary in the chain of custody between the investor and the holder of the Securities represented by the Receipts. Investors may not have knowledge of all Financial Intermediaries in such chain of custody and may have limited or no control over such Financial Intermediaries' compliance with the Tax Certification Procedures beyond those assurances or indemnities provided pursuant to the terms of their custodial agreements with their provider of custodial services.

The Tax Certification Procedures also provide that payments of interest to any DTC Participants that fail to comply with the Tax Certification Procedures, including the failure to effect a Mandatory Exchange in respect of an investor holding beneficial interests through such DTC Participant or to submit a signed Self-Certification Form, will be paid net of Italian substitute tax in respect of such DTC Participant's entire holding of Receipts on all future payments to such DTC Participant. Accordingly, all Beneficial Owners who hold their interests in the Receipts through such DTC Participant will receive interest net of Italian substitute tax for so long as they continue to hold such interests through such DTC Participant. Relief for Beneficial Owners who are otherwise eligible to receive payments of interest in respect of Receipts free of Italian substitute tax will thereafter need to be obtained directly from the Italian tax authorities following the direct refund procedure established by Italian law. Such procedures may entail costs and the refunds may be subject to extensive delays. See "*Annex A: Acupay Italian Tax Compliance and Relief Procedures—Article III: Procedure for Direct Refund from Italian Tax Authority*".

In addition, the operation of the procedures referred to above depend on the Receipt Issuer, Acupay and Monte Titoli continuing to perform their respective roles under such procedures or, if any of them ceases to do so, on a successor entity being appointed in its place. Upon the occurrence of certain events described under "*Book-Entry, Delivery and Form—Issuance of Definitive Registered Securities and Definitive Registered Receipts*", Beneficial Owners of the Securities and Receipts, instead of holding book-entry interests in the Global Securities or Global Receipts through DTC, will receive Definitive Registered Securities or Definitive Registered Receipts, respectively. In addition, holders may request to receive Receipts and Securities in definitive form upon the occurrence of an event of default (see "*Book-Entry, Delivery and Form—Issuance of Definitive Registered Securities and Definitive Registered Receipts*"). In such circumstances, Beneficial Owners of the Securities and Receipts otherwise entitled to an exemption from Italian substitute tax may only secure the exemption by complying independently with the tax procedures provided under Italian tax legislation (see "*Taxation—Italian Taxation—Tax treatment of the Securities—Non-Italian resident holders of the Securities*"). Should a Beneficial Owner suffer the application of substitute tax as a consequence of these procedures no longer being in place or because of a failure by such Beneficial Owner to comply with the procedures the Issuer has arranged, such Beneficial Owner may request a refund of the substitute tax so applied directly from the Italian tax authorities within 48 months from the application of the tax. Such procedures may entail costs and the refunds may be subject to extensive delays. See "*Annex A: Acupay Italian Tax Compliance and Relief Procedures—Article III: Procedure for Direct Refund from Italian Tax Authority*". Beneficial Owners of the Securities and the Receipts should in any event consult their tax advisors on the procedures required under Italian tax law to recoup the substitute tax in these circumstances.

Investors should be aware that the Tax Certification Procedures may be revised from time to time (i) if necessary to reflect a change in applicable Italian Law, regulation, ruling or interpretation thereof or to comply with requests of any supervisory authorities; (ii) if necessary to reflect a change in applicable clearing systems rules or procedures or to add procedures for one or more new clearing systems; provided that the parties are provided with written communications from the applicable clearing system or clearing systems to this effect (including, without limitation, written communications in the form of an e-mail or written posting); or (iii) in any other manner that is not materially adverse to Beneficial Owners (as defined in the Deposit Agreement) of Receipts. Any revision to the procedures agreed by the Issuer, Monte Titoli and Acupay will be binding on all Holders and Beneficial Owners (as defined in the Deposit Agreement).

The Issuer has agreed in the Indenture, so long as any principal amount of the Securities remain outstanding, insofar as it is reasonably practicable, to maintain, implement or arrange the implementation of procedures to

facilitate the collection of information concerning the Securities and the Beneficial Owners thereof so long as such collection is required to allow payment on the Global Securities free and clear of substitute tax to eligible investors. However, the Issuer cannot assure that it will be practicable to do so, or that such procedures will be effective.

See “*Important Italian Substitute Tax Requirements and Information in Respect of the Tax Certification Procedures*”.

Transfers of N Receipts are permitted only subject to the limitations described in the Tax Certification Procedures. X Receipts are subject to mandatory exchange into N Receipts if the investor who beneficially owns the X Receipts is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the X Receipts or does not comply with the Tax Certification Procedures (including because of any failure of, or non-compliance with, the Tax Certification Procedures by a Financial Intermediary).

The Tax Certification Procedures provide that Beneficial Owners of X Receipts (as defined in “*Description of the Receipts and the Deposit Agreement*”) (i) who are not eligible to receive payments of interest in respect of the X Receipts free of Italian substitute tax, (ii) who fail to submit the applicable Self-Certification Forms and/or related enclosures, (iii) whose DTC Participant or Financial Intermediary has failed to supply correct beneficial owner information in connection with the settlement of purchases or sales of X Receipts with respect to any of the Beneficial Owners holding through such Financial Intermediary (including in each case because of any failure of, or non-compliance with, the Tax Certification Procedures), or (iv) who fail to comply with the Tax Certification Procedures, will in each case be subject to a Mandatory Exchange into beneficial interests in N Receipts (as defined in “*Description of the Receipts and the Deposit Agreement*”), which are paid interest net of Italian substitute tax. Investors in N Receipts (which are subject to the application of Italian substitute tax) will be permitted to transfer their beneficial interests in the N Receipts only subject to the limitations described in the Tax Certification Procedures, including, without limitation, payment of the Italian substitute tax on any interest, including any original issue discount, accrued but not yet paid until the settlement date of a prospective transfer. Any interest paid in respect of such N Receipts will be subject to Italian substitute tax on the entire amount of the next interest payment, currently at a rate of 20.0 per cent. (and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66), regardless of how long an interest in the N Receipts has been held by the holder during such coupon period, and there can be no assurance that the relevant investor will be able to avail itself of any credit for Italian taxes relating to interest accrued before the purchase of the relevant Receipt. See “*Book-Entry, Delivery and Form—Mandatory Exchange and Transfer Restrictions in the Event of Non-compliance with the Tax Certification Procedures*” and “*Annex A: Acupay Italian Tax Compliance and Relief Procedures*”.

A holder of beneficial interests in N Receipts (paying interest net of Italian substitute tax) holding such interests as of the applicable interest payment record date will receive interest payments net of the full amount of Italian substitute tax accrued during an entire interest period, regardless of when the purchase was actually settled during such period. However, the Tax Certification Procedures contemplate mechanisms for the accrual and payment of credits by Monte Titoli with respect to the Italian substitute tax accrued during the portion of the interest period during which such holder did not hold such beneficial interest in the N Receipts. The Issuer is not responsible for such procedures and cannot assure that such procedures will ultimately prove to be effective. If such procedures are not effective for whatever reason, an eligible holder of the beneficial interest in the Receipts would have to request a refund of Italian substitute tax directly from the Italian tax authorities within 48 months from the application of such tax.

The Global Securities will be held in book-entry only form through Monte Titoli and the Receipts will be held in book-entry only form through DTC. Therefore, you will have to rely on the respective procedures of these custody systems as well as those of the Receipt Issuer for transfer, payment and to exercise any rights and remedies.

The Securities will be evidenced by Global Securities registered in the name of Monte Titoli. Initially, all of the book-entry interests in the Global Securities will be credited to a third-party securities account in Monte Titoli of Citibank, N.A., London Branch, as Receipt Issuer. Beneficial interests in the Securities represented by Receipts will be evidenced by Global Receipts in registered form, which will be issued and delivered by the Receipt Issuer to DTC, the principal U.S. securities central depository. Citibank, N.A., London Branch will hold the Global Receipts

as custodian for DTC and the Global Receipts will be registered in the name of Cede & Co., DTC's nominee, for the benefit of DTC's participants. Book-entry interests in the Global Receipts will be shown on, and transfers thereof will be effected only through, records maintained by DTC or any other securities intermediary holding an interest directly or indirectly through DTC. The Securities and the Receipts will only be available in definitive form under certain limited circumstances. See "*Book-Entry, Delivery and Form—Issuance of Definitive Registered Securities and Definitive Registered Receipts*". The laws of some jurisdictions, including some states in the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair a holder's ability to own, transfer or pledge its beneficial interests in the Securities and the Receipts.

The Issuer will comply with its obligations under the Global Securities by making payments to the holders of Global Securities, as shown on the register maintained for that purpose by the Trustee. The holder of the Global Securities will be Monte Titoli, which will hold the Global Securities represented by Receipts for and arrange for payment of amounts thereon to the holders of beneficial interests in the Receipts through the facilities of Citibank, N.A., London Branch to DTC for onward transmission to such beneficial owners through the participants of DTC. Neither the Issuer nor the Joint Lead Managers will have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Receipts. With respect to interests in its Securities represented by Global Receipts, the Issuer's payment obligations under the Securities will be discharged upon receipt of payment by Monte Titoli. A holder of beneficial interests in Receipts must rely on the procedures of DTC and the Financial Intermediaries. The Issuer cannot assure holders that the procedures of these entities will be adequate to ensure that beneficial owners receive payments in a timely manner or at all.

A holder of beneficial interests in the Receipts will not have a direct right to act upon solicitations the Issuer may announce with respect to the Securities. Instead, holders of beneficial interests in Receipts will be permitted to act only to the extent they receive appropriate assignment of authority to act from upstream intermediary parties including, the Receipt Issuer, DTC and, if applicable, the Financial Intermediaries and Monte Titoli. Similarly, if the Issuer defaults on its obligations under the Securities, holders of beneficial interests in the Receipts will be restricted from acting in accordance with the terms of the Deposit Agreement, DTC's procedures and, if applicable, the procedures of the Financial Intermediaries as well as the procedures of Monte Titoli. The Issuer cannot assure holders of beneficial interests in Receipts that the procedures of the aforesaid custodial intermediaries will be adequate to allow them to exercise their rights or receive payment under the Securities in a timely manner, or at all.

Risk Factors Relating to the Market Generally

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

There is no active trading market for the Securities and the Receipts, and if a market does develop, it may be volatile.

The Securities and the Receipts will have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Securities and the Receipts 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 securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been prepared to meet the investment requirements of limited categories of investors. These types of securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Securities and the Receipts.

Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Securities in dollars. 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 dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the dollar 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 dollar would decrease (1) the Investor's Currency-equivalent yield on the Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Securities and (3) the Investor's Currency-equivalent market value of the Securities.

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

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Securities will be approximately U.S. \$1,490 million, after deducting the Initial Purchasers' discounts and expenses. The net proceeds of this offering are intended to be used for general corporate purposes, which may include the repayment of debt.

CAPITALIZATION

The following table provides the cash and cash equivalents, the current financial liabilities (short-term debt) and the capitalization of the Telecom Italia Group in accordance with IFRS as of March 31, 2014 (i) on an actual basis, and (ii) as adjusted to give effect to the issuance of the Securities offered hereby and the application of the net proceeds of such issuance as set forth under “*Use of Proceeds*”.

You should read the table together with the Q1 2014 Earnings Release which is incorporated by reference herein.

| | As of March 31, 2014 | |
|--|------------------------------------|---------------|
| | Actual | As Adjusted |
| | (unaudited) (millions of Euros) | |
| Cash and cash equivalents | 3,945 | 5,032 |
| Current financial liabilities (short-term debt) | 5,182 | 5,182 |
| Finance liabilities directly associated with Discontinued operations/Non-current assets held for sale | 27 | 27 |
| Non-current financial liabilities (long-term debt): | | |
| Bonds | 21,844 | 21,844 |
| Convertible bonds | 1,441 | 1,441 |
| Securities offered hereby ⁽¹⁾ | – | 1,087 |
| Amounts due to banks, other financial payables and liabilities | 6,686 | 6,686 |
| Finance lease liabilities | 1,069 | 1,069 |
| Total Non-current financial liabilities (a) | 31,040 | 32,127 |
| Equity: | | |
| Share capital ⁽²⁾ | 10,604 | 10,604 |
| Paid-in capital | 1,704 | 1,704 |
| Other reserves, retained earnings, including profit (loss) for the period | 5,035 | 5,035 |
| Equity attributable to owners of the Parent | 17,343 | 17,343 |
| Non-controlling interests | 3,038 | 3,038 |
| Total equity (b) | 20,381 | 20,381 |
| Total capitalization (a+b) | 51,421 | 52,508 |

(1) The estimated net proceeds of the Securities offered hereby has been translated into Euro using the Noon Buying Rate of €1 = U.S. \$1.3708 on May 16, 2014.

(2) As of March 31, 2014, Telecom Italia’s share capital comprised:

- 13,417,043,525 Ordinary Shares subscribed, issued and existing; and
 - 6,026,120,661 Savings Shares subscribed, issued and existing;
- less:
- 37,672,014 treasury Ordinary Shares; and
 - 124,544,373 Ordinary Shares held by Telecom Italia Finance S.A.

Except as described above, there has not been any material change in the capitalization of the Telecom Italia Group since March 31, 2014.

DESCRIPTION OF THE SECURITIES

The U.S. \$1,500,000,000 5.303% Senior Notes due 2024 (the “**Securities**”, which expression shall, unless the context otherwise requires, include any additional securities issued pursuant to the Indenture and as described below) will be issued pursuant to an indenture (the “**Indenture**”), to be dated as of May 30, 2014, between Telecom Italia S.p.A (the “**Issuer**”) and Citibank, N.A., London Branch, as trustee (the “**Trustee**”, which expression shall, where the context so requires, include its successor(s) as Trustee), paying agent (the “**Paying Agent**”, which term shall, where the context so requires, include any substitute or additional paying agents from time to time under the Indenture) and registrar, as amended by a supplemental indenture to be dated May 30, 2014.

Registered holders of the Securities, whether or not represented by Receipts (as defined below) (the “**Holders**”), are deemed to have notice of, and are bound by, all provisions of the Indenture. By accepting delivery of Securities in the form of Receipts, the Holders acknowledge and agree to become subject to the procedures for Italian substitute tax as such procedures may be amended from time to time (the “**Tax Certification Procedures**”) set forth in the Tax Compliance Agency Agreement.

The following description is a summary of the material provisions of the Indenture and the Securities. It does not restate the Indenture and the Securities in their entirety, and the information set forth herein is subject to the detailed provisions of, and definitions in, the Indenture, copies of which are available for inspection during normal business hours at the registered office of the Trustee, being at the date of issue of the Securities at 13th Floor, Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB United Kingdom.

The Securities will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered, sold or otherwise transferred except pursuant to registration under the Securities Act or in accordance with Rule 144A thereunder (“**Rule 144A**”) or in a transaction that is otherwise exempt from the registration requirements under the Securities Act and will bear a legend to this effect.

The Indenture is not required to be nor will it be qualified under the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), and will not incorporate by reference any of the provisions of the Trust Indenture Act. There are certain mandatory provisions of Italian law which apply to the Securities, including provisions relating to amendments and waivers of material terms of the Securities and the holding of meetings by Securities holders to authorize such amendments or waivers. See “—*Meetings of Holders*” and “—*Amendment, Supplement and Waiver*”.

For purposes of this “*Description of the Securities*”, references to the “**Issuer**” refer only to the Issuer (or its successor, as applicable) and not to any of its subsidiaries unless otherwise specified.

The registered holder of a Security will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

General

The Issuer will issue Securities in the aggregate principal amount of U.S. \$1,500,000,000. The Securities will be issued in denominations of U.S. \$200,000 and integral multiples of U.S. \$1,000 in excess thereof. The Securities are direct, unsecured and unsubordinated obligations of the Issuer. See “—*Ranking*” below.

Upon issuance of the Securities in global form (each a “**Global Security**”), book-entry interests in each Global Security will be represented by one or more receipts (the “**Receipts**”) issued by Citibank, N.A., London Branch as receipt issuer (the “**Receipt Issuer**”) and registered in the name of Cede & Co. as nominee for The Depository Trust Company, or its successor (“**DTC**”). Such Receipts will be issued pursuant to the deposit agreement to be dated May 30, 2014 among the Issuer, the Receipt Issuer and all Holders and Beneficial Owners of the Receipts issued thereunder, as amended from time to time (the “**Deposit Agreement**”) and representing the rights and beneficial interests in the Securities. Holding of beneficial interests in the Securities in the form of Receipts is limited to persons, called participants, that have an account with DTC (each a “**DTC Participant**”) or persons that may hold beneficial interests through DTC Participants. Beneficial Owners (as defined below) of interests in the Receipts shall be deemed to be parties to, and subject to the provisions of, the Deposit Agreement and shall be subject to the Tax

Certification Procedures. See “*Description of the Receipts and the Deposit Agreement*” in this Offering Memorandum.

In certain circumstances, the Securities may be redeemed at the Issuer’s option. The Securities are not subject to repayment at the option of the Holders. There is no sinking fund for the Securities.

The Issuer may, without the consent of the Holders, create and issue additional securities (the “**Additional Securities**”) ranking equally with the Securities in all respects (or in all respects save for the first payment of interest thereon) so that such Additional Securities may be consolidated and form a single series with the Securities under the Indenture, provided that such Additional Securities having the same CUSIP, ISIN or other identifying number as the outstanding Securities must be fungible with the outstanding Securities for U.S. federal income tax purposes. Any such Additional Securities will have the same terms as to status, redemption or otherwise as the Securities. Unless the context otherwise requires, in this “*Description of the Securities*” section references to the “**Securities**” include the Securities and any Additional Securities that are issued.

Paying Agent

The Issuer reserves the right, following consultation with the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (i) there will at all times be a Paying Agent; and
- (ii) so long as the Securities are listed on any stock exchange or admitted to trading by any relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (iii) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law amending, implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment of, and any changes in Paying Agents, will be given to the Holders promptly by the Issuer in accordance with the provisions under the Indenture described under “*—Notices*”.

Book-entry; Delivery and Form

Global Securities

Each Global Security will evidence such of the outstanding Securities as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Securities from time to time reflected on the register maintained by the Registrar for such purposes and that the aggregate principal amount of outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions and purchases and cancellations.

The Securities will be evidenced by an X Global Security and an N Global Security, which shall be deposited with, and registered in the name of, the Securities Depository (as defined below), or its nominee, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided.

“**X Global Security(ies)**” means the Global Security(ies) bearing the Global Security Legend and the Rule 144A Legend (each as defined in the Indenture), which will (i) evidence the Securities outstanding at the time (other than Securities beneficially held by Non-Eligible Beneficial Owners of N Receipts, if any), held by participants at the Securities Depository that act as second-level banks (as such term is defined in Decree No. 239 (as defined below)) or employ the services of an Italian tax representative (both herein referred to as a “**Second-level Bank**”) and (ii) be registered in the name of the Securities Depository, or its nominee, and delivered to, and held by, the Securities Depository throughout the ownership period.

“**X Security(ies)**” means the Security(ies) issued under the Indenture and beneficially owned by Eligible Beneficial Owners, and evidenced by the X Global Security(ies) or by Definitive Registered Security(ies) bearing the Rule 144A Legend but not the Tax Restricted Legend.

“**N Global Security(ies)**” means the Global Security(ies) bearing the Global Security Legend, the Rule 144A Legend (for so long as it is applicable) and the Tax Restricted Legend (as defined in the Indenture) and which will (i) evidence the Securities outstanding at such time beneficially held by Non-Eligible Beneficial Owners of N Receipts, and (ii) be registered in the name of the Securities Depository, or its nominee, and delivered to, and held by, the Securities Depository. Interests in the N Global Securities shall be held at the Securities Depository only by the Receipt Issuer for the benefit of Beneficial Owners of interests in N Receipts.

“**N Security(ies)**” means the Security(ies) issued under the Indenture, beneficially owned by Non-Eligible Beneficial Owners, and evidenced by the N Global Security(ies) or by Definitive Registered Security(ies) bearing the Rule 144A Legend and the Tax Restricted Legend.

“**Beneficial Owner**” means any person having the economic entitlement to, and availability of payments under, the Securities (other than the Securities Depository and the Receipt Issuer), including, in the case of Securities held in the form of Receipts, DTC Participants, and their account holders, that hold beneficial interests in the Securities in the form of Receipts (for the avoidance of doubt, it being understood that for purposes of the Tax Certification Procedures, and other places herein where the term “**Beneficial Owner**” is used in connection with the determination of eligibility of a person for the receipt of interest and other income under the Securities in the form of Receipts free and clear of Italian substitute tax, the term “**Beneficial Owner**” shall refer to (i) persons which have the full right to use and enjoy the payments under the Securities without being constrained by an obligation (legal, contractual or based on facts and circumstances) to pass the payments received to other persons, and (ii) Institutional Investors).

“**Eligible Beneficial Owner**” means a Beneficial Owner who is eligible to receive interest in respect of the Securities (and the Receipts) free of Italian substitute tax.

“**Financial Intermediary**” means any and all (i) DTC Participants and (ii) securities brokers and dealers, banks, trust companies, securities intermediaries, clearing corporations or systems and similar entities that clear through or maintain a direct or indirect relationship with DTC Participants.

“**Institutional Investors**” means those entities that under Decree No. 239 and ensuing regulations are considered to have as their main activity the making and managing of investments for their own account or on behalf of third parties, other than entities established to manage investments made by a limited number of investors or to enable investors resident in Italy or countries that do not allow for a satisfactory exchange of information with Italy to benefit from the exemption to the payment of the Italian substitute tax and are thus deemed to be Beneficial Owners of the Securities (including, without limitation, the Receipts) for purposes of Decree No. 239.

“**Non-Eligible Beneficial Owner**” means a Beneficial Owner that is not, or has ceased to be, eligible to receive interest free of Italian substitute tax in respect of the Securities (and the Receipts) or does not comply (directly or indirectly pursuant to actions or omissions of Financial Intermediaries through which such Beneficial Owner holds its beneficial interest in the Securities in the form of Receipts) with the Tax Certification Procedures and has failed to correct such defect in compliance with the Tax Certification Procedures on a timely basis.

“**Registrar**” means Citibank, N.A., London Branch.

“**Securities Depository**” means Monte Titoli, unless Monte Titoli notifies the Issuer that it is unwilling or unable to continue to act as Securities Depository and the Issuer appoints an alternate Italian custody institution to become the successor Securities Depository pursuant to the applicable provisions of the Indenture, and thereafter “**Securities Depository**” shall mean such successor Securities Depository.

Definitive Registered Securities

Definitive Registered Securities that are issued upon transfer of a book-entry interest or a Definitive Registered Security, or in exchange for a book-entry interest or a Definitive Registered Security, shall be issued solely in the limited circumstances contemplated in, and in accordance with the terms of, the Indenture. See “*Book-entry, Delivery and Form*” in this Offering Memorandum. “**Definitive Registered Security**” means a definitive Security in registered form issued by the Issuer in exchange for interests in a Global Security.

Global Receipts

The Receipt Issuer will hold book-entry interests in the X Global Security and the N Global Security on behalf of the Beneficial Owners of the corresponding Receipts. The Receipt Issuer will issue, in accordance with the terms of the Deposit Agreement, X Global Receipts and N Global Receipts, registered in the name of Cede & Co., as nominee of DTC, and deposited with Citibank, N.A., London Branch as the custodian for DTC, each evidencing the X Global Securities and the N Global Securities, respectively (together, the “**Global Receipts**”). DTC will record, by appropriate entries in its book-entry registration and transfer system, the respective amounts payable in respect of interests in the Global Receipts evidencing beneficial interests in the Securities that are subject to the Deposit Agreement. Transfers of Receipts will be effected through the book-entry facilities of DTC and through the DTC Participants. See “*Book-Entry, Delivery and Form*” of this Offering Memorandum. Holders who are qualified institutional buyers as defined in Rule 144A (“**QIBs**”), have the right, subject to the terms of the Deposit Agreement to transfer their Receipts to corresponding book-entry interests in the X Global Security to be held in accounts at Securities Depository participants who act as Second-level Banks on behalf of QIBs. Similarly, QIBs will be able, subject to the terms of the Deposit Agreement and the Tax Certification Procedures, to transfer their X Securities to X Receipts (if such QIBs are Eligible Beneficial Owners) or N Receipts (if such QIBs are Non-Eligible Beneficial Owners), in each case to be held in an account at DTC. See “*Book-entry, Delivery and Form*” in this Offering Memorandum.

“**X Global Receipt(s)**” means the Global Receipt(s) issued by the Receipt Issuer pursuant to the Deposit Agreement bearing the Rule 144A Legend and deposited with or on behalf of, and registered in the name of, DTC or its nominee and which evidence(s) X Receipts.

“**X Receipt(s)**” means the Receipt(s) issued by the Receipt Issuer pursuant to the Deposit Agreement, evidenced by an X Global Receipt or by a Definitive Registered Receipt bearing the Rule 144A Legend for so long as it is applicable, and which represent beneficial interests in X Securities.

“**N Global Receipt(s)**” means the Global Receipt(s) issued by the Receipt Issuer pursuant to the Deposit Agreement bearing the Rule 144A Legend and the Tax Restricted Legend and deposited with or on behalf of, and registered in the name of, DTC or its nominee and which evidence(s) N Receipts.

“**N Receipt(s)**” means the Receipt(s) issued by the Receipt Issuer pursuant to the Deposit Agreement, evidenced by an N Global Receipt or by a Definitive Registered Receipt bearing a Tax Restricted Legend and the Rule 144A Legend for so long as it is applicable, and which represent beneficial interests in N Securities.

Definitive Registered Receipts

Beneficial Owners of the Receipts will receive Definitive Registered Receipts in registered form issued by the Issuer in exchange for Global Receipts (a “**Definitive Registered Receipt**”) solely in the limited circumstances contemplated in, and in accordance with the terms of, the Deposit Agreement. See “*Book-entry, Delivery and Form*” in this Offering Memorandum.

Maturity

Unless previously redeemed or repurchased and cancelled by the Issuer, the principal amount of the Securities will mature on May 30, 2024 (the “**Maturity Date**”) in an amount equal to the principal amount, with accrued interest to (but excluding) the Maturity Date.

Interest Rate and Interest Payment

Unless previously redeemed or repurchased and cancelled as described herein, the Securities will bear interest on their principal amount at the rate of 5.303% per annum. Interest on the Securities will accrue from the Issue Date.

Interest on Securities will be payable semi-annually in arrears on May 30 and November 30 each year, commencing on November 30, 2014 (each, an “**Interest Payment Date**”) to Holders of record on the Regular Record Date and on the Receipt interest payment record date set by the Receipt Issuer immediately preceding the related Interest Payment Date.

If the due date for any payment in respect of any Security is not a Business Day (as defined below), the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest on the Securities will be calculated on the basis of a 360-day year of twelve 30-day months.

The term “**Business Day**” means a day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, TARGET and New York City.

The term “**TARGET**” means the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system).

Redemption

As explained further below, the Issuer may redeem the Securities in the circumstances, in the manner and at the prices described below. Holders have no right to require the Issuer to redeem any Securities. The Securities will cease to bear interest from (and including) the calendar day on which they are due for redemption. If the Issuer fails to redeem the Securities when due, interest will continue to accrue as provided in the Indenture.

Optional Redemption

The Issuer may redeem the Securities in whole or in part at any time at a redemption price equal to the greater of:

- (i) 100% of the principal amount of the Securities to be redeemed; or
- (ii) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate plus 45 basis points,

plus accrued and unpaid interest thereon to (but excluding) the date of redemption.

“**Adjusted Treasury Rate**” means, with respect to any redemption date:

- (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the comparable treasury issue (if no maturity is within three months before or after the remaining life, yields for the two published maturities most closely corresponding to the comparable treasury issue will be determined and the treasury rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or
- (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity or

interpolated (on a day count basis) of the comparable treasury issue, calculated using a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

“**comparable treasury issue**” means the U.S. Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Securities.

“**comparable treasury price**” means, with respect to any redemption date, (1) the average of five reference treasury dealer quotations for such redemption date, after excluding the highest and lowest reference treasury dealer quotations, or (2) if the Quotation Agent obtains fewer than five such reference treasury dealer quotations, the average of all such quotations.

“**Quotation Agent**” means, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC or such other agent as appointed by the Issuer, or, if these firms are unwilling or unable to select the comparable treasury issue, an independent investment banking institution of national standing appointed by the Issuer.

“**reference treasury dealer**” means:

- (i) Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC or any of their respective affiliates which are primary U.S. Government securities dealers, or their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “primary treasury dealer”), the Issuer will substitute such reference treasury dealer with another primary treasury dealer; and
- (ii) any three other primary treasury dealers selected by the Quotation Agent after consultation with the Issuer.

“**reference treasury dealer quotations**” means with respect to each reference treasury dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such reference treasury dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

“**remaining scheduled payments**” means, with respect to each Security to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is not an interest payment date with respect to such Securities, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

If less than all of a series of Securities is to be redeemed at any time, selection of Securities for redemption will be made by the Trustee on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate; provided that Securities with a principal amount of \$200,000 will not be redeemed in part.

The Issuer will give the Trustee a notice of redemption not less than 30 days and not more than 60 days prior to the redemption date. If any Securities are to be redeemed in part only, the notice of redemption that relates to such Securities will state the portion of the principal amount thereof to be redeemed. A new Security in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Security.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Securities or portions thereof called for redemption.

Optional Tax Redemption

In addition to its option to redeem the Securities as described above under “—*Redemption at Telecom Italia’s Option*,” the Issuer will have the option to redeem the Securities, in whole but not in part, where, as a result of a change in, execution of or amendment to the laws, regulations or treaties of a Tax Jurisdiction or in the official application or interpretation of the laws, regulations or treaties of a Tax Jurisdiction, each unannounced prior to the Securities’ issue date (a “**Tax Law Change**”), the Issuer (or its successor) would, on the next date on which any amount would be payable in respect of the Securities, be required to pay Additional Amounts as described below under “—Payment of Additional Amounts”. The redemption price for the Securities will be equal to the principal amount of the Securities being redeemed plus accrued and unpaid interest and any additional amounts, if any, due to the date fixed for redemption. Furthermore, the Issuer must give the Trustee not less than 30 days’ and not more than 60 days’ notice before redeeming the Securities.

Initially, this applies only in the case of Tax Law Changes that occur on or after the date of the Indenture and in the jurisdiction where Telecom Italia is incorporated (Italy). If the Issuer is succeeded by another entity, the applicable Tax Jurisdiction will be the jurisdiction in which the successor entity is organized or tax resident, and, if the successor entity’s Tax Jurisdiction is different from the Issuer’s Tax Jurisdiction, the applicable date will be the date the entity became a successor.

The Issuer would not have the option to redeem the Securities if it could have avoided the payment of Additional Amounts or the deduction or withholding by using reasonable measures available to it.

The election of the Issuer to redeem shall be evidenced by a board resolution or in another manner specified in the Indenture. In case of any redemption described in this section, “*Optional Tax Redemption*”, the Issuer shall, not less than 30 days and not more than 60 days prior to the redemption date, notify the Holders in accordance with “—*Notices*” below, provided that no such notice shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obliged to pay Additional Amounts were a payment in respect of the Securities then due.

Prior to giving notice of such redemption to the Holders, the Issuer will deliver to the Trustee in a form and with content reasonably satisfactory to the Trustee:

- (i) a certificate signed by a duly authorized representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem the Securities in accordance with the terms hereof have been satisfied; and
- (ii) an opinion of independent legal or tax counsel of recognized standing appointed by the Issuer to the effect that the Issuer has or will become obliged to pay Additional Amounts as a result of a Tax Law Change,

and the Trustee must accept the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above.

“**Tax Jurisdiction**” means the Republic of Italy and any other taxing jurisdiction in which the Issuer (or any successor person) is organized or tax resident, or any political subdivision or any authority thereof or therein having power to tax, and any jurisdiction from or through which payment with respect to the Securities is made by or on behalf of the Issuer.

Restrictive Covenants

Restrictions on Liens

Some of the Issuer’s property may be subject to a mortgage or other legal mechanism that gives their lenders preferential rights in that property over other lenders, including you and the other direct holders of the Securities, or over their general creditors if they fail to pay them back. These preferential rights are called liens. The Issuer promises that it will not create or permit to subsist any encumbrance to secure capital market indebtedness, which is described further below, on the whole or any part of its present or future revenues or assets, other than permitted

encumbrances, unless the Issuer makes effective provision whereby the Securities shall be secured equally and ratably with such capital market indebtedness, so long as such capital market indebtedness shall be so secured.

As used here, “**encumbrance**” means:

- (i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof; and
- (ii) any arrangement providing a creditor with prior right to an asset, or its proceeds of sale, over other creditors in a liquidation.

As used here, “**permitted encumbrance**” means:

- (i) any encumbrance existing on the date of issuance of the Securities;
- (ii) any encumbrance over or affecting any asset acquired by the Issuer after the date of the Indenture, and subject to which such asset is acquired, if:
 - (a) such encumbrance was not created in contemplation of the acquisition of such asset by Telecom Italia, and
 - (b) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by Telecom Italia;
- (iii) any encumbrance over or affecting any asset of any company which becomes an obligor under the Securities after the date of the Indenture, where such encumbrance is created prior to the date on which such company becomes an obligor under the Securities, if:
 - (a) such encumbrance was not created in contemplation of that company becoming an obligor under the Securities, and
 - (b) the amount thereby secured has not been increased in contemplation of, or since the date of, that company becoming an obligor under the Securities;
- (iv) 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;
- (v) 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;
- (vi) encumbrances created in substitution of any encumbrance permitted under sub-paragraphs (i), (ii) or (iii) above over the same or substituted assets. This only applies if: (a) the principal amount secured by the substitute encumbrance does not exceed the principal amount outstanding and secured by the initial encumbrance; and (b) 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;
- (vii) encumbrances created to secure:
 - (a) loans provided, supported or subsidized by a governmental agency, national or multinational investment guarantee agency, export credit agency or a lending organization established by the United Nations, the European Union or other international treaty organization, including, without limitation, the European Investment Bank, the European Bank for Reconstruction and Development and the International Finance Corporation;
 - (b) project finance indebtedness (as described below);

this sub-paragraph (vii) will, however, only apply if 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);

- (viii) encumbrances arising out of the refinancing of any capital market indebtedness secured by any encumbrance permitted by sub-paragraphs (i) to (vii) above. These encumbrances will, however, only be permitted if the amount of such capital market indebtedness is not increased and is not secured by an encumbrance over any additional assets;
- (ix) any encumbrance arising by operation of law;
- (x) 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;
- (xi) any encumbrance created in the ordinary course of business to secure capital market indebtedness under hedging transactions entered into for the purpose of managing risks arising under funded debt obligations such as credit support annexes and agreements;
- (xii) any encumbrance over or affecting any asset of the Issuer to secure capital market indebtedness under a permitted leasing transaction (as described below); provided that the aggregate capital market indebtedness secured by all such encumbrances does not exceed €1 billion;
- (xiii) any encumbrance created on short-term receivables used in any asset-backed financing;
- (xiv) any encumbrance on real estate assets of the Issuer, any subsidiary or any person (including any entity resulting from any corporate reorganization of such person and/or the successors thereof) to which such real estate assets may be contributed by the Issuer or any subsidiary 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 such real estate assets have been contributed by the Issuer or any subsidiary; and;
- (xv) any other encumbrance securing capital market indebtedness of an aggregate amount not exceeding 10% of the total net worth of the Issuer (as disclosed in the most recent audited consolidated balance sheet of the Telecom Italia Group).

As used here, “**capital market indebtedness**” means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, any certificate of indebtedness, bond, note or other security which is listed or traded on a stock exchange or other recognized securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Issuer, the expressions “assets” and “obligations for the payment of borrowed money” as used in this definition do not include assets and obligations of the Issuer which, pursuant to the requirements of law and IFRS, currently need not, and are not, reflected in the balance sheet of the Issuer.

As used here, “**permitted leasing transaction**” means one or more transactions or a series of transactions as a result of which the Issuer disposes of or otherwise transfers (including, without limitation, by way of sale of title or grant of a leasehold or other access, utilization 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 the Issuer (or its rights and/or interests in respect thereof) to one or more other persons in circumstances where the Issuer 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.

As used here “**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:

- (i) recourse to such debtor for amounts limited to the cash flow from such asset; and/or
- (ii) 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
- (iii) 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.

Discharge and Defeasance

The Issuer can be legally released from any payment or other obligation on the Securities except for various obligations described below if, in addition to other actions, the following arrangements for you to be repaid are put in place:

- (i) The Issuer deposits in trust for your benefit and the benefit of all other direct holders of the Securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, premium, if any, principal and any other payments on the Securities on their various due dates.
- (ii) The Issuer delivers to the Trustee a legal opinion of their counsel confirming that there has been a change in U.S. federal income tax law, and under then current U.S. federal income tax law, the Issuer may make the above deposit without causing you to be taxed on the Securities any differently than if the Issuer did not make the deposit and just repaid the Securities themselves. The Issuer would not have to deliver this opinion if the Issuer received from the U.S. Internal Revenue Service (the “**IRS**”) a private letter ruling or the IRS published a revenue ruling that states the same conclusion.
- (iii) If the Securities are listed on the Irish Stock Exchange or another exchange, the Issuer must deliver to the Trustee a legal opinion of their counsel confirming that the deposit, defeasance and discharge will not cause the Securities to be delisted from such exchange.

However, even if the Issuer takes these actions, a number of the Issuer’s obligations relating to the Securities will remain. These include the following obligations:

- (i) to register the transfer and exchange of Securities,
- (ii) to replace mutilated, destroyed, lost or stolen Securities,
- (iii) to maintain paying agencies, and
- (iv) to hold money for payment in trust.

Events of Default

The following will be Events of Default (each an “**Event of Default**”) with respect to the Securities:

- (i) the failure by the Issuer to pay principal on a Security within 10 days from the relevant due date or the failure to pay interest on a Security within 30 days from the relevant due date;

- (ii) the failure by the Issuer to perform any other obligation under the Securities and such failure continues for more than 60 days after the Trustee has received notice of it from the affected holder of the Securities;
- (iii) any of the Issuer’s capital market indebtedness (as defined in “—Restrictive Covenants—Restrictions on Liens”) in excess of €100 million (or the equivalent thereof in other currencies) has to be repaid prematurely due to a default under its terms;
- (iv) the failure by the Issuer to fulfill any payment obligation in excess of €100 million (or the equivalent thereof in other currencies) under any capital market indebtedness (as defined in “—Restrictive Covenants—Restriction on Liens”) of the Issuer, or under any guarantee provided for any such capital market indebtedness in excess of €100 million (or the equivalent thereof in other currencies) of others, within 30 days of its due date;
- (v) any security or guarantee relating to capital market indebtedness in excess of €100 million (or the equivalent thereof in other currencies) provided by the Issuer is enforced on behalf of the creditors entitled thereto and such enforcement is not contested in good faith by the Issuer or the Issuer publicly announces its inability to meet its financial obligations;
- (vi) a court opens insolvency or equivalent proceedings against the Issuer which are not resolved within six months, unless such proceedings are frivolous or vexatious and contested in good faith and by appropriate means and has not resulted in any court order; or the Issuer applies for or consents to insolvency or equivalent proceedings; or
- (vii) the Issuer approves a resolution pursuant to which it goes into liquidation 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 the Issuer in connection with the Securities.

Enforcement

If an Event of Default has occurred and has not been cured, the Trustee or the holders of not less than 25% in principal amount of the outstanding Securities may declare the entire principal amount of all the Securities to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of at least a majority in principal amount of the outstanding Securities.

Except in cases of default, where the Trustee has some special duties, the Trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the Trustee protection from expenses and liability. This protection is called an indemnity. If indemnity is provided, the holders of a majority in principal amount of the outstanding Securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the Trustee. These majority holders may also direct the Trustee in performing another action under the Indenture.

Payments

Subject as provided below, payments will be made by credit or transfer to an account in U.S. dollars maintained by the payee with, or, at the option of the payee, by a check in U.S. dollars drawn on, a bank in New York City.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto or other laws and regulations to which the Issuer or its agents agree to be subject, but without prejudice to the provisions described under “—*Payment of Additional Amounts*”. For the avoidance of doubt, any and all payments of interest on the Securities held in the form of Receipts shall be subject to the terms of the Tax Certification Procedures as in effect from time to time.

Payment procedures

Payments of principal in respect of each Security (whether or not in global form) will be made by transfer to the Designated Account (as defined below) of the Holder (or the first named of joint holders) of the Security appearing

in the register of Holders maintained by the registrar at the close of business on the third business day (being for this purpose a day on which banks are open for general business in the city where the specified office of the registrar is located) before the due date for any such payment. If (i) a Holder does not have a Designated Account or (ii) the principal amount of the Securities held by a Holder is less than U.S. \$2,000, payment will instead be made by a check in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account maintained by a holder with a Designated Bank and identified as such in the register of Holders and “**Designated Bank**” means a bank in New York City.

Payments of interest shall be made, subject to the Tax Certification Procedures (if applicable), by check or electronic transfer drawn in the currency in which the payment is due on or, upon application by a Holder to the specified office of the Paying Agent not later than the 15th day before the due date for any such payment, by transfer to an account denominated in U.S. dollars maintained by the payee with a bank which is a member of the U.S. Federal Reserve System in the United States of America and, in the case of interest payable on redemption upon surrender (or, in the case of part payment only, endorsement) of the relevant Security.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid, subject to the Tax Certification Procedures in the case of Securities held in the form of Receipts, to the person in whose name that Security is registered at the close of business on the Regular Record Date for such interest.

Subject to the foregoing, each Security delivered upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

“**Regular Record Date**” means for the interest payable on any Interest Payment Date with respect to any Security, such date that is the fourth Business Day prior to the relevant Interest Payment Date relating to such Security.

Payments on Global Securities

For so long as any Securities are held in global form, the Issuer (either directly or through one of its agents) will make payments due on the Global Securities to Monte Titoli as registered holder of the Global Securities (or to its order). Monte Titoli will in turn distribute (or arrange the distribution of) such payments to its participants, including, in the case of Securities represented by Receipts, to the Receipt Issuer, for onward transmission to DTC, as registered holder of the Global Receipts, for so long as any Receipts are held in global form. DTC’s practice upon timely receipt of any payment of principal, interest or other distribution in respect of the Receipts is to credit DTC participants’ accounts in amounts proportionate to their respective beneficial interests in such Receipts as shown on the records of DTC. Payments by DTC Participants to owners of beneficial interests in Receipts held through DTC Participants will be governed by standing customer instructions and customary practices and will be the responsibility of those DTC Participants. Payment by Monte Titoli to the Receipt Issuer, on behalf of DTC, is the responsibility of Monte Titoli. Disbursement of such payments to DTC Participants is the responsibility of DTC.

Payments by participants in Monte Titoli to owners of beneficial interests in any Securities held through participants in Monte Titoli will be governed by standing customer instructions and customary practices and be the responsibility of those participants in Monte Titoli. Payment to Monte Titoli is the responsibility of the Issuer. Disbursement of payments to Beneficial Owners of Securities is the responsibility of direct and indirect participants in Monte Titoli.

None of the Issuer or any of the Paying Agents or transfer agent or registrar will have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial interests in any Securities or for maintaining, supervising or reviewing any records relating to those beneficial interests.

The Issuer has been advised by DTC that through DTC’s accounting and payment procedures DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based on holdings of DTC Participants in the Receipts on the close of business on the New York City Business Day

immediately preceding each such Interest Payment Date. The Receipt Issuer has undertaken in the Deposit Agreement to use commercially reasonable efforts to establish the interest payment record date for the Receipts to coincide with the Regular Record Date.

Discharge of Issuer payment obligations

The Issuer's payment obligations under the Securities, whether held in Receipt form or otherwise, will only be discharged upon delivery of all such payments relating to the Securities by the Issuer or its designated Paying Agent(s) to Monte Titoli (or to its order).

Certain Duties of the Trustee

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class (but shall not have regard to any interests arising from circumstances particular to individual Holders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (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 Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent already provided for under "*—Payment of Additional Amounts*" and/or any undertaking or covenant given in addition to, or in substitution for, such provisions in the Indenture.

Payment of Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to the Securities will be made without withholding or deduction for or on account of any present or future Taxes unless such withholding or deduction of such Taxes is required by law. If any deduction or withholding for or on account of any Taxes imposed or levied by or on behalf of any Tax Jurisdiction will at any time be required to be made from any payments made by or on behalf of the Issuer under the Securities, including payments of principal, redemption premium or interest, the Issuer will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Securities in the absence of such withholding or deduction; except that no Additional Amounts shall be payable:

- (i) to or for a Holder or Beneficial Owner who is liable for such Taxes in respect of such Security by reason of having or having had some present or former connection with any Tax Jurisdiction in which such Taxes are imposed other than the mere acquisition, holding or enforcement (following an Event of Default) of such Security or the receipt of any payment in respect thereof; or
- (ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any European Council Directive amending, supplementing or modifying such Directive; or
- (iii) in respect of any Security presented for payment (where presentation is required) by or on behalf of a Holder or Beneficial Owner who would be able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent in a Member State of the European Union; or
- (iv) in respect of any Security presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a Holder would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day; or
- (v) in respect of any Security presented for payment (where presentation is required) by or on behalf of a Holder or Beneficial Owner not resident for tax purposes in a White List State; or

- (vi) in respect of payments made by the Issuer with respect to any Security for or on account of *imposta sostitutiva* pursuant to Decree No. 239 as amended and/or supplemented on May 22, 2014.

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 May 22, 2014 shall not be an exception to the payment by the Issuer of the relevant Additional Amounts payable with respect to such Security, to the extent that the amount of such withholding or deduction exceeds the amount of *imposta sostitutiva* payable by the Issuer with respect to such Security pursuant to Decree No. 239 as of May 22, 2014.

Furthermore, no Additional Amounts shall be payable by the Issuer with respect to any Security for or on account of *imposta sostitutiva* if the Holder or Beneficial Owner becomes subject to *imposta sostitutiva* after May 22, 2014 by reason of an amendment or supplement to or replacement of the White List State after May 22, 2014; or

- (vii) to or for a Holder or Beneficial Owner if such withholding or deduction may be avoided, or to the extent such withholding or deduction may be reduced, by such Holder (or Beneficial Owner) producing a declaration, certificate or other evidence of residence or non-residence in the relevant Tax Jurisdiction (following the Issuer's written and timely request addressed to the Holder) but who failed to do so; or
- (viii) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner to the extent that a payment would be required to be included in the income under the tax laws of a relevant Tax Jurisdiction of a beneficiary or settlor with respect to the fiduciary, or a partner of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder or Beneficial Owner thereof.

In addition to the foregoing, the Issuer will also bear and pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes, which are levied on the execution, delivery, issuance, registration or enforcement (following an Event of Default) of the Securities, the Indenture or any other document or instrument referred to therein.

If the Issuer becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Securities, the Issuer will deliver to the Trustee on a date at least 30 days prior to the date of payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer shall notify the Trustee promptly thereafter) an officer's certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Trustee shall be entitled to rely solely on such officers' certificate as conclusive proof that such payments are necessary.

The above obligations will survive any termination, defeasance or discharge of the Indenture and will apply, mutatis mutandis, to any successor person to the Issuer.

Any references in this Description of the Securities or in the Indenture to any amounts in respect of the Securities shall be deemed also to refer to any Additional Amounts which may be payable in respect thereof.

For purposes of the foregoing, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due, but if the full amount of the monies payable has not been received by the Trustee or, as the case may be, the Paying Agent, on or prior to such due date, it means the first date on which, the full amount of such monies having been so received, notice to that effect has been duly given to the Holders.

"**Tax(es)**" means any present or future taxes or duties, assessments or governmental charges of whatever nature (including any penalties, interest and other additions thereto).

Ranking

The Securities constitute direct, unsecured and unsubordinated obligations of the Issuer and rank (save for certain obligations required to be preferred by law) and will rank equally in right of payment with all other senior unsecured indebtedness of the Issuer.

Meetings of Holders

The Indenture contains provisions consistent with the laws, legislation, rules and regulations of the Republic of Italy (including without limitation Legislative Decree No. 58 of February 24, 1998, as amended) for convening meetings of the Holders to consider any matter affecting their interests, including any modifications of any provisions of the Indenture.

According to the laws, legislation, rules and regulations of the Republic of Italy: (a) if the Issuer's by-laws provide for multiple calls, such meetings will be validly held if (i) in the case of a first meeting, there are one or more persons present being or representing Holders holding not less than one-half in nominal amount of the Securities for the time being outstanding; (ii) in case of an adjourned meeting, there are one or more persons present being or representing Holders holding more than one-third in nominal amount of the Securities for the time being outstanding; and (iii) in the case of any further adjourned meeting, one or more persons present being or representing Holders holding at least one-fifth in nominal amount of the Securities for the time being outstanding, provided that the Issuer's by-laws may in each case (to the extent permitted under the applicable laws and regulations of the Republic of Italy) provide for a higher quorum; and (b) if the Issuer's by-laws do not provide otherwise, a single call will be applicable and the quorum under (iii) above shall apply, provided that a higher majority may be required by the Issuer's by-laws. The majority to pass a resolution at any meeting (including, where applicable, an adjourned meeting) will be not less than two-thirds of the aggregate principal amount of the outstanding Securities represented at the meeting; provided however that (A) certain proposals, as set out in Article 2415 of the Italian Civil Code (including any proposal to change any date fixed for payment of principal or interest in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities or to change the quorum requirements relating to meetings or the majority required to pass a resolution or any proposal relating to any of the matters set out in the Article 2415, paragraph 1, item 2 of the Italian Civil Code), may only be sanctioned by a resolution passed at a meeting of the Holders by the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Securities, and (ii) one or more persons holding or representing not less than two-thirds of the Securities represented at the meeting and (B) the Issuer's by-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities. Resolutions passed at any meeting of the Holders shall be binding on all Holders, whether or not they are present at the meeting. In accordance with the Italian Civil Code, a *rappresentante comune*, being a joint representative of Holders, may be appointed in accordance with Article 2417 of the Italian Civil Code in order to represent the Holders' interest under the Indenture and to give execution to the resolutions of the meeting of the Holders.

Amendment, Supplement and Waiver

Subject to applicable Italian law, including the provisions described under “—*Meetings of Holders*”, the Indenture and the Securities may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the Securities then outstanding, and, subject to certain exceptions, any existing Event of Default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the Securities then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Securities). However, subject to applicable Italian law, including the provisions described under “—*Meetings of Holders*”, without the consent of Holders of at least 75 per cent. of the aggregate principal amount of the Securities then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Securities), no amendment, supplement or waiver may, among other things:

- (i) reduce the principal amount of Securities whose Holders must consent to an amendment, supplement, or waiver;

- (ii) reduce the stated rate, or extend the stated time for payment, of interest on any Security;
- (iii) reduce the principal, or extend the maturity date, of any Security;
- (iv) reduce the premium payable upon the redemption of any Security or change the time at which any Security may be redeemed, in each case as described above under “—*Redemption*”;
- (v) make any Security payable in a currency other than U.S. dollars;
- (vi) impair the right of any Holder to receive payment of, premium, if any, principal of or interest on such Holder’s Securities on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder’s Securities;
- (vii) waive an Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Securities;
- (viii) make any change in the provisions of the Securities or the Indenture relating to Additional Amounts that adversely affects the rights of any Holder of such Securities in any material respect or amends the terms of such Securities in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof; or
- (ix) make any change in the amendment or waiver provisions of the Indenture which require each Holder’s consent.

Notwithstanding the foregoing, without the consent of any Holder, to the extent permitted by applicable law, the Issuer and the Trustee may amend the Indenture and the Securities to the extent the following provisions would apply to such Securities:

- (i) to evidence the succession of another Person to the Issuer and the assumption by any such successor of the covenants of the Issuer under the Indenture and in the Securities or to add another Issuer to the Indenture for future issuances; or
- (ii) to add to the covenants of the Issuer for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Issuer; or
- (iii) to add any additional Events of Default for the benefit of the Holders of all or any series of Securities (and if such additional Events of Default are to be for the benefit of less than all series of Securities, stating that such additional Events of Default are expressly being included solely for the benefit of such series); or
- (iv) to add to or change any of the provisions of the Indenture to permit or facilitate the issuance of bearer Securities or to permit or facilitate the issuance of Securities in uncertificated form, *provided* that any such action shall not adversely affect the interests of the Holders of Securities of any series in any material respect; or
- (v) to add to, change or eliminate any of the provisions of the Indenture with respect to one or more series of Securities, *provided* that any such addition, change or elimination (i) shall neither (A) apply to any Security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (B) modify the rights of the Holder of any such Security with respect to such provision or (ii) shall become effective only when there is no such Security outstanding; or
- (vi) to add guarantees to the Securities of any series to which guarantees shall not have already been attached; or

- (vii) to secure the Securities pursuant to the requirement that the Securities be equally and ratably secured with any of the Issuer's secured capital market indebtedness;
- (viii) to establish the form or terms of Securities of any series, as permitted by the Indenture; or
- (ix) to evidence and provide for the acceptance of appointment of a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts thereunder by more than one Trustee; or
- (x) to reduce the conversion price of the Securities of any series other than pursuant to the Indenture; or
- (xi) to amend or supplement the Tax Certification Procedures or to consent to waivers undertaken in each case pursuant to the Tax Compliance Agency Agreement or, if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Indenture to ensure or facilitate compliance therewith or the Tax Certification Procedures, to amend or supplement the Indenture at any time in accordance with such changed laws, rules or regulations; or
- (xii) to evidence and provide for the acceptance of appointment by a successor Securities Depository with respect to the Securities of one or more series or by a successor tax compliance agent and to add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the Deposit Agreement or the Tax Certification Procedures relating to such Securities; or
- (xiii) to cure any ambiguity, to correct or supplement any provision of the Indenture which may be defective or inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Indenture,

provided, that such actions described in (xi), (xii) and (xiii) above shall not adversely affect the interests of the Holders of Securities of any series in any material respect.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment, supplement or waiver. A consent to any amendment, supplement or waiver under the Indenture by any Holder of Securities given in connection with a tender of such Holder's Securities will not be rendered invalid by such tender.

In determining whether the Holders of the requisite principal amount of Securities have given any request, demand, authorization, consent, vote or waiver in connection with the Indenture and the Securities, Securities owned by the Issuer or any Subsidiary of the Issuer shall be disregarded and deemed not to be outstanding for the purpose of calculating the requisite voting majority, except for the purposes of quorums required for a meeting of Holders of a series to be validly held.

The Issuer will publish a notice of any material amendment, supplement or waiver in accordance with the provisions of the Indenture described under "*—Notices*".

Any modifications, amendments or waivers to the Indenture or to the terms and conditions of the Securities will be conclusive and binding on all Holders of Securities, whether or not they have given such consent or were present at such meeting, and on all future holders of Securities, whether or not notation of such modifications, amendments or waivers is made upon the Securities. Any instrument given by or on behalf of any Holder of a Security in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Security.

Mergers and Similar Events

Telecom Italia is generally permitted to consolidate or merge with another company or firm. Telecom Italia is also permitted to sell or lease substantially all of its assets to another company or to buy or lease substantially all of

the assets of another company. However, Telecom Italia may not consolidate or merge with, or sell or lease all or substantially all of its assets to, another company or firm, unless all of the following conditions are met:

- Where Telecom Italia merges out of existence or sells or leases all or substantially all of its assets, the acquiring or resulting company must expressly assume its obligations on the Securities by entering into a supplement to the Indenture in a form reasonably satisfactory to the Trustee. The acquiring or resulting company's assumption of these obligations must include the obligation to pay the Additional Amounts described under "—Payment of Additional Amounts." If the acquiring or resulting company is organized under the laws of any jurisdiction other than the United States, any state thereof or the District of Columbia, it must indemnify you against any governmental charge or other cost resulting from the transaction.
- Telecom Italia or the company which will succeed it under the Indenture must provide the Trustee with an officer's certificate and an opinion of counsel as to compliance with the merger or assumption, as the case may be, provisions of the Indenture.
- The merger or sale or lease of all or substantially all of Telecom Italia's assets, or the assumption of the obligations of Telecom Italia under the Securities, must not cause a default on the Securities, and Telecom Italia must not already be in default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described under "—Events of Default." A default for this purpose would also include any event that would be an event of default if the requirements for giving Telecom Italia default notice or its default having to exist for a specific period of time were disregarded.

It is possible that an assumption, merger or other similar transaction may cause the holders of the Securities to be treated for U.S. federal income tax purposes as though they had exchanged the Securities for new securities. This could result in the recognition of taxable gain or loss for U.S. federal income tax purposes and possibly other adverse tax consequences.

Approval, Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Issuer has agreed to use its best endeavors to maintain any such listing and admission to trading of the Securities for so long as any of the Securities remain outstanding or, if it is unable to do so having used its best endeavors, use its best endeavors to obtain and maintain a quotation or listing of the Securities on such other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Trustee) decide and shall also upon obtaining a quotation or listing of the Securities on such other stock exchange or exchanges or securities market or markets enter into a supplement to the Indenture to effect such consequential amendments to the Indenture as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market.

Tax Certification Procedures

The Issuer agrees, so long as any principal amount of the Securities held in the form of Receipts remains outstanding, to, insofar as it is reasonably practicable, maintain, implement or arrange for the implementation of the Tax Certification Procedures, as such procedures may be amended, supplemented, modified or replaced from time to time in accordance with the terms of the Tax Compliance Agency Agreement, that will facilitate the collection of information concerning the Securities held in the form of Receipts or the Beneficial Owners thereof so long as such collection is required under Italian law to allow payment of interest on the Global Securities represented by Receipts free and clear of Italian substitute tax.

Notices

Notices to Holders will be given by first-class mail postage prepaid to the last addresses of such Holders as they appear in the registration books of the registrar. Such notices will be deemed to have been given on the date of such mailing. So long as the Global Securities or Receipts are held in their entirety on behalf of a clearing system, or any of its participants, there may be substituted for the notice described above the delivery of the relevant notices to the clearing system, and its participants, for communication by them to the entitled accountholders. Any such notice delivered in this manner shall be deemed to have been given to the accountholders on the third day after the day on which the said notice was given to the clearing system, and its participants.

If and for so long as the Securities are admitted to trading on the Global Exchange Market of the Irish Stock Exchange and/or admitted to the Official List of the Irish Stock Exchange, notices will also be filed in the Companies Announcement Office of the Irish Stock Exchange or otherwise in another manner in accordance with the rules and regulations of such exchange. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or the relevant authority on which the Securities are for the time being listed. Any such notice published in this manner will be deemed to have been given on the date of the first publication. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Securities shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

Indemnification

The Indenture 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.

Governing Law

The Securities and the Indenture are governed by, and construed in accordance with, the laws of the State of New York. The provisions of the Indenture concerning meetings of Holders and the appointment of the *rappresentante comune* in respect of the Securities are subject to compliance with Italian law.

The Issuer will initially designate Telecom Italia Sparkle of North America at 622 Third Avenue, New York, New York 10017, United States as its authorized agent for service of process in any legal suit, action or proceeding arising out of or relating to the performance of its obligations under the Indenture and the Securities brought in any state or federal court in the Borough of Manhattan, the City of New York, and will irrevocably submit (but for those purposes only) to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding. The Issuer has, in the Indenture, waived any objection to such courts on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Holders may take any proceedings against the Issuer in any other court of competent jurisdiction and concurrent proceedings in any number of jurisdictions, to the extent permitted by law.

General

The Indenture sets out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Securities, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee.

If Monte Titoli, or a successor Securities Depository, notifies the Issuer that it is unwilling or unable to continue to act as Securities Depository, the Issuer agrees that it shall use reasonable efforts to appoint a successor Securities Depository as soon as practicable and to provide notice to Acupay and the Holders of any such successor Securities

Depository, provided that the Issuer is at such time organized under the laws of the Republic of Italy and that the applicable laws and regulations relating to exemption from application of the *imposta sostitutiva* require maintenance of a Second-level Bank.

BOOK-ENTRY, DELIVERY AND FORM

The Global Securities will be issued to, and registered in the name of, Monte Titoli, as operator of the Italian centralized securities depository system in paper form, and without interest coupons. Upon issuance of the Global Securities to Monte Titoli by the Issuer, Monte Titoli will be recorded as the holder of the Global Securities on the books of the Trustee. All of the book-entry interests in such Global Securities will initially be credited by Monte Titoli to a third-party securities account in Monte Titoli of the Receipt Issuer, as a direct participant therein.

Citibank, N.A., London Branch, as Receipt Issuer, will issue one or more Global Receipts to evidence the Receipts to DTC and will hold the Global Receipts, which will be registered in the name of Cede & Co., as DTC's nominee, for the benefit of DTC's participants. Beneficial interests in the Global Receipts will represent an equivalent amount in the Global Securities. Beneficial interests in the Securities may be held through DTC only in the form of Receipts. Such beneficial interests will only be sold to QIBs in reliance on Rule 144A.

The Receipt Issuer will record Cede & Co., as nominee of DTC, on its books as the initial registered holder of the Global Receipts and will also record any subsequent registration and transfer of the Global Receipts. The Receipt Issuer may not register the transfer of the Global Receipts except as a whole by DTC or its nominee to DTC or another nominee of DTC or a successor of DTC or a nominee of that successor.

Holdings of book-entry interests in the Global Receipts on the books of DTC is limited to persons, called participants, that have accounts with DTC or persons that may hold interests through Financial Intermediaries.

Upon the issuance of the Global Receipts, DTC will credit on its book-entry registration and transfer system the applicable participants' accounts with the respective principal or face amounts held by the participants. Dealers, underwriters or agents participating in the distribution of the Securities in the form of Receipts will designate the accounts to be credited. Ownership of the Receipts will be shown on, and the transfer of ownership interests in the Receipts will be effected only through, records maintained by DTC, with respect to interests in Receipts of participants, and on the records of participants in DTC, with respect to interests in Receipts of persons holding through participants in DTC.

Each person owning a beneficial interest in the Securities evidenced by a Global Receipt must rely on the procedures of DTC and, if that person is not a participant, on the procedures of the DTC Participant through which the person owns its beneficial interest, to exercise any rights of a Beneficial Owner of the Securities. See *"Risk Factors—Risk Factors Relating to the Securities and Receipts—The Global Securities will be held in book-entry only form through Monte Titoli and the Receipts will be held in book-entry only form through DTC. Therefore, you will have to rely on the respective procedures of these clearing systems as well as those of the Receipt Issuer for transfer, payment and to exercise any rights and remedies"*.

To facilitate transfers of Receipts, the Global Receipts will be registered in the name of DTC's nominee, Cede & Co. DTC has no knowledge of the actual Beneficial Owners of the Receipts. DTC's records reflect only the identity of the direct participants in DTC to whose accounts beneficial interests in the Receipts are credited, which may or may not be the Beneficial Owners. The participants in DTC will remain responsible for keeping account of their holdings on behalf of their customers.

The Issuer (either directly or through one of its agents) will make payments due on the Securities to Monte Titoli as registered holder of the Global Securities (or to its order), in immediately available funds. Monte Titoli will in turn distribute (or arrange the distribution of) such payments for Securities, with respect to Securities represented by Receipts, to the Receipt Issuer for onward transmission to DTC, as well as to the other holders of Securities held in Monte Titoli and not evidenced by Receipts. DTC's practice upon timely receipt of any payment of principal, interest or other distribution in respect of the Securities represented by Receipts is to credit participants' accounts in amounts proportionate to their respective beneficial interests in such Receipts as shown on the records of DTC as of the close of business on the applicable interest record date. Payments by DTC Participants to owners of beneficial interests in any Receipts held through DTC Participants will be governed by standing customer instructions and customary practices and be the responsibility of those DTC Participants. Payment to Monte Titoli is the responsibility of the Issuer. Disbursement by Monte Titoli to its participants, including to the Receipt Issuer, is the

responsibility of Monte Titoli. Disbursement by the Receipt Issuer to DTC is the responsibility of the Receipt Issuer. Disbursement of such payments to direct participants in DTC is the responsibility of DTC. Disbursement of payments to beneficial owners of Receipts is the responsibility of DTC Participants. Neither the Issuer nor any of the Joint Lead Managers will have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial interests in any Securities or for maintaining, supervising or reviewing any records relating to those beneficial interests.

The Receipt Issuer has undertaken in the Deposit Agreement to use commercially reasonable efforts to establish the interest payment record date at the level for the Receipts to coincide with the Regular Record Date for the corresponding Securities. Under the terms of the Indenture, the Regular Record Date will be the fourth Business Day immediately preceding the Interest Payment Date. The Issuer has been advised by DTC that through DTC's accounting and payment procedures DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based on each DTC Participant's holdings of beneficial interests in the Receipts as of the close of business on the New York City Business Day immediately preceding each such Interest Payment Date.

Subject to compliance with the transfer restrictions applicable to the Receipts, including the imposition of a restriction recorded in the books and records of DTC against any transfer, pledge or use as collateral of the N Receipts (as defined herein) without compliance with the Tax Certification Procedures, transfers between participants in DTC will be reflected in accordance with DTC's procedures.

The Issuer expects that Monte Titoli will take any action permitted to be taken by a Beneficial Owner of a Receipt only at the direction of the Receipt Issuer which in turn is expected to take any action at the direction of one or more participants to whose account at DTC interests in any Securities evidenced by the applicable Receipts are credited and only in respect of such portion of the aggregate principal amount of the Securities as to which such participant or participants has or have given such direction.

Although the Issuer expects that DTC will continue to perform the foregoing procedures in order to facilitate transfers of Receipts among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, Monte Titoli, the Receipt Issuer, Acupay, their agents or the Joint Lead Managers will have any responsibility for the performance by DTC or its participants of their respective obligations under the rules and procedures governing their operations.

DTC and Monte Titoli

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among participants in deposited securities through electronic book-entry charges to accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Certain of those participants (or other representatives), together with other entities, own DTC. The rules applicable to DTC and its participants are on file with the U.S. Securities and Exchange Commission.

Monte Titoli is the central securities clearing system of Italy and is owned by Borsa Italiana. Almost all Italian banks and certain authorized Financial Intermediaries (*società d'intermediazione mobiliare*) have securities accounts with Monte Titoli and act as custodial intermediaries for investors. Monte Titoli operates pursuant to the Legislative Decree No. 58 of February 24, 1998 and the Rules of CONSOB. Monte Titoli is subject to inspection and supervision by CONSOB. Monte Titoli maintains direct electronic links with the MEF, in accord with the provisions of Legislative Decree No. 632 of 1996.

The information in this section concerning DTC and Monte Titoli and their respective book-entry systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any of the Joint Lead

Managers takes any responsibility for its accuracy or completeness. The Issuer assumes no responsibility for the performance by DTC or Monte Titoli or their respective participants of their respective obligations, including obligations that they have under the rules and procedures that govern their operations.

Conversion of Receipts to Securities and Securities for Receipts

As more fully described in “Description of the Receipts and the Deposit Agreement”, holders of X Receipts and N Receipts will have the right to convert their X and N Receipts to Securities to be held in the form of X Securities at a Second-level Bank at Monte Titoli, subject, in each case, to compliance with the terms of the Deposit Agreement and the Tax Certification Procedures. QIBs who hold X Securities will be able to convert such Securities to X Receipts (if they are Eligible Beneficial Owners) and N Receipts (if they are Non-Eligible Beneficial Owners (as defined in “Description of the Securities”)) to be held with DTC Participants, subject in each case to compliance with the terms of the Deposit Agreement and the Tax Certification Procedures.

It is expected that the Receipt Issuer will close its books to conversions of, and as a result investors will not be able to convert, Receipts to Securities and Securities to Receipts for the period between any interest payment record date and the related Interest Payment Date.

Mandatory Exchange and Transfer Restrictions in the Event of Non-compliance with the Tax Certification Procedures

X Receipts (as defined herein) held by Non-Eligible Beneficial Owners (as defined in the Deposit Agreement) will be subject to a mandatory exchange of interests from the X Receipts to N Receipts. Interest, including, without limitation, any original issue discount, accrued but not yet paid until the settlement date of a prospective transfer, accrued or paid in respect of N Receipts will be subject to the payment of Italian substitute tax, currently at a rate of 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66. The substitute tax will be levied on interest paid and/or accruing during the period commencing on the settlement date of the acquisition of the interests in the related X Receipts, and continuing until the Mandatory Exchange Date, as defined below.

Promptly upon Acupay determining that a Beneficial Owner holding interests in X Receipts through a DTC Participant may be a Non-Eligible Beneficial Owner, Acupay will notify the Receipt Issuer, and the Receipt Issuer will: (i) on the same day if Acupay’s notification is delivered prior to 9:00 a.m. New York City time, or (ii) no later than the next business day if Acupay’s notification is delivered after 9:00 a.m. New York City time, send (a) a “**Warning Notice of Mandatory Exchange**” as described in the Deposit Agreement, to the relevant DTC Participant, and (b) copies of such Warning Notice of Mandatory Exchange (as transmitted to the relevant DTC Participant) to Acupay, Monte Titoli, the Trustee, any Paying Agent and the Issuer. Acupay’s notification to the Receipt Issuer in advance of the giving of such notice will include a form of such Warning Notice of Mandatory Exchange which shall include (i) the DTC Participant’s name, (ii) the DTC Participant’s account number, (iii) the CUSIP of the Receipts, (iv) the amount of interests in X Receipts which are to be the subject of the warning and (v) an exhibit laying out the defect, identified by Acupay, which caused the giving of such notice.

Promptly upon written notice from Acupay, to be delivered via secure electronic transmission prior to 9:00 a.m. New York City time, on or before the third New York City Business Day following the date of a Warning Notice of Mandatory Exchange (the “**Mandatory Exchange Date**”), that a Beneficial Owner is a Non-Eligible Beneficial Owner, the Receipt Issuer will, pursuant to the Deposit Agreement, deliver (a) to the relevant DTC Participant a “**Mandatory Exchange Notice**” as described in the Deposit Agreement, and (b) to Acupay, Monte Titoli, the Trustee, any Paying Agent and the Issuer, copies of such Mandatory Exchange Notice, as transmitted to such DTC Participant. Such Mandatory Exchange Notice shall direct the relevant DTC Participant to effect, by no later than 11:30 a.m. New York City time on the next New York City Business Day or, if such day is one of the New York City Business Days between an interest payment record date and the related Interest Payment Date, then on the applicable Interest Payment Date (the “**Mandatory Exchange Deadline**”), a DTC transaction titled a Deposit/Withdrawal at Custodian (each such event, a “**DWAC**”) exchanging the principal amount of its interests in X Receipts referenced in the Mandatory Exchange Notice for interests in N Receipts through the facilities of DTC. The Mandatory Exchange Notice shall include a tax statement computing the amount of substitute tax liability

accrued by the Non-Eligible Beneficial Owner of interests in such X Receipt from the date of acquisition until the Mandatory Exchange Deadline date, and entered in the books of Monte Titoli (such amount, the “**Tax Liability Amount**”, as further defined and explained in the Tax Certification Procedures). Acupay’s notification to the Receipt Issuer shall include a form of such Mandatory Exchange Notice, which shall include (i) the DTC Participant’s name, (ii) the DTC Participant’s account number, (iii) the CUSIP of the Receipts, (iv) the amount of X Receipts which are to be the subject of the notice, and (v) an exhibit laying out the defect, identified by Acupay, which caused the giving of such notice and (vi) a payment request in connection with the tax statement.

In the event that the Tax Liability Amount is not transmitted in full to Monte Titoli by the DTC Participant or applicable Financial Intermediary by 9:00 a.m. New York City time on the 10th day of the calendar month immediately following the date of the payment request described in the preceding paragraph, following a claim for the recovery of such amount made by Monte Titoli, or at the option of Monte Titoli, by the Receipt Issuer following written instructions received from Monte Titoli, to DTC, such DTC Participant’s DTC account shall be debited in accordance with the published rules and procedures of DTC’s EDS/Tax Relief (as defined in the Tax Certification Procedures).

Upon the completion of the required DWACs (such completion, a “**Mandatory Exchange**”), the Receipt Issuer shall (i) provide a confirmation of the Mandatory Exchange to Acupay, the Trustee, any Paying Agent, the Issuer and Monte Titoli, and (ii) prior to 12:00 p.m. New York City time on the date of such Mandatory Exchange, instruct Monte Titoli to cause the Receipt Issuer’s interest in the X Global Security to be reduced in an aggregate principal amount equal to the X Receipts held by the Non-Eligible Beneficial Owner and the Receipt Issuer’s interest in the N Global Security to be increased accordingly. Each Mandatory Exchange of interests in X Receipts to interests in N Receipts will be deemed to occur with the consent of the related Beneficial Owner and its Financial Intermediaries.

Promptly after the completion of the Mandatory Exchange, Acupay will provide to the DTC Participant holding the newly deposited N Receipts: (i) a tax statement itemizing the tax credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant holder of such interests in N Receipts computed in accordance with Decree No. 239 (the “**Tax Credit**”), and (ii) a related request for wire transfer instructions. Such Tax Credit will be held by the Receipt Issuer for the benefit of the applicable DTC Participant (for the ultimate benefit of the relevant Non-Eligible Beneficial Owner) to be employed upon a transfer of such Non-Eligible Beneficial Owner’s beneficial interests in N Receipts or on the next succeeding Interest Payment Date, (a) as an offsetting credit against the total amount of Italian substitute tax which may become payable upon a transfer of Non-Eligible Beneficial Owner beneficial interests in N Receipts and/or (b) on the next succeeding Interest Payment Date, to be paid by wire transfer to the relevant DTC Participant, but only upon the prior payment by the Issuer of the related Security coupon, and after the transmission by Monte Titoli to the Receipt Issuer of the appropriate amount of cash, net of all tax liabilities, interest, or penalties maintained in the records of Monte Titoli pursuant to the Tax Certification Procedures, with respect to the applicable Non-Eligible Beneficial Owner as of the close of business on the first calendar day prior to the Interest Payment Date, as reported by Acupay to the Receipt Issuer in the Final Determination Report (as defined in the Tax Certification Procedures). Upon its receipt of the net cash payment of such Tax Credit amount from Monte Titoli, the Receipt Issuer shall remit such amount by wire transfer to the applicable DTC Participant acting on behalf of the Non-Eligible Beneficial Owner(s), using the wire transfer instructions provided to it by Acupay in the Final Determination Report. Interests in N Receipts may only be transferred upon the terms and in accordance with the Tax Certification Procedures and pursuant to the terms of the Deposit Agreement.

If a DWAC request from a DTC Participant to reduce such DTC Participant’s position in the relevant principal amount of X Receipts has not been received by the Receipt Issuer through the facilities of DTC by the Mandatory Exchange Deadline, then the Receipt Issuer shall promptly send to such DTC Participant (with a copy to Acupay, the Trustee, Monte Titoli, any Paying Agent and the Issuer) a “**Notice of Failure to Complete a Mandatory Exchange**” as described in the Deposit Agreement. A DTC Participant that is the subject of a Mandatory Exchange Notice and which has received from the Receipt Issuer a Notice of Failure to Complete a Mandatory Exchange, and/or obtains favorable tax treatment through the Tax Certification Procedures and fails to submit the signed Self-Certification Forms may be removed from the Tax Certification Procedures and prohibited from obtaining favorable tax treatment with respect to current and future interest payments on all X Receipts held through such DTC

Participant. **In such event, the DTC Participant would receive all future interest payments on its entire X Receipt position (as held for its Beneficial Owners), net of the applicable Italian substitute tax (currently 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66) and relief from the deduction of the Italian substitute tax would need to be obtained directly from the Italian tax authorities by following the direct refund procedure established by Italian tax law. For a description of the direct refund procedures, see “Annex A: Acupay Italian Tax Compliance and Relief Procedures—Article III: Procedure for Direct Refund from Italian Tax Authority”.**

Special Procedure for Transfers of Interests in N Receipts

Transfer of interests in N Receipts are transferable by the Non-Eligible Beneficial Owners thereof to other Non-Eligible Beneficial Owners in the form of N Receipts at any time upon satisfaction of the following conditions: (x) delivery to Acupay, prior to 12:00 p.m. New York City time on the third New York City Business Day prior to the requested transfer date (the “Transfer Date”) of a properly completed “N Receipt Transfer Request,” as described in the Deposit Agreement, (y) payment to Monte Titoli of the Italian substitute tax, net of any applicable tax credit, payable by the transferring Non-Eligible Beneficial Owner upon such transfer prior to 9:00 a.m. New York City time on the Transfer Date and (z) receipt by the Receipt Issuer, no later than 9:30 a.m. New York City time on the Transfer Date, of written instructions from Acupay, delivered in accordance with the terms and conditions of the Deposit Agreement.

Upon receipt of an N Receipt Transfer Request, Acupay shall (i) determine the net amount of Italian substitute tax payable in cash by the transferor Non-Eligible Beneficial Owner as of the Transfer Date, after application of any available Tax Credits maintained on the books of Monte Titoli on behalf of the Receipt Issuer for the benefit of the transferor Non-Eligible Beneficial Owner, (ii) calculate the amount of the Tax Credit attributable to Italian substitute tax to be credited to the Receipt Issuer for the benefit of the transferee Non-Eligible Beneficial Owner as of the Transfer Date and to be employed only as described in the Tax Certification Procedures, and (iii) inform the Receipt Issuer, Monte Titoli, and (x) the transferor Non-Eligible Beneficial Owner (or any DTC Participant as specified in the N Receipt Transfer Request) of the amount of Italian substitute tax net of any Tax Credit (if any) payable in cash by the transferor Non-Eligible Beneficial Owner upon the transfer, and (y) the transferee Non-Eligible Beneficial Owner (or any DTC Participant as specified in the N Receipt Transfer Request) of the amount of the Tax Credit to be credited to or for the account of the applicable transferee Non-Eligible Beneficial Owner. No settlement of transfers of beneficial interests in N Receipts will be effectuated on any day other than the Transfer Date specified to Acupay in an N Receipt Transfer Request.

Upon confirmation of the receipt by Monte Titoli of the Italian substitute tax payable as described above, (i) the Receipt Issuer and Acupay shall coordinate with the DTC Participant holding interests in the N Receipts on behalf of the transferor Non-Eligible Beneficial Owner, the execution of a series of DWACs which result in the transfer of interests in the applicable N Receipts to the DTC Participant identified as acting for the transferee Non-Eligible Beneficial Owner, and (ii) Acupay shall provide to Monte Titoli the information necessary to enable Monte Titoli to make the applicable Italian tax filings and reporting in respect of such transfer pursuant to Decree No. 239. Promptly after the completion of the transfer of the interests in the N Receipts, Acupay will provide to the DTC Participant holding the transferred interests in the N Receipts a confirmation of the Tax Credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant transferee of such transferred interests in the N Receipts, and computed in accordance with Decree No. 239. The Receipt Issuer will hold such credit entitlement for the benefit of the applicable Non-Eligible Beneficial Owner to be employed as described above in the sixth paragraph under “Mandatory exchange and transfer restrictions in the event of non-compliance with the Tax Certification Procedures”.

Special Procedure for Exchange of N Receipts into X Receipts

N Receipts may be exchanged by the Non-Eligible Beneficial Owner thereof for delivery as X Receipts to an Eligible Beneficial Owner (as defined herein) on any New York City Business Day (other than for the period between any interest payment record date and the related interest payment date) upon satisfaction of the following conditions: (x) delivery to Acupay, prior to 12:00 p.m. New York City time on the third New York City Business

Day prior to the Transfer Date by the transferor of a properly completed “N Receipt Transfer Request” as described in the Deposit Agreement, (y) payment, prior to 9:00 a.m. on the Transfer Date, to Monte Titoli of the Italian substitute tax net of any Tax Credit (if any) payable by the transferor Non-Eligible Beneficial Owner in connection with such exchange (upon the terms described below), and (z) receipt by the Receipt Issuer, no later than 9:30 a.m. New York City time on the Transfer Date, of written instructions from Acupay to the Receipt Issuer delivered in accordance with the terms and conditions of the Deposit Agreement. Acupay shall determine the amount of Italian substitute tax payable in cash as of the Transfer Date by the Non-Eligible Beneficial Owner requesting the exchange of N Receipts for X Receipts, after application of any available Tax Credits maintained on the books of Monte Titoli on the behalf of such Non-Eligible Beneficial Owner, and shall inform the Receipt Issuer, Monte Titoli, and the Non-Eligible Beneficial Owner requesting the N Receipt exchange (or its designated DTC Participant) of the net amount of the Italian substitute tax payable in cash by such Non-Eligible Beneficial Owner on or prior to the Transfer Date. Such instruction shall be delivered by Acupay prior to the Transfer Date. No settlement of an exchange of N Receipts for X Receipts will be effectuated if the actual settlement date for the exchange is different from the Transfer Date specified to Acupay in the N Receipt Transfer Request.

Upon confirmation of receipt by Monte Titoli of the net amount of Italian substitute tax payable in respect of a requested exchange of N Receipts for X Receipts by a Non-Eligible Beneficial Owner to an Eligible Beneficial Owner: (i) the Receipt Issuer and Acupay shall coordinate with the Trustee and the DTC Participant holding the N Receipts on behalf of the requesting Non-Eligible Beneficial Owner and the DTC Participant identified as acting for the recipient Eligible Beneficial Owner, to undertake a series of DWACs and related operations resulting in a withdrawal of the N Receipts from the Non-Eligible Beneficial Owner’s DTC Participant account, a reduction in value of the applicable N Global Receipt, the mark-down of the N Global Security, a mark-up of the X Global Security, the credit of an interest in X Global Securities to the Receipt Issuer’s third-party securities account in Monte Titoli, and the issuance and deposit of the applicable interest in the X Receipts to the account of the Eligible Beneficial Owner’s DTC Participant and (ii) Acupay shall provide to Monte Titoli the information necessary to enable Monte Titoli to make the applicable Italian tax filings and reporting in respect of such operation pursuant to Decree No. 239. The applicable transferee Eligible Beneficial Owner shall be required to deliver or caused to be delivered to Acupay, prior to 8:00 p.m. New York City time on the Transfer Date, a properly completed and valid Self-Certification Form. In the event the applicable transferee fails to deliver to, or fails to have on file with, Acupay a properly completed and valid Self-Certification Form, the Receipt Issuer will coordinate a Mandatory Exchange of the Receipts with Acupay upon the terms described herein.

Special Procedure for Conversions of Interests in X Receipts to X Securities

Interests in X Receipts can be converted to interests in the X Security at any time (except for the period between the interest payment record date and the related Interest Payment Date) upon the delivery no later than 5:00 p.m. on the New York City Business Day before the applicable Transfer Date to Acupay of an X Receipt Transfer Request (as defined in the Tax Certification Procedures) that contains delivery instructions at the transferee’s clearing system and any required confirmation of compliance with the relevant securities laws. Prior to 10:00 a.m. New York City time on the applicable Transfer Date, the Receipt Depository Participant shall deliver to the DTC account of the Receipt Issuer the X Receipts being transferred.

Promptly upon receipt of (i) confirmation from Acupay of receipt of the documentation contemplated above from the transferor, and (ii) the X Receipts in its DTC account, the Receipt Issuer will mark down the X Global Receipt, deliver the respective interests in the X Security in accordance with the provided delivery instructions and confirm to Acupay the completion of such transfer.

Special Procedure for Transfers of Interests in the X Security to Interests in Receipts

Interests in the X Security can be transferred to interests in Receipts at any time (except for the period between the interest payment record date and the related Interest Payment Date) upon satisfaction of the following conditions: (a) the delivery, no later than 6:00 p.m. Milan time on the Business Day preceding the Transfer Date, to Acupay of an X Securities Transfer Request including Receipt delivery instructions at DTC and any required confirmations of compliance with relevant securities laws; (b) the transfer of the X Securities to the Monte Titoli

account of the Receipt Issuer by 12:00 p.m. Milan time on the Transfer Date; and (c) in the case of transfer to an Eligible Beneficial Owner, the delivery to Acupay, prior to 8:00 p.m. New York time on the Transfer Date, of a properly completed Self-Certification Form with respect to the transferee.

Promptly upon receipt of the interests in the X Security in its Monte Titoli account and a confirmation from Acupay of receipt of the documentation specified above from the transferor, the Receipt Issuer will (a) in the case of transfer to an Eligible Beneficial Owner, mark up the X Global Receipt and deliver the respective interests in X Receipts in accordance with the provided delivery instructions; (b) in the case of transfer to a Non-Eligible Beneficial Owner, (x) instruct the Trustee to mark down the X Security and mark up the N Security; (y) mark up the N Global Receipt; and (z) coordinate with Acupay and the DTC Participant acting on behalf of the transferee the execution of a DWAC resulting in increase of such DTC Participant's position in N Receipts in accordance with the provided delivery instructions; and (c) confirm to Acupay the completion of such transfer.

In the case of transfer to a Non-Eligible Beneficial Owner, Acupay, promptly after the completion of the transfer, will provide to the DTC Participant holding the transferred interests in N Receipts a confirmation of the Tax Credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant transferee as of the settlement date of the transfer, and computed in accordance with Italian Legislative Decree 239 of 1996, as amended and supplemented. Such credit entitlement will be held by Monte Titoli for the Receipt Issuer for the benefit of the applicable Non-Eligible Beneficial Owner to be employed as described above.

Issuance of Definitive Registered Securities and Definitive Registered Receipts

Under the terms of the Indenture, Beneficial Owners of the Securities will receive Securities in registered form (the “**Definitive Registered Securities**”) in exchange for the Global Securities only under the following circumstances:

1. in whole, but not in part, if Monte Titoli, or a successor securities depository, becomes unable, or notifies the Issuer that it is unwilling or unable, to continue to act as Securities Depository and a successor Security Depository is not appointed by the Issuer within 370 days;
2. in whole, but not in part, if the Securities Depository so requests following an Event of Default (as defined in the Indenture);
3. if any Beneficial Owner of any book-entry interest in a Global Security requests such exchange in writing delivered through the Securities Depository following an Event of Default (as defined in the Indenture); or
4. in whole, but not in part, if the Issuer, at its option, notifies the Trustee in writing that it elects to exchange the Global Securities for Definitive Registered Securities, following its determination that (A) the procedures established to collect Beneficial Owner information for Italian substitute tax purposes are ineffective or (B) it has or will become subject to adverse tax consequences which would not be suffered were the Global Securities in definitive form.

In such an event, the Issuer will instruct the Trustee to issue Definitive Registered Securities registered in the name or names and issued in any approved denominations, requested by or on behalf of the Securities Depository (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of book-entry interests in such Securities), and such Definitive Registered Securities will bear the restrictive legends referred to in “*Transfer Restrictions*”, unless that legend is not required by the conditions governing the Securities or applicable law.

Under the terms of the Deposit Agreement, Global Receipts will be exchanged by the Receipt Issuer for Definitive Registered Receipts only in the following circumstances:

1. in whole, but not in part, if DTC becomes unable, or notifies the Receipt Issuer that it is unwilling or unable, to continue to act as a clearing system for the Receipts and a successor clearing system for the Receipts is not appointed by the Receipt Issuer within 370 days;

2. in whole, but not in part, if DTC requests the exchange in whole, but not in part, of Global Securities for Definitive Registered Securities following an Event of Default under the Indenture;
3. with respect to the book-entry interest in a Global Receipt, if a Beneficial Owner of Receipts requests such exchange in writing through the Receipt Issuer following an Event of Default under the Indenture;
4. in whole, but not in part, if the Issuer, at its option, notifies the Trustee and the Receipt Issuer in writing that it elects to exchange the Global Securities for Definitive Registered Securities, following its determination that (i) the procedures established to collect Beneficial Owner information for Italian substitute tax purposes are ineffective, or (ii) it has or will become subject to adverse tax consequences which would not be suffered were the Global Securities in definitive form; or
5. in whole, but not in part, if the Tax Certification Agent notifies the Issuer that it is unwilling or unable to continue to act as the Tax Certification Agent under the Tax Compliance Agency Agreement and a successor Tax Certification Agent is not appointed by the Issuer within 370 days.

In any such event the Receipt Issuer will issue Definitive Registered Receipts in exchange for the Global Receipts based on directions of DTC (directly or through its participants) and cancel the applicable amount of Global Receipts so exchanged for Definitive Registered Receipts. The Definitive Registered Receipts so issued will bear the applicable restrictive legends set forth on the Global Receipts cancelled other than any restrictive legends that pertain only to Receipts issued in global form and any legends no longer required under the terms of the Deposit Agreement and applicable law.

Neither Definitive Registered Securities nor Definitive Registered Receipts will be eligible for settlement through DTC.

The Tax Compliance Procedures arranged by the Issuer will not apply to Receipts in definitive form and, accordingly, holders of Receipts in definitive form will receive payments of interest and other income net of Italian substitute tax unless they independently comply with the procedures for an exemption from the application of Italian substitute tax contemplated by Italian law. Holders of Receipts in definitive form that would otherwise be eligible to receive payments free and clear of Italian substitute tax may request refunds from the Italian tax authorities within 48 months of the application of such tax. Such refund procedures may entail costs and be subject to extensive delays.

DESCRIPTION OF THE RECEIPTS AND THE DEPOSIT AGREEMENT

The following is a summary description of the material provisions of the Receipts and the Deposit Agreement pursuant to which the book-entry interests in Global Securities will be deposited with the Receipt Issuer and the Receipt Issuer will issue the Global Receipts that evidence Receipts that represent the beneficial interests in the Securities. The following summary does not purport to be complete and is subject, and qualified in its entirety by reference, to all of the provisions of the deposit agreement to be entered into between the Issuer, Citibank, N.A., London Branch, as receipt issuer (the “**Receipt Issuer**”) and all Holders and Beneficial Owners (as hereinafter defined) of Receipts issued thereunder (the “**Deposit Agreement**”). Upon request, a copy of the Deposit Agreement may be obtained from the Receipt Issuer.

In this section, “*Description of the Receipts and the Deposit Agreement*”, the beneficial interests in the Securities issued by the Receipt Issuer are referred to as “**Receipts**”.

Pursuant to the terms and conditions of the Deposit Agreement, the Issuer has appointed Citibank, N.A., London Branch and it has agreed to act as the Receipt Issuer for the Global Receipts representing the Global Securities. The Receipt Issuer’s offices are located at 13th Floor, Citigroup Centre, Canada Square, London E14 5LB, United Kingdom.

The Securities will be evidenced by one or more Global Securities and registered in the name of Monte Titoli. Initially, all of the book-entry interests in the Securities will be credited to the third-party securities account in Monte Titoli of the Receipt Issuer. The Receipt Issuer will issue Global Receipts to evidence the Receipts in registered form. The Global Receipts will be issued to DTC and will be registered in the name of Cede & Co., DTC’s nominee, which will be the sole registered holder of the Global Receipts that evidence the Receipts issued by the Receipt Issuer to represent beneficial interests in the Securities. Beneficial interests in the Receipts will be shown on, and transfers of beneficial interests in the Receipts will be effected only on, the records maintained in book-entry form by DTC and by the securities intermediaries that hold the beneficial interests, directly or indirectly, in DTC. See “*Book-Entry; Delivery and Form*”.

The term “**Holder**” when used with respect to Receipts shall mean the person in whose name the Receipts are registered in the books of the Receipt Issuer maintained for such purpose. Unless Definitive Registered Receipts are issued, Cede & Co., the nominee of DTC, will be the only Holder of Receipts. The term “**Beneficial Owner**” shall have, *mutatis mutandis*, the same meaning with respect to the Receipts as the term used with respect to the Securities.

Beneficial interests held by a Beneficial Owner of Receipts will represent equivalent beneficial interests in the Global Securities registered in the name of Monte Titoli as operator of the Italian dematerialized securities system and the registered holder of the Global Securities.

If you become a Holder or Beneficial Owner of Receipts, you will be a party to, and bound by the terms of, the Deposit Agreement. The Deposit Agreement specifies the Issuer’s rights and obligations as to the Receipts as well as those of the Receipt Issuer and the Holders and Beneficial Owners of Receipts. The Deposit Agreement is governed by New York law.

The Receipt Issuer shall issue in respect of the Securities two series of Receipts:

“**X Receipts**” means the Receipt(s) issued by the Receipt Issuer pursuant to the Deposit Agreement, evidenced by an X Global Receipt or by a Definitive Registered Receipt bearing the Rule 144A Legend for so long as it is applicable. X Receipts are intended to be owned by Eligible Beneficial Owners (as defined herein) and are not subject to the Tax Restricted Legend. X Receipts represent beneficial ownership interests in a corresponding amount of X Securities, subject to the terms of the Deposit Agreement.

“**N Receipts**” means the Receipt(s) issued by the Receipt Issuer pursuant to the Deposit Agreement, evidenced by an N Global Receipt or by a Definitive Registered Receipt bearing a Tax Restricted Legend and the Rule 144A Legend for so long as it is applicable. N Receipts are intended to be owned by Non-Eligible Beneficial Owners (as

defined herein) and are subject to the Tax Restricted Legend. N Receipts represent beneficial ownership interests in a corresponding amount of N Securities, subject to the terms of the Deposit Agreement.

Interest accrued or paid in respect of N Receipts will be subject to the payment of Italian substitute tax, currently at a rate of 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66. The Italian substitute tax will be levied on interest paid and/or accruing during the period commencing on the settlement date of the acquisition of the N Receipts or the X Receipts by a Non-Eligible Beneficial Owner, and continuing until the sooner to occur of (i) the settlement date of the transfer of the N Receipts to X Receipts, or the conversion of the N Receipts to Securities (identified as to lot, in accordance with a principle of “last-in/first-out”) and (ii) the redemption of the N Receipts, net of any available Tax Credits. However, the Tax Certification Procedures contemplate mechanisms for the accrual and payment of credits by Monte Titoli with respect to the Italian substitute tax accrued during the portion of the interest period during which such holder did not hold such beneficial interest in the N Receipts.

Any reference to “**Eligible Beneficial Owner**” shall mean a Beneficial Owner of Receipts who is eligible to receive interest in respect of the Securities and the Receipts free of Italian substitute tax and is in compliance (directly or indirectly) with the Tax Certification Procedures.

Any reference to “**Non-Eligible Beneficial Owner**” shall mean a Beneficial Owner of Receipts who is not (or no longer) eligible to receive interest in respect of the Securities free of Italian substitute tax.

Any reference to “**Tax Restricted Legend**” shall mean:

“THIS SECURITY, AND ANY INTEREST THEREIN, MAY ONLY BE TRANSFERRED OR EXCHANGED UPON COMPLIANCE WITH THE TERMS AND CONDITIONS FOR THE SECURITIES AND THE TAX CERTIFICATION PROCEDURES. ANY INTEREST PAYMENTS ON THIS SECURITY WILL BE SUBJECT TO ITALIAN SUBSTITUTE TAX, CURRENTLY AT THE RATE OF 20.0% AND AT THE RATE OF 26.0% ON INTEREST ACCRUED STARTING FROM JULY 1, 2014 PURSUANT TO DECREE NO. 66 OR AT THE LOWER RATE PROVIDED FOR BY THE APPLICABLE DOUBLE TAX CONVENTION, IF ANY, UNLESS THE BENEFICIAL OWNER COMPLIES WITH THE PROCEDURES FOR EXEMPTION FROM THE APPLICATION OF THE ITALIAN SUBSTITUTE TAX CONTEMPLATED BY ITALIAN LEGISLATIVE DECREE NO. 239 OF 1996, AS AMENDED AND SUPPLEMENTED FROM TIME TO TIME.”

Transfer Restrictions

The beneficial interests in the Securities in the form of Receipts will be sold pursuant to Rule 144A only and will be subject to the transfer restrictions described in the following legend, which will be set forth on the Global Receipt(s) that evidence the Receipts that in turn represent beneficial interests in the Securities:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER AND EACH OF THE BENEFICIAL OWNERS OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A “**QUALIFIED INSTITUTIONAL BUYER**” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (“**RULE 144A**”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO ONLY OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, (A) TO TELECOM ITALIA S.P.A. OR ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A “**QUALIFIED INSTITUTIONAL BUYER**” AS DEFINED IN RULE 144A THAT PURCHASES

FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, PROVIDED THAT, IN THE CASE OF (D), FOR SO LONG AS THE SECURITY IS A "RESTRICTED SECURITY" (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) THE OFFER, SALE OR TRANSFER OF SUCH SECURITY SHALL BE MADE ONLY TO QUALIFIED INSTITUTIONAL BUYERS (WHETHER RESIDENT INSIDE OR OUTSIDE THE UNITED STATES) PURCHASING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS AND IN EACH OF THE FOREGOING CASES TO THE REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO TELECOM ITALIA S.P.A.'S AND THE RECEIPT ISSUER'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO PARAGRAPH (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

Each of the Global Securities issued to and registered in the name of Monte Titoli shall be subject to transfer restrictions similar to those described in the legends above, which shall be set forth on the respective Global Securities.

In addition, an investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the Securities or does not comply (either directly or through, or because of, any Financial Intermediary through which it holds the Receipts) with the Tax Certification Procedures will be permitted to transfer its interest in the Receipts only upon compliance with certain tax procedures.

The transfer of Receipts, the conversion of Receipts to Securities and the conversion of the Securities to Receipts is subject to the limitations set forth in the securities legend above, the Tax Certification Procedures set forth in Annex A hereto and the Deposit Agreement. The following summarizes these limitations and the applicable provisions of the Deposit Agreement.

Conversion of X Receipts to X Securities

X Receipts may be converted into the corresponding amount of X Securities upon (i) communicating the requested conversion to Acupay, delivery to the Receipt Issuer of the X Receipts for cancellation together with the applicable certifications that the transferee is a QIB and instructions for the delivery of the corresponding amount of X Securities to a participant at Monte Titoli acting as a Second-level Bank, in each case upon the terms of the Deposit Agreement and the Tax Certification Procedures.

Upon receipt of delivery of the applicable X Receipts and an X Receipt Transfer Request (as defined in the Tax Certification Procedures) including the requisite certifications and instructions, the Receipt Issuer will cancel the X Receipts so received and arrange for the delivery of the corresponding amount of X Securities via Monte Titoli's book-entry delivery systems to the designated transferee. It is expected that the Receipt Issuer will close its books to conversions of X Receipts into X Securities, and as a result investors will be unable to convert X Receipts into X Securities, for the period between any interest payment record date and the related interest payment date.

Conversion of N Receipts to X Securities

N Receipts may be converted into the corresponding amount of X Securities upon delivery to the Receipt Issuer (i) of the N Receipts for cancellation together with (ii) the applicable certifications that the recipient of the X Securities is a QIB and instructions for the delivery of the corresponding amount of X Securities to a participant at Monte Titoli acting as a Second-level Bank, in each case subject to the terms of the Deposit Agreement and the Tax Certification Procedures.

In addition, the surrendering holder will be required to (i) deliver to Acupay a valid N Receipt Transfer Request (as defined in the Deposit Agreement), and (ii) deliver to Monte Titoli the applicable Italian substitute tax (net of applicable Tax Credits), in each case in accordance with the Tax Certification Procedures.

Upon receipt of confirmation from Acupay that the applicable Tax Certification Procedures have been duly completed, and delivery to it of the applicable N Receipts and the N Receipt Transfer Request, including the requisite certifications and instructions, the Receipt Issuer will cancel the N Receipts so received and arrange for the delivery of the corresponding amount of X Securities via Monte Titoli's book-entry delivery systems to the designated recipient.

It is expected that the Receipt Issuer will close its books to conversions of N Receipts into X Securities, and as a result investors will be unable to convert N Receipts into X Securities, for the period between any interest payment record date and the related Interest Payment Date.

Conversion of X Securities to X Receipts or N Receipts

X Securities may be converted into Receipts upon delivery (i) to the Receipt Issuer, through the Acupay System of the applicable certification specifying, inter alia, that the beneficial owner to whom (or to whose order) the Receipts are to be issued and delivered is a QIB, and instructions for the delivery of the corresponding Receipts at DTC, and (ii) of the X Securities to the Receipt Issuer's third-party securities account at Monte Titoli, in each case subject to the terms of the Deposit Agreement and the Tax Certification Procedures.

Upon receipt of (i) the due delivery of the X Securities to its third-party securities account at Monte Titoli, (ii) the applicable certifications and instructions for the delivery of the Receipts, the Receipt Issuer will, in coordination with Acupay, issue and deliver the requisite Receipts to the designated DTC Participant.

If X Receipts are to be issued, the person to whom (or to whose order) the X Receipts are to be issued and delivered will be required to deliver a duly completed Self-Certification Form to Acupay (or such form must be on file with Acupay) in accordance with the Tax Certification Procedures. To the extent that the applicable Self-Certification Form confirms that the beneficial owner of the Receipts is an Eligible Beneficial Owner, the Receipts will be issued and delivered by the Receipt Issuer as X Receipts. In all other circumstances the Receipts will be issued and delivered as N Receipts.

It is expected that the Receipt Issuer will close its books to conversions of Securities into Receipts, and as a result, investors will be unable to transfer Securities into Receipts, for the period between any interest payment record date and the related Interest Payment Date.

Transfer of X Receipts to Eligible Beneficial Owners in the form of X Receipts

X Receipts may be transferred to Eligible Beneficial Owners as X Receipts provided that (i) the transferor communicates the transfer of the X Receipts to Acupay, (ii) the transferee timely submits a duly completed Self-Certification Form to Acupay (or such form must be on file with Acupay) in accordance with the terms of the Tax Certification Procedures, and (iii) the transferee is a QIB and the transfer complies with the limitations set forth in the Securities Legend above and the terms of the Deposit Agreement.

In the event of non-compliance with the Tax Certification Procedures, the Mandatory Exchange of X Receipts for N Receipts will be invoked.

Transfer of X Receipts to Non-Eligible Beneficial Owners in the form of N Receipts

To effectuate a transfer of beneficial interests in X Receipts to QIBs that are Non-Eligible Beneficial Owners in the form of N Receipts, the transferor must communicate the transfer to Acupay by submitting an X Receipt Transfer Request and the X Receipts must be surrendered to the Receipt Issuer for cancellation and issuance and delivery of the corresponding N Receipts to QIBs that are Non-Eligible Beneficial Owners, in each case subject to the terms of the Tax Certification Procedures, the Securities Legend and the terms of the Deposit Agreement.

It is expected that the Receipt Issuer will close its books to transfers and exchanges of X Receipts to Non-Eligible Beneficial Owners in the form of N Receipts, and as a result investors will be unable to effectuate such transfer, for the period between an interest payment record date and the related Interest Payment Date.

Mandatory Exchange of X Receipts for N Receipts

In the event of non-compliance with the Tax Certification Procedures, X Receipts held by Beneficial Owners (i) who are Non-Eligible Beneficial Owners, (ii) who fail to timely (or at all) submit Self-Certification Forms and/or related enclosures, (iii) whose applicable DTC Participant or Financial Intermediary has failed to supply accurate and timely trade settlement information regarding a Beneficial Owner's trade settlements, or (iv) who fail to comply with the Tax Certification Procedures, will be subject to a mandatory exchange of beneficial ownership interests from X Receipts to N Receipts.

The terms of the Mandatory Exchange of X Receipts for N Receipts are more fully described in the Tax Certification Procedures.

Transfer of N Receipts to Non-Eligible Beneficial Owners in the form of N Receipts

N Receipts may be transferred to Non-Eligible Beneficial Owners as N Receipts provided that (i) the transferor delivers to Acupay a valid N Receipt Transfer Request in accordance with the Tax Certification Procedures, (ii) the transferor delivers to Monte Titoli the applicable Italian substitute tax (net of applicable Tax Credits) payable upon the transfer of the N Receipts in accordance with the Tax Certification Procedures and (iii) the transferee is a QIB and the transfer complies with the limitations set forth in the Securities Legend above and the terms of the Deposit Agreement.

Upon receipt of confirmation from Acupay that the applicable Tax Certification Procedures have been completed and the applicable Italian substitute tax has been remitted to Monte Titoli, the Receipt Issuer will, in coordination with Acupay, the transferor and the transferee, arrange for the transfer of the applicable N Receipts to the designated DTC Participant.

Transfer of N Receipts to Eligible Beneficial Owners in the form of X Receipts

To effectuate a transfer of N Receipts to QIBs that are Eligible Beneficial Owners in the form of X Receipts, the transferor will be required to (i) deliver to Acupay in accordance with the Tax Certification Procedures a valid N Receipt Transfer Request, and (ii) deliver to Monte Titoli the applicable Italian substitute tax (net of applicable Tax Credits), in each case in accordance with the Tax Certification Procedures. In addition, the transferee will need to deliver to Acupay a confirmation of transfer and a valid Self-Certification Form (unless such form are on file with Acupay or is provided by the DTC Participant), in a accordance with the Tax Certification Procedures.

Upon receipt of confirmation from Acupay that the applicable Tax Certification Procedures have been completed and the applicable Italian substitute tax has been remitted to Monte Titoli, the Receipt Issuer will, in coordination with Acupay, the transferor and the transferee, arrange for the cancellation of the applicable N Receipt, and the issuance and delivery of the corresponding X Receipts to the designated DTC Participant.

It is expected that the Receipt Issuer will close its books to transfers and exchanges of N Receipts to Eligible Beneficial Owners in the form of X Receipts, and as a result investors will be unable to effectuate such transfers, for the period between an interest payment record date and the related Interest Payment Date.

Payments on Receipts in respect of Security Payments

Monte Titoli shall, with respect to Securities represented by Receipts, distribute (or cause to be distributed) to the Receipt Issuer, for onward transmission to DTC, as the registered holder of the Global Receipts outstanding at such time, any amount received from the Issuer in respect of Global Securities for distribution to the applicable Beneficial Owners of Receipts. None of Monte Titoli, the Receipt Issuer or the Issuer shall have any responsibility or liability for any aspect of the payments made by DTC to the DTC Participants for the benefit of the Beneficial Owners of the Receipts.

Interest payments made in respect of the X Receipts (and the corresponding Securities) are not subject to withholding of the Italian substitute tax. Interest payments made in respect of the N Receipts (and the corresponding Securities) are subject to withholding of the Italian substitute tax.

Interest payments received with respect to Securities represented by Receipts will be disbursed by the Receipt Issuer to Holders of Receipts as of the interest payment record date established by the Receipt Issuer in respect of the applicable interest payment for the Securities represented by the Receipts. The Receipt Issuer has undertaken in the Deposit Agreement to establish the interest payment record date for the Receipts to be the same date as, or as close to the same date as the interest payment record date for the corresponding Securities.

Redemptions of Beneficial Interests in the Securities upon Redemption, Exchange or Transfer of Securities

In the event of any redemption, exchange or transfer by the Issuer of any Securities, the Receipt Issuer shall coordinate with DTC and the applicable DTC Participants for the corresponding redemption or reduction of outstanding Global Receipts and shall deliver the payment so received with respect to Securities held in the form of Receipts to the Receipt Issuer for transmission via DTC to the applicable Beneficial Owners of the relevant Receipts.

Payments made in respect of the X Receipts (and the corresponding Securities) are not subject to withholding of the Italian substitute tax. Payments made in respect of the N Receipts (and the corresponding Securities) are subject to withholding of the Italian substitute tax.

Receipt Owner Actions in Respect of Beneficial Interests in the Securities

Whenever the Receipt Issuer shall receive notice of the solicitation of consents from, request for waivers from or other actions by, any holder of beneficial interests in the Securities, the Receipt Issuer shall distribute to DTC a notice containing the information received by the Receipt Issuer in respect of such solicitation or request and a statement explaining the manner in which DTC (or DTC's proxies) may instruct the Receipt Issuer (through DTC's assigns) to take action in respect of the solicitation or request. Upon receipt of valid and timely instructions from DTC (or DTC's proxies), the Receipt Issuer shall endeavor, insofar as practicable and permitted under the terms of the Deposit Agreement, to take the actions so instructed. At the expense of the Issuer, the Receipt Issuer shall forward the materials relating to the solicitation or request to the Beneficial Owners of the Receipts. In addition, the Receipt Issuer may accept instructions from DTC Participants in respect of such solicitations or requests to the extent authorized by DTC. The Receipt Issuer shall not itself exercise any discretion in granting consents or waivers in respect of the Global Securities.

Notices

Monte Titoli shall send to the Receipt Issuer, for onward transmission to DTC and to the relevant DTC Participants and to any holder of definitive Receipts, as soon as practicable after receipt, any notices, reports or other communications received from the Issuer or the Trustee in respect of the Global Securities held by Monte Titoli.

Provision of Information by Holders

Pursuant to the Tax Certification Procedures, in order to receive payments free of Italian substitute tax, any Beneficial Owner of Receipts may be required from time to time to provide to the Receipt Issuer and Acupay such proof of citizenship or residence, taxpayer status, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation as the Receipt Issuer or Acupay, as an agent of the Issuer, may deem necessary or proper or as the Issuer may reasonably require by written request to the Receipt Issuer, so long as the foregoing requests from the Receipt Issuer, Acupay or the Issuer are reasonably consistent with the Tax Certification Procedures. Each Beneficial Owner of Receipts will be required to comply with requests from Acupay, as agent of the Issuer, pursuant to applicable law and with regard to certain Italian tax and regulatory matters.

Exchange for Definitive Registered Receipts and Transfers thereof

Definitive Registered Receipts will be issued in exchange for interests in Global Receipts only under the limited circumstances set out under “*Book-Entry, Delivery and Form—Issuance of Definitive Registered Securities and Definitive Registered Receipts*”. Any Definitive Registered Receipts issued will not be eligible for settlement through DTC. The Tax Certification Procedures will not be available for Definitive Registered Receipts. Holders of Receipts in definitive form will receive payments of interest and other income net of Italian substitute tax when they independently comply with the procedures for an exemption from the application of Italian substitute tax contemplated by Italian law.

Duties, Responsibilities and Rights of the Receipt Issuer

The Deposit Agreement limits the Receipt Issuer’s obligations to the Issuer and to the Beneficial Owners of Receipts. Please read the following:

- The Receipt Issuer is obligated to perform only such duties as are specifically set forth in the Deposit Agreement.
- The Receipt Issuer shall be liable for its own negligent action or its own acts or omissions that constitute willful default, negligence, willful misconduct or bad faith, subject to certain exceptions, and no implied covenants or obligations shall be read into the Deposit Agreement against the Receipt Issuer.
- The Receipt Issuer is not liable for any error of judgment made or with respect to any action taken by it in good faith, subject to certain qualifications.
- The Receipt Issuer is not liable for any loss caused by events beyond the Receipt Issuer’s reasonable control (including but not limited to any malfunction or interception of communication facilities) or acts of God.
- The Receipt Issuer is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Deposit Agreement, or in the exercise of any of its rights and powers.
- The Receipt Issuer may conclusively rely and shall be fully protected in acting or refraining from acting upon any paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.
- The Receipt Issuer may consult with counsel (or, to the extent reasonably necessary in the circumstances, other experts) of its selection and the advice of such counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it thereunder in good faith and in reliance thereon in accordance with such advice of counsel.
- The Receipt Issuer shall not be bound to make any investigation into the facts or matters stated in any paper or document, but the Receipt Issuer, in its discretion, may make reasonable further inquiry or investigation into such facts or matters related to the Securities.
- The Receipt Issuer shall be under no obligation to exercise any of the rights or powers vested in it by the Deposit Agreement at the request, order or direction of DTC, a DTC Participant, a Holder or a Beneficial Owner pursuant to the Deposit Agreement, unless DTC, such DTC Participant or such Beneficial Owner shall have offered to the Receipt Issuer security and/or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request, order or direction, provided that such request, order or direction shall not expose the Receipt Issuer to personal liability.
- Whenever in the administration of its duties under the Deposit Agreement the Receipt Issuer shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any

action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Receipt Issuer, be deemed to be conclusively proved and established by an officers' certificate delivered by the Issuer to the Receipt Issuer.

- The Receipt Issuer shall not be liable for any action taken or omitted by it in good faith reasonably believed by it to be authorized by the Issuer and in compliance with the Deposit Agreement.
- The Receipt Issuer shall not be responsible for (i) taxes and other governmental charges or (ii) such registration fees as may be in effect for the registration from time to time of transfers of interest in the Receipts.
- The Receipt Issuer shall incur no liability to DTC, any DTC Participant or any Holder, Beneficial Owner or any other person under the Deposit Agreement or in connection therewith if, by reason of any provision of any present or future law or regulation of any governmental or regulatory authority or securities exchange, or by reason of the terms of the Securities, or by any reason of any act of God or war or other circumstance beyond the control of the Receipt Issuer, the Receipt Issuer shall be prevented or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement provide shall be done or performed.
- The Receipt Issuer shall not incur any liability to DTC, any DTC Participant, any Holder, or any Beneficial Owner or any other Person under the Deposit Agreement or in connection therewith by reason of any non-performance or delay in the performance of any act or thing, which the terms of the Deposit Agreement provide shall or may be done or performed by reason of any exercise of or failure to exercise in good faith any discretion provided for in the Deposit Agreement.

Compensation, Reimbursement and Indemnity of the Receipt Issuer

The Issuer undertakes to pay to the Receipt Issuer from time to time such compensation as agreed between them in writing for all services rendered by it under the Deposit Agreement and to reimburse the Receipt Issuer upon its request for all reasonable and necessary expenses, disbursements and advances incurred or made by the Receipt Issuer in accordance with any provision of the Deposit Agreement.

The Issuer undertakes to indemnify the Receipt Issuer under certain circumstances.

Resignation and Removal of the Receipt Issuer

The resignation or removal of the Receipt Issuer and the appointment of a successor Receipt Issuer pursuant to the Deposit Agreement shall become effective at the time of acceptance of appointment by the successor Receipt Issuer in accordance with the applicable requirements of the Deposit Agreement.

The Receipt Issuer may resign, without the obligation or liability for doing so, by giving written notice thereof to the Issuer, no less than 190 days prior to the effective date of such resignation. The Receipt Issuer may be removed at any time (i) upon no less than 90 days' notice by the Issuer, or (ii) immediately upon the occurrence of certain events relating to the Receipt Issuer's eligibility and capability of acting.

If the Receipt Issuer shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Receipt Issuer, for any cause, the Issuer shall promptly appoint a successor Receipt Issuer (other than the Issuer) and shall comply with the applicable requirements of the Deposit Agreement. If no successor Receipt Issuer shall have been so appointed by the Issuer nor the appointment accepted, the Receipt Issuer may, on behalf of itself and all others similarly situated, appoint a replacement Receipt Issuer reasonably acceptable to the Issuer.

The Issuer shall give, or shall cause such successor Receipt Issuer to give, notice of each resignation and each removal of a Receipt Issuer and each appointment of a successor Receipt Issuer to the Holders in accordance with the Deposit Agreement.

Governing Law and Jurisdiction

The Deposit Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of the State of New York.

The Issuer irrevocably agrees that the Federal or State courts in the Borough of Manhattan, The City of New York are to have non-exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Deposit Agreement and that accordingly any suit, action or proceeding (“**Proceedings**”) arising out of or in connection with the Deposit Agreement shall be brought in such courts.

The Issuer appoints Telecom Italia Sparkle of North America at 622 Third Avenue, New York, New York 10017, United States as its agent for service of process for Proceedings in such courts, and undertakes that, in the event of ceasing so to act, it will appoint another person as its agent for service of process for Proceedings in such courts. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

Amendments to the Deposit Agreement

The Issuer and the Receipt Issuer may amend the Deposit Agreement without the consent of the Holders or the Beneficial Owners of the Receipts:

- to cure any ambiguity, omission, defect or inconsistency;
- to add to the covenants and agreements of the Receipt Issuer or the Issuer;
- to add other series of Securities to the definition of “Series” and to make other amendments, supplements or additions to the Deposit Agreement to facilitate the issuance of Receipts with respect to such series, to establish the form and terms of the Receipts relating to such series, or to add to, change or eliminate any provisions of the Deposit Agreement in respect of such series;
- to evidence or effectuate the assignment of the Receipt Issuer’s rights and duties to a qualified successor;
- to comply with any requirements of the Securities Act, the Exchange Act, the U.S. Investment Company Act of 1940, as amended, or any other applicable law, rule or regulation;
- if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Deposit Agreement to ensure or facilitate compliance therewith or the Tax Certification Procedures, in accordance with such changed laws, rules or regulations;
- to amend or supplement the Deposit Agreement in order to provide for alternative means of settlement if Monte Titoli is no longer the Securities Depository and such change is not materially adverse to the Holders; or
- to modify, alter, amend or supplement the Deposit Agreement in any other manner that does not, in the Issuer’s sole assessment, materially prejudice the rights and interests of the Holders or Beneficial Owners.

Satisfaction and Discharge

The Deposit Agreement will, at the request of the Issuer, cease to be of any effect if (i) the Issuer has paid all sums payable by it in respect of the Securities, and (ii) the Issuer has delivered to the Receipt Issuer the documentation contemplated by the Deposit Agreement in support of the satisfaction of all conditions relating to the satisfaction and discharge of the Deposit Agreement.

TRANSFER RESTRICTIONS

The Securities and beneficial interests therein (including, without limitation, the Receipts) 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 pursuant to an effective registration statement or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Securities and beneficial interests therein (including, without limitation, the Receipts) are being offered and sold only to QIBs in compliance with Rule 144A.

Each purchaser of the Securities offered hereunder (other than each of the Initial Purchasers) or a beneficial interest therein (including, without limitation, the Receipts) will be deemed to have represented and agreed as follows (terms used in this section that are defined in Rule 144A are used herein as defined therein):

- (a) it is purchasing the Securities or a beneficial interest therein (including, without limitation, the Receipts) for its own account or an account with respect to which it exercises sole investment discretion, and it and any such account is a QIB, and is aware that the sale to it is being made in reliance on Rule 144A;
- (b) it acknowledges that the Securities and beneficial interests therein (including, without limitation, the Receipts) have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold except as set forth below;
- (c) it understands and agrees that it will not offer, sell, resell or otherwise transfer any Securities or any beneficial interests therein (including, without limitation, the Receipts) except (i) to the Issuer and its subsidiaries; (ii) pursuant to a registration statement which has been declared effective under the Securities Act; (iii) for so long as the Securities (or Receipts, as applicable) are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; or (iv) pursuant to any other available exemption from the registration requirements of the Securities Act, provided that, in the case of (iv) for so long as the Securities (or Receipts, as applicable) are “restricted securities” within the meaning of the Securities Act, the offer, sale or transfer of such Securities (or Receipts, as applicable) may be made only to QIBs (whether inside or outside the United States) that purchase for their own account or for the account of QIBs;
- (d) it agrees to, and each subsequent holder is required to, notify any purchaser of the Securities or beneficial interests therein (including, without limitation, the Receipts) from it of the resale restrictions referred to in clause (c) above, if then applicable;
- (e) (i) its purchase and holding of the Securities or a beneficial interest therein (including, without limitation, the Receipts) is not made on behalf of or with “plan assets” of any plan subject to Title I of Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), Section 4975 of the Internal Revenue Code of 1986, as amended (the “**Code**”) or any provisions under any federal, state, local, non-U.S. or other laws, rules or regulations that are similar to such provisions of ERISA or the Code (collectively, “**Similar Laws**”), or (ii) its purchase and holding of the Securities (including, without limitations, the Receipts) will not result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any Similar Laws;
- (f) it understands that the Global Securities and the Global Receipts will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER

AND EACH OF THE BENEFICIAL OWNERS OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A “**QUALIFIED INSTITUTIONAL BUYER**” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (“**RULE 144A**”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO ONLY OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, (A) TO TELECOM ITALIA S.P.A. OR ITS SUBSIDIARIES, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, PROVIDED THAT, IN THE CASE OF (D), FOR SO LONG AS THE SECURITY IS A “RESTRICTED SECURITY” (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) THE OFFER, SALE OR TRANSFER OF SUCH SECURITY SHALL BE MADE ONLY TO QUALIFIED INSTITUTIONAL BUYERS (WHETHER RESIDENT INSIDE OR OUTSIDE THE UNITED STATES) PURCHASING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS AND IN EACH OF THE FOREGOING CASES TO THE REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO TELECOM ITALIA S.P.A.’S AND THE RECEIPT ISSUER’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO PARAGRAPH (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

- (g) it acknowledges that prior to any proposed transfer of Securities (including, without limitation, Receipts) or beneficial interests therein (in each case other than pursuant to an effective registration statement), the holder of such Securities (including, without limitation, Receipts) or beneficial interests therein may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Securities, the Receipts, the Deposit Agreement or the Indenture; and
- (h) it acknowledges that the Issuer, the Initial Purchasers, the Receipt Issuer and agents of the foregoing and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by virtue of its purchase of Securities or any beneficial interests therein (including, without limitation, the Receipts) is no longer accurate, it shall promptly notify the Issuer, the Joint Lead Managers, the Receipt Issuer and agents of the foregoing. If it is acquiring any Securities or beneficial interests therein (including, without limitation, the Receipts) as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account. For further discussion on the consequences of failure to comply with certain tax certification requirements, see “*Book-Entry, Delivery and Form—Mandatory Exchange and Transfer Restrictions in the Event of Non-compliance with the Tax Certification Procedures*”.

In addition, an investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the Receipts or does not comply (either directly or through, or because of, any Financial Intermediary

through which it holds the Receipts) with the Tax Certification Procedures will be permitted to transfer its interest in the Receipts only upon compliance with certain tax procedures. See “*Book-Entry, Delivery and Form*”.

For further discussion of the requirements (including the presentation of transfer certificates) under the Global Securities, the Global Receipts, the Deposit Agreement and the Indenture to effect exchanges or transfer of interests in Global Receipts, see “*Book-Entry, Delivery and Form*”.

No representation can be made as to the availability of the exemption provided by Rule 144A for resale of the Securities and beneficial interests therein (including, without limitation, the Receipts).

TAXATION

The statements herein regarding taxation are based on the laws and/or interpretations in force as of the date of this Offering Memorandum. Tax laws and interpretations may be subject to changes which could be made on a retroactive basis. The Issuer will not update this summary to reflect any such changes and/or interpretations. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of Securities or Receipts and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Prospective purchasers of Securities or Receipts are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of Securities or Receipts.

The considerations contained in this Offering Memorandum in relation to tax issues are made in order to support the marketing of the financial instruments herein described and cannot be considered as a legal or tax advice. Investors should consult their own tax advisers in connection with the tax regime applicable to the purchase, the ownership and the sale of the Securities or Receipts.

Italian Taxation

Tax treatment of the Securities

To the extent that the Securities qualify as *obbligazioni* or *titoli similari alle obbligazioni*, as defined herein, interest, premium and other proceeds (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as “**Interest**”) deriving from the Securities, are subject to the tax regime provided for by Decree No. 239.

Decree No. 239 applies to such notes which meet the conditions to qualify as debentures similar to bonds (*titoli similari alle obbligazioni*) as regulated by Article 44, paragraph 2, letter c of Italian Presidential Decree No. 917 of December 22, 1986, as amended (“**Decree No. 917**”) provided that they are issued, *inter alia*, by Italian banks or Italian resident companies with shares listed on a regulated market of the European Union or of the European Economic Area. For this purpose, debentures similar to bonds are securities, other than shares and securities similar to shares, issued in mass that incorporate an unconditional obligation to pay, at maturity, an amount not lower than that indicated thereon and that do not allow direct or indirect participation in the management of the issuer or of the business in relation to which they have been issued.

Italian resident holders of the Securities

Pursuant to Decree No. 239, payments of Interest relating to the Securities are subject to the *imposta sostitutiva*, levied at the rate of 20 per cent. (and at the rate of 26 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66) if the holder of the Securities is:

- (a) an individual resident in the Republic of Italy for Italian tax purposes, holding the Securities otherwise than in connection with entrepreneurial activities, unless he has entrusted the management of their financial assets, including the Securities, to an Authorized Intermediary and has opted for the *regime del risparmio gestito* (the “**Asset Management Option**”) according to Article 7 of Legislative Decree No. 461 of November 21, 1997 as amended (“**Decree No. 461**”); or
- (b) an Italian resident partnership (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), or *de facto* partnership not carrying out commercial activities and professional associations; or
- (c) an Italian resident public and private institution, other than companies, and trusts not carrying out commercial activities; or
- (d) an Italian resident entity exempt from Italian corporate income tax. All the above categories are usually referred as “net recipients”.

In the event that the Italian resident holders mentioned above hold the Securities in connection with an entrepreneurial activity (*attività d'impresa*), the *imposta sostitutiva* applies as a tax on account. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Pursuant to Decree No. 239, the *imposta sostitutiva* is levied by banks, *società di intermediazione mobiliare* (“**SIM**”), fiduciary companies, *società di gestione del risparmio* (“**SGR**”) and other entities identified by the Ministry of Finance (each, an “**Intermediary**”). An Intermediary must:

- (a) be resident in Italy, or be a permanent establishment in Italy of a non-Italian resident Financial Intermediary; and
- (b) participate, in any way, in the collection of Interest or in the transfer of the Securities.

Where the Securities are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Italian Financial Intermediary (or permanent establishment in Italy of a non-Italian resident Financial Intermediary) paying the Interest to a holder of the Securities.

Payments of Interest in respect of the Securities will not be subject to 20.0 per cent. (and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66) *imposta sostitutiva* if made to beneficial owners who are:

- (a) Italian tax resident corporations or permanent establishments in Italy of non-Italian resident entities to which the Securities are effectively connected;
- (b) Italian tax resident individuals holding the Securities otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, to an authorized Financial Intermediary and have opted for the Asset Management Option; Italian resident individuals holding the Securities otherwise than in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to an annual substitutive tax of 20 per cent. (and at the rate of 26 per cent. on the increase in value accrued starting from July 1, 2014, pursuant to Decree No. 66, the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Securities). The Asset Management Tax is applied by authorized Intermediaries.

Non-Italian resident holders of the Securities

Where the holder of the Securities is a non-Italian resident without permanent establishment in Italy to which the Securities are effectively connected, an exemption from the *imposta sostitutiva* applies *provided that* the non-Italian resident beneficial owner is:

- (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy, i.e., a state that qualifies as a White List State as listed (i) in the Italian Ministerial Decree dated September 4, 1996, as amended and supplemented from time to time, or (ii), as from the fiscal year in which the decree pursuant to article 168-*bis* of Decree No. 917 is effective, in the list of states allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement article 168-*bis*, paragraph 1 of Decree No. 917 (for the five years starting on the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black-lists set forth by Ministerial Decrees of May 4, 1999, November 21, 2001 and January 23, 2002 nor in the current white list set forth by Ministerial Decree of September 4, 1996 are deemed to be included in the new white-list); or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or

- (d) an “institutional investor” is established in a country which allows for a satisfactory exchange of information with Italy even if it does not possess the status of taxpayer in its country of residence.

The *imposta sostitutiva* will be applicable at the rate of 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66 (or at the reduced rate provided for by the applicable double tax treaty, if any) to Interest paid to holders of the Securities (or Receipts) who are resident, for Italian tax purposes, in countries other than the White List States.

As of May 22, 2014, the White List States comprise:

| | | | |
|----------------|------------|--------------------|---------------------------|
| Albania | Egypt | Macedonia | South Korea |
| Algeria | Estonia | Malta | Spain |
| Argentina | Finland | Mauritius | Sri Lanka |
| Australia | France | Mexico | Sweden |
| Austria | Germany | Morocco | Tanzania |
| Bangladesh | Greece | Netherlands | Thailand |
| Belarus | Hungary | New Zealand | Trinidad and Tobago |
| Belgium | Iceland | Norway | Tunisia |
| Brazil | India | Pakistan | Turkey |
| Bulgaria | Indonesia | Philippines | Ukraine |
| Canada | Ireland | Poland | United Arab Emirates |
| China | Israel | Portugal | United Kingdom |
| Côte d’Ivoire | Japan | Romania | United States of America |
| Croatia | Kazakhstan | Russian Federation | Venezuela |
| Cyprus | Kuwait | Singapore | Vietnam |
| Czech Republic | Latvia | Slovak Republic | Yugoslavia ⁽¹⁾ |
| Denmark | Lithuania | Slovenia | Zambia |
| Ecuador | Luxembourg | South Africa | |

- (1) PLEASE NOTE: the Italian tax administration has not clarified whether the states derived from the former Yugoslavia are to be treated as being on the White List.

In order to ensure gross payment, non-Italian tax resident holders of the Securities (or Receipts) must be the beneficial owners of the payments of Interest and must:

- (a) deposit, directly or indirectly, the Securities (or Receipts) 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 centralized securities management system which is in contact, via computer, with the MEF; and
- (b) file with the relevant depository, prior to or concurrently with the deposit of the Securities (or Receipts) and in no event later than an Interest payment made in connection with the holding or disposal of the Securities (or Receipts), a certification and related enclosures by or on behalf of the relevant holder of the Securities (or Receipts), which remains valid until withdrawn or revoked, in which the holder of the Securities (or Receipts) declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This certification, 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 the 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 Ministerial Decree of December 12, 2001.

As far as U.S. holders are concerned, the Issuer has arranged for certain procedures to facilitate the collection and processing of these certifications with respect to Beneficial Owners of Receipts. See “*Risk Factors—Risk Factors Relating to the Securities and Receipts*”, “*Important Italian Substitute Tax Requirements and Information in Respect of the Tax Certification Procedures*”, “*Book-Entry, Delivery and Form—Mandatory Exchange and Transfer Restrictions in the Event of Non-compliance with the Tax Certification Procedures*” and “*Annex A: Acupay Italian Tax Compliance and Relief Procedures*”.

The *imposta sostitutiva* will be applicable at the rate of 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014, pursuant to Decree No. 66 to Interest paid to holders of the Securities and the Receipts not eligible for the exemption mentioned above. Investors eligible for a lower rate of taxation under a tax treaty, where applicable, may seek relief pursuant to the ordinary refund procedure.

Capital gains tax

Italian resident holders of the Securities

Any gain obtained from the sale or redemption of the Securities would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the holder of the Securities, also as part of the net value of the production for IRAP purposes) if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Securities are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Securities are connected.

Where an Italian resident holder of the Securities is (i) an individual not engaged in an entrepreneurial activity, (ii) a non-commercial partnership, or a non-commercial private or public entity to which the Securities are connected, any capital gain realized by such holder of the Securities from the sale or redemption of the Securities would be subject to an *imposta sostitutiva*, levied at the rate of 20.0 per cent. and at the rate of 26.0 per cent. on capital gains realized starting from July 1, 2014, pursuant to Decree No. 66.

Holders of the Securities may set off any losses with their gains. Capital losses realized before January 1, 2012 may be carried forward to be offset against subsequent capital gains of the same nature realized after January 1, 2012 for an overall amount of 62.5 per cent. of the relevant capital losses. Under Decree No. 66/2014 capital losses realized prior to December 31, 2011 may be carried forward against capital gains realized after July 1, 2014 only to the extent of 48.08 per cent. of their amount. Moreover, pursuant to Decree No. 66/2014, capital losses realized from January 1, 2012 to June 30, 2014 may be carried forward against capital gains realized after July 1, 2014 only to the extent of 76.92 per cent. of their amount

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

- (a) 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 Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual holder of the Securities holding the Securities. In this instance, “capital gains” mean any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding the Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *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 realized in any of the four succeeding tax years. Under Decree No. 66 capital losses realized prior to December 31, 2011 may be carried forward against capital gains realized after July 1, 2014 only to the extent of 48.08 per cent of their amount. Moreover, pursuant to Decree No. 66, capital losses realized from January 1, 2012 to June 30, 2014 may be carried forward against capital gains realized after July 1, 2014 only to the extent of 76.92 per cent of their amount.
- (b) As an alternative to the tax declaration regime, Italian resident individual holders of the Securities holding the Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realized on each sale or redemption of the Securities (the *regime del risparmio amministrato*). Such separate taxation of capital gains is allowed subject to:
 - (i) the Securities being deposited with Italian banks, SIMs or certain authorized Financial Intermediaries; and

- (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant holder of the Securities.

The depositary must account for the *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Securities (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. Under Decree No. 66 capital losses realized prior to December 31, 2011 may be carried forward against capital gains realized after July 1, 2014 only to the extent of 48.08 per cent of their amount. Moreover, pursuant to Decree No. 66, capital losses realized from January 1, 2012 to June 30, 2014 may be carried forward against capital gains realized after July 1, 2014 only to the extent of 76.92 per cent of their amount. The depositary must also 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 holder of the Securities or using funds provided by the holder of the Securities for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Securities results in a capital loss, which may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *regime del risparmio amministrato*, the holder of the Securities is not required to declare the capital gains in the annual tax return.

- (c) Under the “*risparmio gestito*” regime, any capital gains realized by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Securities) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 20.0 per cent. substitute tax (and at the rate of 26.0 per cent. on the increase in value accrued starting from July 1, 2014, pursuant to Decree No. 66), to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the year- end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under Decree No. 66 decrease in value accrued prior to December 31, 2011 may be carried forward against increase in value of the investment portfolio accrued after July 1, 2014 only to the extent of 48.08 per cent of their amount. Moreover, pursuant to Decree No. 66, decrease in value accrued from January 1, 2012 to June 30, 2014 may be carried forward against increase in value of the investment portfolio accrued after July 1, 2014 only to the extent of 76.92 per cent of their amount. Under the “*risparmio gestito*” regime, the holder of the Securities is not required to declare the capital gains realized in the annual tax return

Non-Italian resident holders of the Securities

Capital gains realized by non-Italian resident holders of the Securities, not having a permanent establishment in Italy to which the Securities are connected, from the sale or redemption of the Securities if issued by an Italian resident issuer and not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the Beneficiary Owner is:

- (a) resident in a country which allows for a satisfactory exchange of information with Italy;
- (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;
- (c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or
- (d) an “institutional investor”, whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

If none of the conditions above is met, capital gains realized by non-Italian resident holders of the Securities from the sale or redemption of the Securities are subject to the *imposta sostitutiva* at the current rate of 20.0 per cent. and at the rate of 26.0 per cent. on capital gains realized starting from 1 July 2014, pursuant to Decree No. 66. However, holders of the Securities may benefit from a double taxation treaty with Italy providing that the capital gains realized upon the sale or redemption of Securities are to be taxed only in the resident tax country of the recipient.

Capital gains realized by non-Italian resident holders of the Securities that are traded on regulated markets are not subject to the *imposta sostitutiva*.

Inheritance and gift taxes

Transfers of any valuable asset (including the Securities or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favor of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding €1,000,000 per beneficiary;
- (b) transfers in favor of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favor of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding €100,000 per beneficiary; and
- (c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favor of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

Wealth tax

According to Article 19 of Decree of December 6, 2011, No. 201 (“**Decree No. 201/2011**”), converted with Law of December 22, 2011, No. 214, Italian resident individuals holding certain financial assets – 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 applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial assets held outside of the Italian territory.

Stamp duty

According to Article 19 of Decree No. 201/2011, 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 or financial instruments. For investors other than individuals the stamp duty cannot exceed the amount of Euro 14,000.00. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Finance on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on February 9, 2011) 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 a €200 registration tax as follows: (i) public deeds and notarized deeds are subject to mandatory registration; and (ii) private deeds are subject to registration only in the case of voluntary registration.

EU Savings Directive as implemented in Italy

Under the Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments, as amended (the “**EU Savings Directive**”), Member States are required to provide to tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxemburg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information

exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures. The final form of certain of these measures is still unknown.

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

On November 13, 2008, the EC published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of the proposal on April 24, 2009. If any of those proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Italy has implemented the EU Savings Directive through Legislative Decree April 18, 2005, No. 84 (“**Decree No. 84**”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State or in an associated territory under the relevant international agreements, Italian qualified paying agents (e.g., banks, SIMs, fiduciary companies resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report details of the relevant payments and personal information on the individual beneficial owner to the Italian tax authorities. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstances, Undertakings for Collective Investment in Transferable Securities recognized in accordance with Directive 85/611/EEC.

Either payments of interest on the Securities or the realization of the accrued interest through the sale of the Securities would generally constitute “payments of interest” under Article 6 of the EU Savings Directive and, as far as Italy is concerned, Article 2 of Decree No. 84.

Certain U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Securities. This tax disclosure was written in connection with the marketing of the Securities by us, and it cannot be used by any person for the purpose of avoiding penalties that may be asserted under the Internal Revenue Code of 1986, as amended (the “Code”). Prospective investors should seek their own advice based on their particular circumstances from independent tax advisers.

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of the Securities, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person’s decision to acquire the Securities. This discussion applies only to initial U.S. Holders that (i) purchase Securities in this offering at the “issue price,” which will be the first price at which a substantial amount of Securities is sold to the public and (ii) hold the Securities as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences, the potential application of the provisions of the Code known as the “Medicare contribution tax” and tax consequences that may apply if you are, for instance:

- a financial institution;
- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of accounting;
- holding Securities as part of a “straddle” or integrated transaction;
- a person whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- a tax-exempt entity;
- a partnership for U.S. federal income tax purposes; or
- holding Securities in connection with a trade or business conducted outside of the United States.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of you and your partners will generally depend on the status of the partners and your activities. If you are a partnership or a partner in a partnership, you should consult your tax adviser as to your particular U.S. federal income tax consequences of the partnership owning the Securities.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this document may affect the tax consequences described herein. This discussion does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes.

You should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

You are a “U.S. Holder” for purposes of this discussion if for U.S. federal income tax purposes you are a beneficial owner of a Security and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source;

Payments of Interest

It is expected, and this discussion assumes, that the Securities will be issued without original issue discount for U.S. federal income tax purposes. Accordingly, interest paid on a Security will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes.

The amount of interest taxable as ordinary income will include any amounts withheld in respect of Italian taxes and, without duplication, any Additional Amounts paid with respect thereto. Interest on the Securities will be foreign-source income for foreign tax credit purposes. Subject to applicable limitations, any Italian income taxes withheld from interest payments (at a rate not in excess of the applicable treaty rate) generally will be creditable against your U.S. federal income tax liability. However, Italian taxes withheld due to a U.S. holder’s failure to comply with the Tax Certification Procedures described in Annex A hereto will not be eligible for credit against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

Sale or Other Taxable Disposition of the Securities

Upon the sale or other taxable disposition of a Security, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition (less any amount equal to accrued but unpaid interest, which will be taxable as interest income, as described above) and your tax basis in the Securities. Your tax basis in a Security will generally equal the cost of your Security. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation.

Gain or loss realized on the sale or other taxable disposition of a Security will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale or other taxable disposition the Security has been held for more than one year. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Information returns may be required to be filed with the IRS in connection with payments on the Securities and proceeds received from a sale or other disposition of the Securities unless you are an exempt recipient. You may also be subject to backup withholding on these payments in respect of your Securities unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

If you are an individual (or under proposed Treasury Regulations, an entity of certain types), you may be required to report information relating to non-U.S. accounts through which you may hold your Securities (or information regarding the Securities if the Securities are not held through any financial institution). You should consult your tax adviser regarding your reporting obligations with respect to the Securities.

CERTAIN ERISA CONSIDERATIONS

The Securities and beneficial interests therein (including, without limitation, the Receipts) may be purchased and held by or with the assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), an individual retirement account or other plan subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the “**Code**”) or an employee benefit plan sponsored by a state or local government or otherwise subject to laws that include restrictions substantially similar to ERISA and Section 4975 of the Code (“**Similar Laws**”). A fiduciary of an employee benefit plan subject to ERISA must determine that the purchase and holding of a Security and beneficial interests therein (including, without limitation, the Receipts) is consistent with its fiduciary duties under ERISA. Such fiduciary, as well as any other prospective investor subject to Section 4975 of the Code or any Similar Law, must also determine, and will be deemed to have represented by its acquisition and holding of a Security and beneficial interests therein (including, without limitation, the Receipts) that such acquisition and holding does not constitute or give rise to a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or any Similar Laws. Such purchaser or transferee should consult legal counsel before purchasing the Securities and beneficial interests therein (including, without limitation, the Receipts). Nothing herein shall be construed as a representation that an investment in the Securities and beneficial interests therein (including, without limitation, the Receipts) is appropriate for, or would meet any or all of the relevant legal requirements with respect to investments by, an employee benefit plan subject to ERISA or Section 4975 of the Code or a Similar Laws.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement dated May 22, 2014 between Telecom Italia and the Initial Purchasers named below, we have agreed to sell to each of the Initial Purchasers, and each of the Initial Purchasers has severally agreed to purchase, the principal amount of Securities set forth opposite the name of such Initial Purchaser below.

| Initial Purchaser | Principal Amount of Securities |
|-----------------------------------|---|
| Citigroup Global Markets Inc..... | \$ 214,286,000 |
| Goldman, Sachs & Co. | \$ 214,286,000 |
| J.P. Morgan Securities LLC..... | \$ 214,286,000 |
| Morgan Stanley & Co. LLC | \$ 214,286,000 |
| BBVA Securities Inc. | \$ 214,286,000 |
| RBS Securities Inc. | \$ 214,285,000 |
| UniCredit Bank AG | \$ 214,285,000 |
| Total | <u>\$1,500,000,000</u> |

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase Securities from us, are several and not joint. In the purchase agreement, the Initial Purchasers have agreed, subject to the terms and conditions set forth in the purchase agreement, to purchase all of the Securities if any of the Securities are purchased. If an Initial Purchaser defaults, the purchase agreement provides that, in certain circumstances, the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated. The Initial Purchasers propose initially to offer the Securities at the initial offering prices set forth on the cover page of this Offering Memorandum. After the initial offering, the price to investors, concessions and discounts may be changed.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Securities, subject to prior sale, when, as and if issued to and accepted by them, subject to certain conditions contained in the purchase agreement, including the receipt by the Initial Purchasers of officer's certificates and legal opinions, being satisfied. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose to offer the Securities for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A under the Securities Act. The Initial Purchasers will not offer or sell the Securities except to persons they reasonably believe to be qualified institutional buyers pursuant to Rule 144A.

In addition, until 40 days after the commencement of this offering, an offer or sale of the Securities within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of the Securities will be deemed to have made acknowledgments, representations and agreements as described under "*Transfer Restrictions*".

The Securities are a new issue of securities with no established trading market. The Initial Purchasers have advised us that they presently intend to make a market in the Securities and Receipts after completion of this offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for the Securities or Receipts may not develop. If an active trading market for the Securities or Receipts does not develop, the market price and liquidity of the

Securities and Receipts may be adversely affected. If the Securities are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our performance and other factors.

In connection with the offering of the Securities and Receipts, the Initial Purchasers may engage in overallocation, stabilizing transactions and syndicate covering transactions. Overallocation involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Securities in the open market for the purpose of pegging, fixing or maintaining the price of the Securities. Syndicate covering transactions involve purchases of the Securities in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Securities to be higher than it would otherwise be in the absence of those transactions. The Initial Purchasers are not required to engage in any of these activities. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

It is expected that delivery of the Securities will be made against payment therefor on or about the date specified in the last paragraph of the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Securities (such settlement cycle being herein referred to as “T+5”). Trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Securities on the date of pricing or the next business day will be required, by virtue of the fact that the Securities initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Securities who wish to trade certificates on the date of pricing or the next business day should consult their own advisors.

The Initial Purchasers and/or their affiliates have provided investment banking, commercial banking and/or financial advisory services to Telecom Italia or its affiliates in the past, for which they have received customary compensation and expense reimbursement, and may do so again in the future.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Initial Purchasers and their respective affiliates have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses. In addition, in the ordinary course of their business activities, the Initial Purchasers 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 Issuer and its affiliates. If the Initial Purchasers or their affiliates have a lending relationship with the Issuer, certain of those Initial Purchasers or their affiliates routinely hedge, certain of the Initial Purchasers or their affiliates have hedged and are likely to hedge, and certain other of those Initial Purchasers or their affiliates may hedge, their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Initial Purchasers 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 Securities or the Receipts. Any such short positions could adversely affect future trading prices of Securities. The Initial Purchasers 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 purpose of this paragraph the term “affiliates” include also parent companies.

The Initial Purchasers expect to make offers and sales both inside and outside of the United States through their selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the SEC. The Initial Purchasers are expected to make offers and sales in the United States through their respective selling agents in the United States.

GENERAL INFORMATION

Authorization

The offering of the Securities has been duly authorized by resolutions of the Board of Directors of Telecom Italia dated February 6, 2014 and May 12, 2014.

Financial Reporting

The manager responsible for financial reporting (Piergiorgio Peluso – Head of Administration, Finance and Control of Telecom Italia S.p.A.) declares, pursuant to paragraph 2 of art. 154-*bis* of the Consolidated Law on Financial Intermediation (Legislative Decree No. 58 of February 24, 1998), that the accounting information contained in this Prospectus corresponds to the relevant documents, results, books and accounting records.

Listing of the Securities on the Irish Stock Exchange

Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Securities and is not itself seeking admission of the Securities to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market of the Irish Stock Exchange.

Expenses Related to Admission to Trading

The total expenses in relation to the admission to trading are estimated by the Issuer to be U.S. \$16,000.

Clearing Systems

The X Securities will be held at Monte Titoli and may be held by any Second-level Bank. For the X Securities, the ISIN is IT0005024788 and the Common Code is .

The N Securities will be held at Monte Titoli only by the Receipt Issuer. For the N Securities, the ISIN is IT0005024598.

The Receipts are eligible for clearance through DTC. For the X Receipts, the CUSIP is 87927YAA0 and the ISIN is US87927YAA01. For the N Receipts, the CUSIP is 87927YAB8 and the ISIN is US87927YAB83.

The address of Monte Titoli is Piazza degli Affari 6, 20123 Milan, Italy. The address of DTC is 55 Water Street, New York, NY 10041-0099.

Responsibility Statement

The Issuer, having made all reasonable enquiries and having taken all reasonable care to ensure that such is the case, confirms that the information contained in this Offering Memorandum is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Issuer accepts responsibility for the information contained in this Offering Memorandum.

No Significant or Material Adverse Changes

Except as set out in this Offering Memorandum and the documents incorporated herein by reference, there has been no material adverse change in the financial position or prospects of the Issuer or the Telecom Italia Group since December 31, 2013. There has been no significant change in the financial or trading position of the Issuer or the Group since December 31, 2013.

Litigation

Except as set out in this Offering Memorandum and the documents incorporated herein by reference, none of the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Issuer or any of its subsidiaries is aware, in the 12 months preceding the date of this Offering Memorandum that in such period had or may in the future have a significant effect on the financial position or profitability of the Issuer or the Telecom Italia Group.

Directors of the Issuer

As of the date of this Offering Memorandum, the Board of Directors of Telecom Italia was composed as follows:

| <u>Name</u> | <u>Age</u> | <u>Position</u> | <u>Appointed</u> |
|--|------------|---|------------------|
| Giuseppe Recchi | 50 | Chairman of the Board, Director | 2014 |
| Marco Patuano | 49 | Chief Executive Officer, Director | 2014 |
| Davide Benello ^(*) | 60 | Director, Chairman of the Nomination and Remuneration Committee | 2014 |
| Tarak Ben Ammar | 64 | Director | 2014 |
| Lucia Calvosa ^(*) | 52 | Director, Chairman of the Control and Risk Committee | 2014 |
| Flavio Cattaneo ^(*) | 50 | Director, Member of the Nomination and Remuneration Committee | 2014 |
| Laura Cioli ^(*) | 50 | Director, Member of the Control and Risk Committee | 2014 |
| Francesca Cornelli ^(*) | 51 | Director, Member of the Control and Risk Committee | 2014 |
| Jean Paul Fitoussi | 71 | Director, Member of the Nomination and Remuneration Committee | 2014 |
| Giorgina Gallo ^(*) | 54 | Director, Member of the Control and Risk Committee | 2014 |
| Baroness Denise Kingsmill ^(*) | 67 | Director, Member of the Nomination and Remuneration Committee | 2014 |
| Luca Marzotto ^(*) | 43 | Director | 2014 |
| Giorgio Valerio ^(*) | 47 | Director, Member of the Control and Risk Committee | 2014 |

^(*) Independent Director. For details on the criteria applied to determine independence, see “Item 10. Additional Information—10.1 Corporate Governance” of our 2013 Annual Report.

The business address of all of the members of our Board of Directors is Telecom Italia S.p.A., Piazza degli Affari 2, 20123 Milan, Italy.

There are no potential conflicts of interests between any duties of any of the members of the Board of Directors of Telecom Italia S.p.A. and their respective private interests or other duties.

Documents Available

So long as Securities are outstanding, copies of the following documents will, when published, be available for inspection in hard copy, without charge, from the registered office of the Issuer and from the specified office of the Paying Agent during normal business hours for the time being in London:

- (a) the articles of association/by-laws (with an English translation thereof) of the Issuer;
- (b) the Indenture, the Deposit Agreement, the forms of the Global Securities, the Global Receipts and the Securities and Receipts in definitive form;
- (c) the Q1 2014 Earnings Release and the 2013 Annual Report;
- (d) the Issuer's audited financial statements for the two most recent fiscal years;
- (e) the most recently published unaudited interim financial statements and audited annual financial statements, if any, of the Issuer (with an English translation thereof), in each case, together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated interim accounts on a quarterly basis; and
- (f) a copy of this Offering Memorandum and any other documents incorporated herein by reference.

Post-issuance Information

The Issuer does not intend to provide any post-issuance information in relation to the Securities.

Initial Purchasers Transacting with the Issuer

Certain of the Initial Purchasers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. See "*Plan of Distribution*".

Yield

The yield on the Securities from (and including) the Issue Date to (but excluding) the Maturity Date will be 5.303 per cent. per annum. The yield is calculated at the Issue Date on the basis of the issue price. It is not an indication of future yield.

Foreign languages used in this Offering Memorandum

The language of this Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language so that the correct technical meaning may be ascribed to them under applicable law.

LEGAL MATTERS

The validity of the Securities in respect of which this Offering Memorandum is being delivered and other matters of Italian law will be passed upon for Telecom Italia by Lombardi Molinari Segni, Italian counsel to Telecom Italia, and for the Initial Purchasers by Latham & Watkins LLP, Italian counsel to the Initial Purchasers. The enforceability of the Securities under New York law will be passed upon for Telecom Italia by Davis Polk & Wardwell London LLP, U.S. counsel to Telecom Italia, and for the Initial Purchasers by Latham & Watkins LLP, U.S. counsel to the Initial Purchasers. Certain matters of Italian tax law will be passed upon for Telecom Italia by Maisto e Associati Associazione Professionale.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Telecom Italia on Form 20-F at December 31, 2013 and 2012 and the three years in the period ended December 31, 2013 have been audited by PricewaterhouseCoopers S.p.A., independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. PricewaterhouseCoopers S.p.A. is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

ANNEX A: ACUPAY ITALIAN TAX COMPLIANCE AND RELIEF PROCEDURES

Capitalized terms used in these Tax Certification Procedures but not defined herein shall have the meaning specified in the Deposit Agreement, the Indenture or the Offering Memorandum.

ARTICLE I. TAX CERTIFICATION PROCEDURES

A. Eligible Beneficial Owner Certification and Maintenance of DTC Participant Submissions

- (1) On or prior to 8:00 p.m. New York City time, on the settlement date of (x) its first purchase (“**First Purchase**”) of interests in X Receipts (at the time of the first delivery of the ownership interests), or the purchase of interests in X Receipts on the secondary market if subsequently transferred after the first delivery of the interests (“**Secondary Purchase**”), each Beneficial Owner who may be eligible to receive interest on Securities and Receipts without deduction of Italian Substitute Tax (each an “**Eligible Beneficial Owner**”) (or any party properly authorized by such Eligible Beneficial Owner to make such representation on its behalf) must, in order to obtain exemption from the deduction of Italian Substitute Tax, and to avoid having its beneficial interests in X Receipts exchanged into beneficial interests in N Receipts and thereby becoming subject to transfer restrictions related to the N Receipts:
 - (a) prepare a Self-Certification Form (substantially in the form of Exhibit II). The Self-Certification Form is valid until withdrawn or revoked. The Self-Certification Form must be prepared online through the facilities of Acupay (the “**Acupay System**”) (www.acupaysystem.com) and must contain an official Acupay bar code. Once prepared via the Acupay System, the Self-Certification Form should be printed, reviewed and (if accurate and correct) signed by the Eligible Beneficial Owner, or its authorized representative expressly on behalf of the Eligible Beneficial Owner. Instructions for the preparation of the Self-Certification Form are available on the Acupay System. Additional assistance is available free of charge from the Acupay team, which can be contacted via email or telephone at the contact details provided in Exhibit IV; and
 - (b) transmit via fax or PDF email (to the email address or fax numbers indicated on the Acupay System) the completed and signed Self-Certification Form through the Acupay System to the Beneficial Owner’s Financial Intermediary or DTC Participant. Such entity shall confirm the information contained in the form and transmit the confirmed form to Acupay for receipt no later than 8:00 p.m. New York City time on the settlement date of the Eligible Beneficial Owner’s First Purchase or Secondary Purchase of the interests in X Receipts, as applicable. Electronic copies of all Self-Certification Forms will be retained by Acupay for a period of time that is not less than ten years following the last day of the calendar year in which the underlying Security remains unpaid and outstanding; and
 - (c) send via post or courier to Acupay the original, signed Self-Certification Form that was faxed or emailed. The original paper, signed Self-Certification Form must be received by Acupay by no later than 5:00 p.m. London time on the 10th calendar day of the month following the settlement date of the Eligible Beneficial Owner’s First Purchase or Secondary Purchase of interests in X Receipts, as applicable (or if such day is not a London business day, the first London business day immediately preceding such day) at the following address:

Acupay System LLC Certifications
Attn: Ateam
28 Throgmorton St — First Floor
London EC2N 2AN
United Kingdom

The Self-Certification Form will remain valid indefinitely for all Receipts and Securities that the Eligible Beneficial Owner has an interest in from time to time. However, Eligible Beneficial Owners are required to promptly update their certification should any material information which may impact their eligible status change, as explained below.

- (2) Each DTC Participant through which an interest in the X Receipt is held must transmit, through the Acupay System, reports (or confirmations of reports submitted by Financial Intermediaries that are downstream correspondents of such DTC Participant) of all changes in holdings with respect to the interests in X Receipts held by or through such DTC Participants. Such reports must be transmitted via the Acupay System no later than 9:45 a.m. New York City time, on the first New York City Business Day following each related settlement date. Transmissions must be undertaken in accordance with Acupay's instructions which are available online on the Acupay System.

Beneficial Owner Information (as defined below) received by Acupay will be reconciled against the related Self-Certification Forms.

B. Special Procedure for DTC Participants or Financial Intermediaries that are Italian Second Level Banks or employ an Italian Tax Representative (“Second-level Banks”)

- (1) DTC Participants or other Financial Intermediaries which are Second-level Banks can elect to be treated as such with respect to the interests in X Receipts or X Securities which they hold directly or indirectly in DTC or Monte Titoli accounts by providing to Monte Titoli via Acupay, on a one-time basis, a properly executed letter for financial institutions which are Second-level Banks (see “Application Form for Use by Financial Institutions which Request Recognition to Act as Second-Level Banks with Respect to the Securities” in Exhibit III herein).
- (2) Entities for which such forms are properly on file will be solely responsible for complying with all tax exemption applications and reporting requirements imposed by the relevant tax rules on Italian Second-level Banks with respect to all interests in X Receipts or X Securities held by or through such entities, including with respect to X Receipts as reported daily by (a) DTC to Acupay with respect to direct holdings by DTC Participants, or (b) the relevant DTC Participant, with respect to holdings by Financial Intermediaries that are downstream correspondents of such DTC Participants.

C. Special Procedure for Beneficial Owners Not Eligible for Exemption from Italian Substitute Tax — GENERAL

- (1) Interests in X Receipts held by Beneficial Owners (a) who are not Eligible Beneficial Owners, or (b) who fail to submit or timely submit valid Self-Certification Forms, or (c) whose applicable DTC Participant or Financial Intermediary has failed to supply accurate and timely trade settlement information regarding a Beneficial Owner's trade settlements (synchronized to DTC's reporting of settlement activity), or (d) who are impacted by any failure of, or non-compliance with, these Tax Certification Procedures, (“**Non-Eligible Beneficial Owners**”) will be subject to a mandatory exchange of interests in X Receipts to interests in N Receipts.
- (2) Interest accrued or paid in respect of N Receipts will be subject to the payment of Italian Substitute Tax, currently at a rate of 20.0 per cent. and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014. The substitute tax will be levied on interest paid and/or accruing during the period commencing on the settlement date of the acquisition of the interests in the related X Receipts, and continuing until the sooner to occur of (a) the settlement date of the transfer of the interests in the related N Receipts (identified as to lot, in accordance with a principle of “last-in/first-out”) and (b) the redemption of the underlying Securities, net of any available Tax Credits, as applicable, as per paragraph D.(4) below.
- (3) In addition, in the event that (a) the Italian Tax Authority should issue (i) a demand for the payment of Italian Substitute Tax with respect to tax benefits improperly obtained by a Beneficial Owner during a prior payment period, or (ii) a penalty or interest associated with a failure by a DTC Participant, or any of its Beneficial Owners, to fully, accurately and timely comply with these tax certification procedures (the “**Tax Certification Procedures**”) (any such amounts described in clause (a)(i) or (a)(ii), a “**Tax Liability Amount**”), or (b) Monte Titoli or Acupay determine, in either of their sole discretion, that substitute tax, penalties and interest would be payable to spontaneously cure any such tax benefit improperly obtained (under the so called *ravvedimento operoso*), then a claim for the recovery of such amount (a “**Tax Liability Amount Payment Request**”), specifying (i) the amount and (ii) the date and time prior to which such amount must be received by Monte Titoli, shall be submitted to the DTC Participant by the Receipt Issuer following written instructions received from Monte Titoli. In case the DTC Participant fails to comply with such Tax Liability Amount Payment Request, Monte Titoli, or at the option of Monte Titoli, the Receipt Issuer upon its receipt of written instructions from Monte Titoli, shall submit to DTC a claim for immediate payment of such amount, with a request that such amount be debited by DTC from the relevant

participant's DTC account, in accordance with the published rules and procedures of DTC's EDS/TaxRelief (as defined below).

- (4) Italian Substitute Tax, and any applicable penalties, interest or past due tax amounts will be transmitted by Monte Titoli to the Italian Tax Authority as required by applicable law.

D. Special Procedure for Beneficial Owners Not Eligible for Exemption from Italian Substitute Tax — MANDATORY EXCHANGE TO INTERESTS IN N RECEIPTS

- (1) Promptly upon Acupay determining that a Beneficial Owner holding interests in X Receipts through a DTC Participant may be a Non-Eligible Beneficial Owner, Acupay will notify the Receipt Issuer, and the Receipt Issuer as applicable, will: (a) on the same day if Acupay's notification is delivered prior to 9:00 a.m. New York City time, or (b) no later than the next Business Day if Acupay's notification is delivered after 9:00 a.m. New York City time, send (i) a Warning Notice of Mandatory Exchange to the relevant DTC Participant, and (ii) copies of such Warning Notice of Mandatory Exchange (as transmitted to the relevant DTC Participant) to Acupay, Monte Titoli, the Trustee, any Paying Agent and the Issuer. Acupay's notification in advance of the giving of such notice will include a form of such Warning Notice of Mandatory Exchange which shall include (a) the DTC Participant's name, (b) the DTC Participant's account number, (c) the CUSIP of the Receipts, (d) the amount of interests in X Receipts which are to be the subject of the warning and (e) an exhibit laying out the defect, identified by Acupay, which caused the giving of such notice.

- (2) Promptly upon written notice from Acupay, to be delivered via secure electronic transmission prior to 9:00 a.m. New York City time, on or before the third New York City Business Day following the date of a Warning Notice of Mandatory Exchange (the "**Mandatory Exchange Date**"), that a Beneficial Owner is a Non-Eligible Beneficial Owner, the Receipt Issuer will deliver (a) to the relevant DTC Participant a Mandatory Exchange Notice, and (b) to Acupay, Monte Titoli, the Trustee, any Paying Agent and the Issuer, copies of such Mandatory Exchange Notice, as transmitted to such DTC Participant.

Such Mandatory Exchange Notice shall direct the relevant DTC Participant to effect, by no later than 11:30 a.m. New York City time on the next New York City Business Day or, if such day is one of the New York City Business Days between an interest payment record date and the related Interest Payment Date, then on the applicable Interest Payment Date (the "**Mandatory Exchange Deadline**"), a DTC transaction titled a Deposit/Withdrawal at Custodian (each such event, a "**DWAC**"), exchanging the principal amount of its interests in X Receipts referenced in the Mandatory Exchange Notice for interests in N Receipts through the facilities of DTC. The Mandatory Exchange Notice shall include a tax statement computing the relevant Tax Liability Amount accrued by the Non-Eligible Beneficial Owner of such interests from the date of acquisition until the Mandatory Exchange Deadline, and entered in the books of Monte Titoli.

Acupay's notification to the Receipt Issuer shall include a form of such Mandatory Exchange Notice, which shall include (a) the DTC Participant's name, (b) the DTC Participant's account number, (c) the CUSIP of the Receipts, (d) the amount of interests in X Receipts which are to be the subject of the notice, and (e) an exhibit laying out the defect, identified by Acupay, which caused the giving of such notice and (f) a payment request in connection with the tax statement.

- (3) Upon the completion of the required DWACs (such completion, a "**Mandatory Exchange**"), the Receipt Issuer shall provide a confirmation of the Mandatory Exchange to Acupay, the Trustee, any Paying Agent, the Issuer and Monte Titoli.
- (4) Promptly after the completion of the Mandatory Exchange, Acupay will provide to the DTC Participant holding the newly deposited interests in N Receipts: (a) a tax statement itemizing the tax credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant holder of such interests in N Receipts computed in accordance with Italian Legislative Decree No. 239 of 1996, as amended and supplemented (the "**Tax Credit**"), and (b) a related request for wire transfer instructions. Such Tax Credit shall be held for the benefit of the applicable DTC Participant (for the ultimate benefit of the relevant Non-Eligible Beneficial Owner) to be employed upon such transfer of a Non-Eligible Beneficial Owner's beneficial interests in an N Receipt or upon the next succeeding Interest Payment Date as follows:
 - (a) as an offsetting credit against the total amount of Italian Substitute Tax which may become payable upon a transfer of a Non-Eligible Beneficial Owner's beneficial interests in an N Receipt; and/or

- (b) on the next succeeding Interest Payment Date, to be paid by wire transfer to the relevant DTC Participant, but only upon the prior payment by the Issuer of the related N Security coupon, and after the transmission by Monte Titoli to the Receipt Issuer of the appropriate amount of cash, net of all tax liabilities, interest, or penalties maintained in the records of Monte Titoli pursuant to C(3), above, with respect to the applicable Non-Eligible Beneficial Owner as of the close of business on the first calendar day prior to the Interest Payment Date, as reported by Acupay to the Receipt Issuer in the Final Determination Report (as defined below). Upon its receipt of the net cash payment of such Tax Credit amount from Monte Titoli, the Receipt Issuer shall remit such amount by wire transfer to the applicable DTC Participant acting on behalf of the Non-Eligible Beneficial Owner(s), using the wire transfer instructions provided to it by Acupay in the Final Determination Report.
- (c) Each Mandatory Exchange of interests in X Receipts for interests in N Receipts will be deemed to occur with the consent of the related Beneficial Owner and its DTC Participant.
- (d) Interests in N Receipts may only be transferred upon the terms and in accordance with the procedures as described below and pursuant to the terms of the Deposit Agreement.
- (e) In accordance with paragraph I, if a DWAC request from a DTC Participant to reduce such DTC Participant's position in the relevant principal amount of X Receipts has not been received by the Receipt Issuer through the facilities of DTC by the Mandatory Exchange Deadline, then the Receipt Issuer shall promptly send to such DTC Participant (with a copy to Acupay, the Trustee, any Paying Agent, Monte Titoli and the Issuer) a Notice of Failure to Complete a Mandatory Exchange.

E. Special Procedure for Transfers of Interests in X Receipts to N Receipts.

- (1) Interests in X Receipts are transferable by an Eligible Beneficial Owner to a Non-Eligible Beneficial Owners in the form of N Receipts on any New York City Business Day except during the period between an interest payment record date and the related Interest Payment Date provided that such Eligible Beneficial Owner submits an X Receipt Transfer Request to Acupay and follows steps D(2)-D(4) above.

F. Special Procedure for Transfers of Interests in N Receipts.

- (1) Interests in N Receipts are transferable by the Non-Eligible Beneficial Owners thereof on any New York City Business Day upon satisfaction of the following conditions:
 - (a) delivery to Acupay, prior to 12:00 p.m. New York City time on the third New York City Business Day prior to the requested transfer date (the “**Transfer Date**”) of a properly completed N Receipt Transfer Request. In the case of a transfer to interests in X Receipts for the benefit of an Eligible Beneficial Owner, a properly completed Self-Certification Form with respect to the transferee should be on file with the Acupay system or should be provided by the applicable DTC Participant on behalf of the transferee Eligible Beneficial Owner;
 - (b) payment to Monte Titoli of the Italian Substitute Tax payable by the transferor Non-Eligible Beneficial Owner upon such transfer prior to 9:00 a.m. New York City time on the Transfer Date (in accordance with the terms described below);
 - (c) in the case of transfer to interests in the X Security, receipt by the Receipt Issuer via the facilities of Acupay, no later than close of business of the New York City Business Day preceding the Transfer Date, of valid delivery instructions and any required confirmation of compliance with the relevant securities laws;
 - (d) receipt by the Receipt Issuer, no later than 9:30 a.m. New York City time on the Transfer Date, of written instructions from Acupay; and
 - (e) N Receipts shall not be transferable into X Securities or X Receipts during the period between an interest payment record date and the related Interest Payment Date. In any such case, the Transfer Date shall be the applicable Interest Payment Date.
- (2) Upon receipt of an N Receipt Transfer Request, Acupay shall:
 - (a) determine the net amount of Italian Substitute Tax payable in cash by the transferor Non-Eligible Beneficial Owner as of the Transfer Date, after application of any available Tax Credits maintained on the books of Monte Titoli for the Receipt Issuer for the benefit of the transferor Non-Eligible

Beneficial Owner, and inform the Receipt Issuer, Monte Titoli and the transferor of such amount;
and

- (b) in the case of a transfer to interests in Receipts for the benefit of a Non-Eligible Beneficial Owner, calculate the amount of the Tax Credit attributable to Italian Substitute Tax to be credited to the Receipt Issuer for the benefit of the transferee as of the Transfer Date and to be employed only as described in these Tax Certification Procedures, and inform the Receipt Issuer, Monte Titoli and the transferee of such amount.
- (3) No settlement of transfers of interests in N Receipts will be effectuated on any day other than the Transfer Date specified to Acupay in an N Receipt Transfer Request.
- (4) Upon confirmation of the receipt by Monte Titoli of the Italian Substitute Tax payable as described in paragraph E.(2)(a) above, Acupay, the Receipt Issuer, and the Trustee shall coordinate with the DTC Participant holding the interests in N Receipts on behalf of the transferor Non-Eligible Beneficial Owner, the execution of a series of DWACs and related operations resulting in:
 - (a) the reduction of the position in N Receipts of the DTC Participant acting on behalf of the transferor;
 - (b) in the case of transfer to interests in N Receipts, the increase of the position in N Receipts of the DTC Participant acting on behalf of the transferee;
 - (c) in the case of transfer to interests in X Receipts, the mark-down of the N Global Receipt and of the N Global Security, the mark-up of the X Global Receipt and of the X Security, and the increase of the position in X Receipts of the DTC Participant acting on behalf of the transferee;
 - (d) in the case of transfer to interests in the X Security, the mark-down of the N Global Receipt and the N Global Security, the mark-up of the X Global Security and the delivery by the Receipt Issuer of the respective interests in the X Security in accordance with the provided delivery instructions.
- (5) In the case of a transfer to interests in N Receipts, Acupay, promptly after the completion of the transfer, will provide to the DTC Participant holding the transferred interests in N Receipts a confirmation of the Tax Credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant transferee, and computed in accordance with Italian Legislative Decree No. 239 of 1996, as amended and supplemented. Such credit entitlement will be held by Monte Titoli for the Receipt Issuer for the benefit of the applicable Non-Eligible Beneficial Owner to be employed as described in paragraph D.(4).

G. Special Procedure for Transfers of Interests in X Receipts to X Securities.

- (1) Interests in X Receipts can be transferred to interests in the X Security at any time (except for the period between the interest payment record date and the related Interest Payment Date) upon the delivery no later than 5:00 p.m. on the New York City Business Day before the applicable Transfer Date to Acupay of an X Receipt Transfer Request that contains delivery instructions at the transferee's clearing system and any required confirmation of compliance with the relevant securities laws. Prior to 10:00 a.m. New York City time on the applicable Transfer Date, the Receipt Depository Participant shall deliver to the DTC account of the Receipt Issuer the X Receipts being transferred.
- (2) Promptly upon receipt of (i) confirmation from Acupay of receipt of the documentation contemplated above from the transferor, and (ii) the X Receipts in its DTC account, the Receipt Issuer will mark down the X Global Receipt, deliver the respective interests in the X Security in accordance with the provided delivery instructions and confirm to Acupay the completion of such transfer.
- (3) X Receipts shall not be transferable into X Securities during the period between an interest payment record date and the related Interest Payment Date. In any such case, the Transfer Date shall be the applicable Interest Payment Date.

H. Special Procedure for Transfers of Interests in the X Security to Interests in Receipts.

- (1) Interests in the X Security can be transferred to interests in Receipts at any time upon satisfaction of the following conditions:
 - (a) the delivery, no later than 6:00 p.m. Milan time on the Business Day preceding the Transfer Date, to Acupay of an X Security Transfer Request including instructions that contain Receipt delivery instructions at DTC and any required confirmations of compliance with relevant securities laws;

- (b) the transfer of the X Securities to the Monte Titoli account of the Receipt Issuer by 12:00 p.m. Milan time on the Transfer Date;
 - (c) in the case of transfer to an Eligible Beneficial Owner, the delivery to Acupay, prior to 8:00 p.m. New York time on the Transfer Date, of a properly completed Self-Certification Form with respect to the transferee; and
 - (d) X Securities shall not be transferable into Receipts during the period between an interest payment record date and the related Interest Payment Date. In any such case, the Transfer Date shall be the applicable Interest Payment Date.
- (2) Promptly upon receipt of the interests in the X Security in its Monte Titoli account, any required securities law confirmations and a written confirmation from Acupay with respect to whether the transferee is an Eligible Beneficial Owner, the Receipt Issuer will:
- (a) in the case of transfer to an Eligible Beneficial Owner, mark up the X Global Receipt and deliver the respective interests in X Receipts in accordance with the provided delivery instructions;
 - (b) in the case of transfer to a Non-Eligible Beneficial Owner, (x) instruct the Trustee to mark down the X Global Security and mark up the N Global Security; (y) mark up the N Global Receipt; and (z) coordinate with Acupay and the DTC Participant acting on behalf of the transferee the execution of a DWAC resulting in increase of such DTC Participant's position in N Receipts in accordance with the provided delivery instructions; and
 - (c) confirm to Acupay the completion of such transfer.
- (3) In the case of transfer to a Non-Eligible Beneficial Owner, Acupay, promptly after the completion of the transfer, will provide to the DTC Participant holding the transferred interests in N Receipts a confirmation of the Tax Credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant transferee as of the settlement date of the transfer, and computed in accordance with Italian Legislative Decree No. 239 of 1996, as amended and supplemented. Such credit entitlement will be held by Monte Titoli for the Receipt Issuer for the benefit of the applicable Non-Eligible Beneficial Owner to be employed as described in paragraph D.(4).

I. Non-Compliance Consequences for DTC Participants.

A DTC Participant that is the subject of a Mandatory Exchange Notice as provided herein, and which received from Monte Titoli or the Receipt Issuer, as applicable, a Notice of Failure to Complete a Mandatory Exchange, and/or obtains favorable tax treatment through these Tax Certification Procedures and fails to submit the original paper signed Self-Certification Forms as described above, may be removed from these Tax Certification Procedures and prohibited from obtaining favorable tax treatment with respect to current and future interest payments on all interests in X Receipts held through such DTC Participant. In such event, the DTC Participant would receive the interest payment on its entire position in interests in X Receipts (as held for its Beneficial Owners) net of the applicable Italian Substitute Tax (currently 20.0 per cent and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014) and relief would need to be obtained directly from the Italian Tax Authority by following the direct refund procedure established by Italian tax law. See Article III for the description of such refund procedures.

J. Income Processing for DTC Participants

- (1) At least 20 New York City Business Days prior to each Interest Payment Date, the Receipt Issuer will provide an issuer announcement to Acupay regarding the relevant interest payment and tax compliance procedures relating to the forthcoming payment on the Securities. Acupay, upon receipt of each such announcement shall promptly:
- (a) provide DTC with a copy of such announcement which will form the basis of a DTC important notice (an “**Important Notice**”) regarding the relevant interest payment and tax relief entitlement information for the underlying Securities and the Receipts, and
 - (b) request DTC to distribute such Important Notice to its participants as a means of notifying them of the requirements described in these Tax Certification Procedures.
- (2) Beginning on the first New York City Business Day following each related Record Date and continuing until 8:00 p.m. New York City time on the New York City Business Day immediately preceding each Interest Payment Date, each DTC Participant must make an election (an “**EDS/TaxRelief Election**”) via the DTC

TaxRelief Service (“**EDS/TaxRelief**”) representing the portion of X Receipts held in its DTC account for which:

- (a) Eligible Beneficial Owners have been properly self-certified and reported via the Acupay System, in accordance with these Tax Certification Procedures, and/or
 - (b) the procedures laid out in paragraph B herein have been properly followed.
- (3) Each DTC Participant must ensure the continuing accuracy of the settlement and position reports and other information submitted via the Acupay System regarding Eligible Beneficial Owners, and position reports submitted for Financial Intermediaries that are downstream correspondents in relation to the procedures laid out in paragraph B (collectively, all such information is referenced herein as “**Beneficial Owner Information**”) including the reconciliation of such information with EDS/TaxRelief Elections, notwithstanding any position changes or settlements occurring within such DTC Participant’s position in the X Receipts through 8:00 p.m. New York City time on the New York City Business Day immediately preceding each Interest Payment Date, by making any necessary adjustments through the Acupay System and EDS/TaxRelief.

K. Acupay Verification Procedures.

- (1) In addition to its other duties and obligations set forth herein, Acupay will be responsible for the following tasks (collectively, the “**Acupay Verification Procedures**”):
- (a) collecting, maintaining and reconciling daily data with respect to the aggregate Security positions reflected as being outstanding as shown in the records of the securities registrar;
 - (b) collecting, maintaining and reconciling daily data with respect to the aggregate Security positions held at, and settlements occurring through, Monte Titoli in aggregate;
 - (c) collecting, maintaining and reconciling daily data with respect to the aggregate Security or Receipt positions held at the Receipt Issuer and DTC;
 - (d) collecting, maintaining and reconciling daily data with respect to the aggregate Receipt positions, held by each relevant DTC Participant and identified Financial Intermediaries that are downstream correspondents of such DTC Participants, and Italian Second-level Banks, in receipt form;
 - (e) comparing and reconciling the Beneficial Owner Information and related Self-Certification Forms provided in respect of each DTC Participant’s X Receipt position with the EDS/TaxRelief Elections provided by that DTC Participant in order to determine whether any discrepancies exist between such information, the corresponding EDS/TaxRelief Elections and the DTC Participant’s position in the X Receipts held at DTC;
 - (f) collecting and collating all Self-Certification Forms and Application Forms for Use by Financial Institutions which are Registered with the Italian Tax Authority as Second-level Banks and which Request Recognition to Act as Second-level Banks with Respect to the Securities;
 - (g) reviewing the Beneficial Owner Information and the Self-Certification Forms using appropriate methodology in order to determine whether the requisite fields of information have been supplied and that such fields of information are responsive to the requirements of the Self-Certification Forms and these Tax Certification Procedures in order to receive interest payments without Italian Substitute Tax being assessed;
 - (h) determining whether the relevant DTC Participant has failed to complete a Mandatory Exchange and has been the subject of a Notice of Failure to Complete a Mandatory Exchange; and
 - (i) liaising with the DTC Participants in order to request that such DTC Participants:
 - (i) complete any missing, or correct any erroneous, Beneficial Owner Information identified pursuant to the procedures set forth above,
 - (ii) correct any erroneous EDS/TaxRelief Elections identified pursuant to the procedures set forth above,
 - (iii) revise any Self-Certification Forms identified pursuant to the procedures set forth above as containing incomplete or inaccurate information, and

- (iv) timely transmit to Monte Titoli Tax Liability Amounts in accordance with the Tax Liability Amount Payment Requests.
- (2) DTC Participants will be required to ensure that Beneficial Owner Information entered into the Acupay System and their EDS/TaxRelief Elections are updated to reflect any changes in holdings or in such DTC Participants' positions in the X Receipts occurring until 8:00 p.m. New York City time, on the New York City Business Day immediately preceding each Interest Payment Date. For this purpose, EDS/TaxRelief will remain accessible to DTC Participants until 8:00 p.m. New York City time, on the New York City Business Day immediately preceding each Interest Payment Date. In addition, Acupay will accept new or amended Beneficial Owner Information and Self-Certification Forms before 9:45 a.m. New York time and DTC will accept requests for changes to EDS/TaxRelief Elections at the request of DTC Participants until 9:45 a.m. New York City time, on each Interest Payment Date.

Beginning at 7:45 a.m. New York City time, on the Interest Payment Date, Acupay will through the Acupay Verification Procedures (as defined above) perform the final review of each DTC Participant's Beneficial Owner Information, EDS/TaxRelief Elections and Self-Certification Forms. Based on these Acupay Verification Procedures, Acupay will (a) seek to notify any affected DTC Participant until 9:45 a.m. New York City time, on such Interest Payment Date of any inconsistent, insufficient or inaccurate information provided by such DTC Participant and (b) use its commercially reasonable efforts to obtain revised Beneficial Owner Information, Self-Certification Forms and/or EDS/TaxRelief Elections from any such DTC Participant as necessary to correct any inconsistent or inaccurate information. The (a) failure to correct any such inconsistent, insufficient or inaccurate information (including the failure to fax or send PDF copies of new or amended Self-Certification Forms) or if Acupay, despite its commercially reasonable efforts to do so, does not confirm receipt of such correction by 9:45 a.m. New York City time, on the Interest Payment Date; or (b) receipt by Acupay, from the Receipt Issuer, of a Notice of Failure to Complete Mandatory Exchange (with respect to the relevant DTC Participant) by 9:45 a.m. New York City time, on the Interest Payment Date, will result in the payments in respect of the entirety of such DTC Participant's position (in the X Receipts) for all Beneficial Owners being made net of Italian Substitute Tax.

Upon receipt of a report of EDS/TaxRelief Elections as of 9:45 a.m. New York City time, on the Interest Payment Date from DTC, Acupay will then notify DTC of the final determination of which portion of each DTC Participant's position in the X Receipts should be paid gross of Italian Substitute Tax and which portion of such position should be paid net of such tax. Based on such Acupay determination, DTC will make adjustments to EDS/TaxRelief in order to reduce to zero the EDS/TaxRelief Elections received by DTC from DTC Participants as of 9:45 a.m. New York City time, on the relevant Interest Payment Date, where as a result of (a) any inconsistencies or inaccuracies between such DTC Participant's Beneficial Owner Information, EDS/TaxRelief Election and DTC position, and/or (b) the receipt by Acupay from the Receipt Issuer of a Notice of Failure to Complete Mandatory Exchange (with respect to the relevant DTC Participant) by 9:45 a.m. New York City time, on the Interest Payment Date, the entirety of such DTC Participant's position in the X Receipts for all Beneficial Owners holding their X Receipts through such DTC Participant (a "**Non-Compliant DTC Participant**") will be paid net of Italian Substitute Taxes.

- (3) DTC will transmit a final "Report to Paying Agent" to Acupay by 10:30 a.m. New York City time, on each Interest Payment Date setting forth each DTC Participant's position in the X Receipts as of 8:00 p.m. New York time on the New York City Business Day immediately preceding each Interest Payment Date and the portion of each such DTC Participant's position in such Receipts on which interest payments should be made net of Italian Substitute Tax and the portion on which interest payments should be made without Italian Substitute Tax being assessed, as applicable, based on the status of the EDS/TaxRelief Elections received by DTC for each DTC Participant as of 9:45 a.m. New York City time on the Interest Payment Date, and reflecting the adjustments, if any, to be made by DTC to EDS/TaxRelief described above.
- (4) Acupay shall promptly, but no later than 11:00 a.m. New York City time, on each Interest Payment Date, release (through a secure data upload/download facility to the Issuer, Monte Titoli, the Paying Agent and the Receipt Issuer): (a) PDF copies of the final Report to Paying Agent and (b) a PDF copy of a report prepared by Acupay laying out (i) the amounts (net and gross of Italian Substitute Tax) to be paid by, or on behalf of, Monte Titoli to each of its participants including the Receipt Issuer with respect to the Securities on such Interest Payment Date, and (ii) reports of all Tax Credits and Tax Liability Amounts maintained on the books of Monte Titoli on behalf of the Receipt Issuer for the benefit of the relevant holders of the interests in the Receipts (the "**Final Determination Report**").

ARTICLE II. PAYMENT PROCEDURES

- (1) On or prior to 9:00 a.m. New York City time on each Interest Payment Date, the Issuer (either directly or through a designated agent) will transmit to Citibank, N.A., London Branch as Paying Agent, an amount of funds sufficient to make interest payments on the total outstanding principal amount of the Securities, without Italian Substitute Tax being assessed. Promptly upon receipt, Citibank, N.A., London Branch shall transfer to Monte Titoli the gross interest amounts indicated on the Final Determination Report corresponding to the Receipt Issuer's holdings of the Securities at its third-party intermediary account in Monte Titoli.
- (2) By 6:30 p.m. Milan time, on each Interest Payment Date, Citibank, N.A., London Branch as Paying Agent, subject only to its timely receipt of good funds in the amount identified in paragraph (1), will arrange for the transmission to the accounts designated by Monte Titoli participants (other than the Receipt Issuer) the interest amounts with respect to the interests in the X Securities held by such participants, as computed by Acupay and referenced in the Final Determination Report. Such payments will be made net or gross in accordance with the requirements of Italian Legislative Decree No. 239 of 1996, as amended and supplemented.
- (3) By 11:30 a.m. New York City time, on each Interest Payment Date, Monte Titoli, subject only to its prior receipt of good funds in the amount identified in paragraph (1), will transmit to the Receipt Issuer the following amounts with respect to the Receipt Issuer's holdings of the Securities at its third-party intermediary account in Monte Titoli, as computed by Acupay and referenced in the Final Determination Report:
 - (a) the gross interest amount with respect to the X Receipts held by DTC for the account of the DTC Participants which have satisfied these Tax Certification Procedures, as identified in the Report to Paying Agent;
 - (b) the net interest amount with respect to the X Receipts held by DTC for the account of DTC Participants which have not satisfied these Tax Certification Procedures, as identified in the Report to Paying Agent, after deduction of Italian Substitute Tax (currently 20.0 per cent and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014) on all of such X Receipts with respect to the entire interest period;
 - (c) the net interest amount with respect to the N Receipts after deduction of Italian Substitute Tax (currently 20.0 per cent and at the rate of 26.0 per cent. on interest accrued starting from July 1, 2014) on all of such N Receipts with respect to the entire interest period; and
 - (d) cash equal to the aggregate amount of Tax Credit held on the books of Monte Titoli for the Receipt Issuer for the benefit of the holders of N Receipts, as computed by Acupay and referenced in the Final Determination Report.
- (4) Upon receipt from Monte Titoli of the amounts set forth in paragraph (3), the Receipt Issuer shall promptly remit by wire transfer the following amounts:
 - (a) to DTC by 1:00 p.m. New York City time on the Interest Payment Date, for the benefit of the relevant DTC Participants and for the further benefit of the relevant Beneficial Owners, the amounts (if any) described in paragraphs (3)(a), (b) and (c), and
 - (b) directly to the relevant DTC Participants for value on the Interest Payment Date, using the wire instructions for such DTC Participants provided by Acupay in the Final Determination Report, for the benefit of the relevant Non-Eligible Beneficial Owners, the amounts (if any) described in paragraph (3)(d).
- (5) Monte Titoli has authorized the Receipt Issuer to rely on the final Report to Paying Agent and the Final Determination Report in order to make the specified payments on each Interest Payment Date. Notwithstanding anything herein to the contrary, Monte Titoli may direct the Receipt Issuer to make interest payments on the Receipts in a manner different from that set forth in such reports if Monte Titoli (a) determines that there are any inconsistencies with the Self-Certification Forms provided via the Acupay System or any information set forth therein is, to Monte Titoli's knowledge, inaccurate, and (b) provides notice of such determination in writing to Acupay and the Receipt Issuer prior to 11:30 a.m. New York City time, on the relevant Interest Payment Date along with a list of the affected DTC Participants showing the amounts to be paid to each such DTC Participant.

ARTICLE III. PROCEDURE FOR DIRECT REFUND FROM ITALIAN TAX AUTHORITY

- (1) Beneficial Owners entitled to exemption from Italian Substitute Tax who have not (through their actions, or the actions of a First Level Bank, financial intermediary or a participant of a clearing system) timely followed the Tax Certification Procedures as described in Article I hereof, or comparable tax compliance procedures operated by a Second-level Bank pursuant to Italian Legislative Decree No. 239 of 1996, as amended and supplemented, and therefore have been subject to the imposition and collection of Italian Substitute Tax, may request a full refund of the amount that has been collected directly from the Italian Tax Authority.
- (2) Beneficial Owners have up to the time period allowed pursuant to Italian law (currently, a maximum of 48 months as of the relevant Interest Payment Date) to claim the amount withheld and paid to the Italian treasury by filing with the competent Italian Tax Authority (a) the relevant Italian tax form, (b) proof of ownership and related withholding of Italian Substitute Tax and (c) a Government Tax Residency Certificate (from the IRS in the case of U.S. tax resident Beneficial Owners). **The Direct Refund procedures may be subject to extensive delays and may trigger costs.** Beneficial Owners should consult their tax advisers on the procedures required under Italian tax law to recoup the substitute tax in these circumstances.
- (3) Investors with questions about obtaining a direct refund may contact the Acupay team at the contact details contained in Exhibit IV of this Appendix.

EXHIBIT I

Italian “White List” Countries Identified by Acupay as of May 22, 2014

In order to qualify as eligible to receive interest free from Italian Substitute Tax, among other things, Beneficial Owners must be resident, for tax purposes, in, or be “institutional investors” established in, a country which the Italian government identifies as allowing for a satisfactory exchange of information with Italy (the “White List States”). Subject to certain limited exceptions, such as for Central Banks and supranational bodies established in accordance with international agreements in force in Italy, this residency requirement applies to all ultimate holders of Securities, including Beneficial Owners of interest payments under the Securities holding via sub-accounts to which interests in the Securities may be allocated upon purchase or thereafter. As of May 22, 2014, the White List includes the following states:

White List States

| | | | |
|----------------|------------|--------------------|---------------------------|
| Albania | Estonia | Mauritius | Sweden |
| Algeria | Finland | Mexico | Tanzania |
| Argentina | France | Morocco | Thailand |
| Australia | Germany | Netherlands | Trinidad and Tobago |
| Austria | Greece | New Zealand | Tunisia |
| Bangladesh | Hungary | Norway | Turkey |
| Belarus | Iceland | Pakistan | Ukraine |
| Belgium | India | Philippines | United Arab Emirates |
| Brazil | Indonesia | Poland | United Kingdom |
| Bulgaria | Ireland | Portugal | United States |
| Canada | Israel | Romania | Venezuela |
| China | Japan | Russian Federation | Vietnam |
| Côte d’Ivoire | Kazakhstan | Singapore | Yugoslavia ⁽¹⁾ |
| Croatia | Kuwait | Slovak Republic | Zambia |
| Cyprus | Latvia | Slovenia | |
| Czech Republic | Lithuania | South Africa | |
| Denmark | Luxembourg | South Korea | |
| Ecuador | Macedonia | Spain | |
| Egypt | Malta | Sri Lanka | |

List is as of May 22, 2014

Please check the Acupay website for updates to this list.

The White List is subject to continuing changes in accordance with official actions by the government of Italy. Acupay has made arrangements to monitor these changes and will publish its findings on its website. Acupay currently expects to update this website monthly on the first calendar day of each month, to report changes to the White List which have come to the attention of Acupay through and including the 21st calendar day of the preceding month. In the event that the list appearing on the Acupay website is different from the official list maintained by the government of Italy, the government list will naturally govern.

Updated list available at www.acupay.com

(1) (PLEASE NOTE: the Italian tax administration has not clarified whether the states derived from the former Yugoslavia are to be treated as being on the White List. Acupay will not treat such states as White Listed until this point is clarified to Acupay’s satisfaction.)

EXHIBIT II

Form of Self-Certification Form

Self Certification Form

LIST A

Investors

| Investor Code¹ | Name² | Date of Birth⁴ / City of Birth⁵ / Country of Birth⁶ | Identification Number⁷ | Type of ID No.⁸ | Full Address⁹ / Postal Code¹⁰ / City¹¹ | Country¹² / Country Code¹³ |
|----------------------------------|-------------------------|---|--|-----------------------------------|--|---|
|----------------------------------|-------------------------|---|--|-----------------------------------|--|---|

LIST B

Investors

| Investor Code¹ | Name² | Managing Company³ (if relevant) | Identification Number⁷ | Type of ID No.⁸ | Full Address⁹ / Postal Code¹⁰ / City¹¹ | Country¹² / Country Code¹³ | Acupay Codes (see below) |
|----------------------------------|-------------------------|---|--|-----------------------------------|--|---|-------------------------------------|
|----------------------------------|-------------------------|---|--|-----------------------------------|--|---|-------------------------------------|

Authorized Representative

Name¹⁴ _____
Date of Birth¹⁵ _____
City of Birth¹⁶ _____
Country of Birth¹⁷ _____
Identification Number¹⁸ _____
Type of ID No.¹⁹ _____
Full Address²⁰ _____
Postal Code²¹ _____
City²² _____
Country²³ / Country Code²⁴ _____

Declarations:

I hereby declare that:

1. the persons listed in LIST A and in LIST B are not tax-resident in Italy;
2. the persons listed in LIST A are resident in the country indicated in field 12 for tax purposes and are the beneficial owners of the tax-exempt income;
3. the persons listed in LIST B are institutional investors, not subject to tax, established in the country

- indicated in field 12;
4. the information in this document is communicated to Monte Titoli via Acupay System LLC (“Acupay”), based on the understanding that it is true and will be kept confidential, and will be used solely for the purpose of withholding tax certification and may be shared with the relevant tax authorities as may be required under applicable law or regulation;
 5. Acupay will be notified of any change affecting the accuracy of this certification and its impact on tax exemption.

Additional Declarations: *(the Codes indicated for investors listed in List B above have the following meanings)*

- A. The person is an institutional investor, not subject to tax, and it is subject to regulatory supervision in its jurisdiction of establishment.
- B. The person is an institutional investor, not subject to tax nor subject to regulatory supervision in its jurisdiction of establishment, that has been set up solely for the purpose of managing investments of institutional investors subject to regulatory supervision in their jurisdiction of establishment and established in countries allowing an adequate exchange of information with Italy.
- C. The person is an institutional investor, not subject to tax nor subject to regulatory supervision in its jurisdiction of establishment, and that:
 - i. Has specific competence in making and managing of investments in financial instruments;
 - ii. Has not been established to manage investments made by a limited number of investors; and
 - iii. Has not been established and is not maintained to allow investors resident of Italy or of countries not allowing an adequate exchange of information with Italy to benefit from the exemption regime.

| |
|--|
| <p>X₁ _____ [Name, Position [Date], with effect from the date of first deposit of the Italian securities. ²⁵</p> |
|--|

KYC Confirmation by Custodian Bank, Intermediary or 1st Level Bank

Name of First Level Bank²⁶

Domicile (address)²⁷

City²⁸

**Indicative SWIFT Code for
consistent identification purposes
only**²⁹

Country³⁰

Postal Code³¹

We, _____ (____ **Participant Number** ____) hereby certify the following to Monte Titoli and to the Italian Tax Authority :

- We serve as a legally authorized nominee of, and representative for and on the behalf of the Beneficial Owners listed below pursuant to properly executed client agreements (hereinafter “Agreements”). Pursuant to such Agreements we are mandated to hold such Beneficial Owners’ securities, collect and receive their income and other rights (including tax refunds), apply to the foreign tax authorities to obtain tax refunds and sign all necessary documents relating thereto, credit such income to their accounts and to report to the relevant statutory agencies the income received by such Beneficial Owners, in accordance with all relevant laws, regulations and business practices so as to comply with such laws and to avert the imposition of government penalties or excessive withholding.
- If we are operating in the U.S. our client records are maintained in accordance with the U.S. Patriot Act including, in the case of non-natural person clients, we maintain copies of our clients’ formative documents which we will make available upon authorized request.
- We hereby certify that the Beneficial Owners listed below hold or may hold Italian securities in custody with the Second-level Bank, paying interest which the final beneficiary receives and that all the declarations contained in the present form, made by the final beneficiary / his legal representative are true, according to the best of our knowledge.
- We assume the responsibility to provide the Second-level Bank with all the information, concerning all movements of the above mentioned securities, as required to verify that the final beneficiaries listed below are the true owners of the securities.
- We assume the responsibility to provide the Second-level Bank with a confirmation via the Acupay System, representing a bankers’ affidavit, for every additional intermediary present between the first level bank and the final beneficiary, and with any information required to avoid withholding tax, and in order to make every communication available to the Italian Tax Authority.
- The present form will be sent via the Acupay System to Monte Titoli in accordance with the deadlines established in the Acupay Italian Tax Certification Procedures, and in no event later than 15 days of its receipt, together with a confirmation via the Acupay System representing the bankers affidavit and required information as mentioned above.
- For the Beneficial Owners indicated below, Italian Self-Certification Forms are either on file via Acupay or are included with this document .
- Notwithstanding the above, if one or more of the Beneficial Owners listed below are identified as being a “Central Bank / National Treasury” or “Supranational Organization”, (i) no Italian Self-Certification Form is to be produced listing such Beneficial Owner and (ii) we affirm that each such Beneficial Owner is exempt from the imposition of Italian substitute tax, as provided under Legislative Decree No. 239 of April 1, 1996, as amended from time to time, on account of either its legal status or the existence of a specific Italian law ratifying an international agreement recognizing such entity as exempt from Italian Substitute Tax.

Name _____ **Country** _____ **Identification Number** _____

X₂

[Name, Position]

[Date], with effect from the date of first deposit of the Italian securities. ³²

EXHIBIT III

Application Form for Use by Financial Institutions

For use by financial institutions which are Second-level Banks

To: Monte Titoli S.p.A. c/o Acupay System LLC
28 Throgmorton Street
London EC2N 2AN
United Kingdom

From: **Name of financial entity:** _____

Address of the Entity: _____

**Registration number, Tax ID No. or Fiscal Code
of the entity:** _____

Dear Sir/Madam,

We, the above captioned entity may hold from time to time, directly or indirectly, at one or more clearing systems, through accounts maintained directly at such clearing system(s), or indirectly via accounts maintained at designated custodial intermediaries (the "Account(s)"), debt securities subject to Italian Substitute Tax, as provided under Legislative Decree No. 239 of April 1, 1996, as amended from time to time (the "Notes" or "Receipts"). The Notes or Receipts may be beneficially owned by us, or by third parties.

We represent, warrant and covenant that this entity is a Second-level Bank as contemplated by Article 1,1b) of Decree No. 632 of December 4, 1996 or is a foreign participant of Monte Titoli which employs the services of an Italian Tax Representative as contemplated by LD 239 of 1996 (collectively, such status is referenced herein as functioning as a "Second-level Bank").

We hereby undertake to function as a Second-level Bank and to carry out all duties of a Second-level Bank, as provided under Legislative Decree No. 239 of April 1, 1996 and under all other relevant legal and administrative provisions, with respect to Notes or Receipts held in the Account(s).

These duties include, but are not necessarily limited to:

- the application of the substitute tax;
- the payment of the positive balances of the tax account (the "conto unico") to the appropriate Italian authorities;
- the collection and conservation of all relevant documents;
- the reporting of all relevant data in respect of exempt beneficial owners to the Italian Tax Authority (SOGEL);
- the filing of tax returns in respect of the substitute tax.

With respect to Receipts held via our financial institution, we hereby undertake to notify Monte Titoli (via the Acupay System) promptly (i.e. no later than 9:45 AM New York City time, on the first New York City Business Day following each related Settlement Date) of the following information regarding the Receipts and the Account(s) at which such Receipts are held:

- If we are a clearing system holding Receipts via DTC, we will confirm to Monte Titoli via the Acupay System the aggregate daily amount of the Receipts held for all of our participants and the custody location where we hold such Receipts.

- If we are a financial institution other than a clearing system:
 - If the Account(s) is/are maintained directly by us at a clearing system, we will identify the relevant account number(s) at such clearing system.
 - If the Account(s) is/are maintained indirectly at a clearing system through the facilities of a sub-custodian, we will identify the name(s) of such sub-custodian and the relevant Account number(s) at such sub-custodians. In addition, we will also arrange for the prompt confirmation of such Account information by each relevant sub-custodian, through the facilities of Acupay.
 - We will also report via the Acupay System, or will instruct each relevant sub-custodian to report via the Acupay System, the amount of Receipts acquired or disposed of through such Account(s), in each case referencing the relevant Custody location, Account number(s), ISIN codes and trade settlement dates with respect to each such acquisition or disposal.

We also hereby undertake to promptly notify Monte Titoli, via the Acupay System of any or all information that would render any statement contained herein untrue.

We hereby accept full responsibility in case of any claims, additional taxes, penalties or other charges and interest thereon levied by the Italian Tax Authority in connection with the Notes.

We hereby irrevocably authorize Acupay and Monte Titoli to provide this document, or a copy thereof, to the appropriate Italian authorities.

This document and all the representations and undertakings included therein, shall be effective as from the date communicated to Monte Titoli and Acupay.

Yours faithfully,

X (*sign here*):

Name of Authorized Signatory:

Title of Authorized Signatory:

Date signed:

EXHIBIT IV

Contact Details for the Acupay Team

Beneficial Owners, their custodians, or DTC Participants with questions about the Tax Certification Procedures, may contact Acupay at one of the following locations. Please mention the ISIN for the Securities and/or CUSIP for the Receipts when contacting Acupay. There is no cost for this assistance.

By post, telephone or email:

In London

Acupay System LLC
Attention: ATeam
28 Throgmorton Street
London EC2N 2AN
UNITED KINGDOM
Tel. + 44 (0)-207-382-0340
ateam@acupay.com

In New York

Acupay System LLC
Attention: ATeam
30 Broad Street
New York, New York 10004
USA
Tel. +1 212-422-1222
ateam@acupay.com

ISSUER

Telecom Italia S.p.A.
Piazza degli Affari 2
20123 Milan
Italy

JOINT LEAD MANAGERS

**Citigroup Global
Markets Inc.**
388 Greenwich Street
New York, NY 10013
United States

Goldman, Sachs & Co.
200 West Street
New York, NY 10282
United States

**J.P. Morgan Securities
LLC**
383 Madison Avenue
New York, NY 10179
United States

**Morgan Stanley & Co.
LLC**
1585 Broadway
New York, NY 10036
United States

BBVA Securities Inc.
1345 Avenue of the Americas
New York, NY 10105
United States

RBS Securities Inc.
600 Washington Boulevard
Stamford, CT 06901
United States

UniCredit Bank AG
Arabellasstrasse 12
81925 Munich
Germany

LEGAL ADVISORS

To the Issuer

As to U.S. Law:

Davis Polk & Wardwell London LLP
99 Gresham Street
London EC2V 7NG
United Kingdom

As to Italian Law:

Lombardi Molinari Segni
Via del Plebiscito 102
00186 Rome
Italy

As to Italian Tax Law:

Maisto e Associati
Associazione Professionale
Piazza F. Meda 5
20121 Milan
Italy

To the Initial Purchasers

As to U.S. and Italian Law:

Latham & Watkins LLP
Corso Matteotti, 22
20121 Milan
Italy

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers S.p.A.
Via Monte Rosa 91
20149 Milan
Italy

TRUSTEE, PAYING AGENT, RECEIPT ISSUER AND REGISTRAR

Citibank N.A., London Branch
Citigroup Centre, Canada Square, Canary Wharf
London E14 5LB
United Kingdom

TAX COMPLIANCE AGENTS

Acupay System LLC
28 Throgmorton Street
London EC2N 2AN
United Kingdom

Acupay System LLC
30 Broad Street, 46th Floor
New York, NY 10004
United States of America

Monte Titoli S.p.A.
Piazza degli Affari 6
20123 Milan
Italy

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland



TELECOM ITALIA S.p.A.

U.S. \$1,500,000,000 5.303% Senior Notes due 2024

OFFERING MEMORANDUM

May 29, 2014

Joint Lead Managers

Citigroup

Goldman, Sachs & Co.

J.P. Morgan

Morgan Stanley

BBVA

RBS

UniCredit Bank