Item 3. KEY INFORMATION

3.1 RISK FACTORS

In addition to the other information contained in this Annual Report, investors should carefully consider the risks described below before making any investment decision. 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.

RISKS RELATED TO THE 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 February 24, 2012, we presented our updated 2012–2014 Plan, which confirms the following strategic priorities and objectives for the Telecom Italia Group over the next three years:

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

Our ability to implement and achieve these strategic objectives may be influenced by certain factors, including factors outside of our control, such as:

- regulatory decisions and change in the regulatory environment in Italy or in the other countries in which we operate;
- increasing number of competitors in our principal markets which could cause us to lose further market share;
- increasing and stronger market competition in our principal markets with a consequent decline in the prices of services;
- increasing competition from global and local OTT (Over The Top) players (operators offering content and services on the internet without owning a proprietary TLC network infrastructure);
- our ability to strengthen our competitive position in Italy and in international markets, particularly in Brazil and Argentina;
- 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;
- the success of “disruptive” new technologies which could cause significant reductions in revenues from fixed and mobile telephony;
- our ability to manage costs;
- the continuing effects of the global economic crisis in the principal markets in which we operate;
- our ability to refinance existing indebtedness when due in the capital and bank markets which remain volatile and subject to disruption;
- our ability to attract and retain highly qualified employees; and
- the effect of exchange rate fluctuations on our operating revenues, margins and financial management.

As a result of these uncertainties there can be no assurance that the objectives identified by management can effectively be attained in the manner and within the time-frames described. Furthermore, if we are unable to attain our strategic priorities, our goodwill may be impaired which could result in significant write-offs.

The global economic crisis adversely affected our business in recent years and continuing global economic weakness, associated with the Eurozone sovereign debt crisis, could further adversely affect our business and therefore have a negative impact on our operating results and financial condition.

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

Telecommunications is believed to be less affected by negative economic trends than other industries, since telecommunications services are seen as high productivity tools in the business segment, and they are also becoming an increasingly important element in household expenditure patterns. However, recessionary conditions have weighed, and may continue to weigh, heavily on the development prospects of our domestic market. In particular, the economic weakness may cause more cautious telecommunications spending in the business segment, following on from the overall contraction in expenditure (capital expenditures and operating costs) in industry sectors, while, on the consumer side, a drop of consumer spending might entail a further sharpening of the downward pressure on telecommunications services' prices and a reduction in the demand for our products and services.

Outside of Italy and Europe, it is expected that the Argentine economy will continue growing in 2012, although at a slower pace than in prior years, when strong economic expansion was experienced. Private consumption is expected to remain the main driver of the economy; however the effects of reduced agricultural output, increasing external restraints and a more conservative fiscal approach could lead the economy to a somewhat lower but more balanced growth. Under these circumstances, inflation will continue to be a challenge. Finally, developments in the global economy will be a key factor to the economic performance, where commodities prices and the development of global financial markets are the main concerns.

Brazil is characterized by expected stable growth, supported by high investment levels (foreign and domestic), increased consumer spending, decreasing inflation and a stable exchange rate. The overall economic equilibrium allows the Central Bank to cut rates as a precautionary measure against contagion from the possible global recession. At the moment, although less buoyant than in the past, the macroeconomic condition appears sufficiently stable.

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

The continuing weakness in the global economy, in particular in our domestic market, creates significant uncertainty and may adversely impact consumer spending, including on telecommunications services. If we fail to successfully implement our plans to improve efficiency and optimize expenditures, our results of operations and financial condition could be adversely affected.

Our leverage is such that deterioration in cash flow can change the expectations of the Group's ability to repay its 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 gross financial debt was 41,951 million euros at December 31, 2011 compared with 41,230 million euros at December 31, 2010 and our net financial debt was 30,819 million euros at December 31, 2011 compared with 32,087 million euros as of December 31, 2010.

Due to the competitive environment and current 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 and Standard & Poor's, 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.

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, deterioration in general economic conditions also as a result of the continuing effects of the economic and financial crisis, could have a significant effect on our ability to reduce our debt, or the ability of the Telecom Italia Group to refinance existing debt through further access to the financial markets. As a result of the reduction of debt being a key element of the Group's strategy, the failure to reduce debt could be viewed negatively and adversely affect our credit ratings.

The management and further development of our business will require us to make further capital and other investments. We may therefore 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.

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. When finally concluded, they may have a material adverse effect on our results of operations and financial condition.

We are subject to numerous risks relating to legal, 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, competition and regulatory proceedings and investigations in which we are, or may become, involved (or settlements thereof) may have a material adverse effect on our results of operations and/or financial condition. Furthermore, our involvement in such proceedings and investigations may adversely affect our reputation. For information concerning the most significant legal, competition and regulatory proceedings and investigations in which we are involved, see "Note—Contingent liabilities, other information, commitments and guarantees" of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

The Italian Collective Action for Damages for the Protection of Consumers Law (the "**Collective Action Law**") was passed in December 2007 and, after undergoing substantial modifications by the Italian Parliament, entered into force on January 1, 2010. The law allows collective action lawsuits and is similar in many respects to common law class actions. Contracts between public utilities and consumers and the business practices of companies that provide public services (such as Telecom Italia) are covered by the Collective Action Law. Therefore there is a risk of claims against Telecom Italia by consumers' associations on behalf of broad classes of consumers, although no such actions have yet been brought against Telecom Italia.

Operational risks could adversely affect our reputation and our profitability.

We face numerous operational risks inherent in our business, including those resulting from inadequate internal and external processes, fraud, employee errors or misconduct, failure to comply with applicable laws, failure to document transactions properly or systems failures. These events can result in direct or indirect losses and adverse legal and regulatory proceedings, and harm our reputation and our operational effectiveness.

We have risk management practices designed to detect, manage and monitor at top level the evolution of these operational risks, and for this purpose we have recently established a group risk management committee.

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

Risks associated with Telecom Italia's ownership chain.

Telco S.p.A. ("**Telco**")—a company in which interests are held by the Generali group (30.58%), Intesa Sanpaolo S.p.A. (11.62%), Mediobanca S.p.A. (11.62%), and Telefónica S.A. ("**Telefónica**") (46.18%)—is Telecom Italia's largest shareholder, holding an interest of approximately 22.40% of the voting rights.

On February 29, 2012, Telefónica, Intesa Sanpaolo, Mediobanca, and Generali entered into a renewal agreement (the "**2012 Shareholders Agreement**") in which they agreed to enter into a new shareholders agreement for a period of three years on the same terms and conditions set out in the original Shareholders' Agreement dated as of April 28, 2007, as it had been subsequently amended and supplemented. Please see "Item 7 Major Shareholders and Related-Party Transactions—7.1 Major Shareholders—7.1.1 Shareholders' Agreements".

The 2012 Shareholders' Agreement defines, inter alia, the criteria for drawing up the slate of candidates for the appointment of the Board of Directors of Telecom Italia:

- Telefónica, insofar as it holds at least 30% of Telco's share capital, will be entitled to designate two candidates;
- the other shareholders of Telco, as they hold the absolute majority of its share capital, have the right to designate the other members on the list, of which three candidates would be appointed unanimously and the others on a proportional basis.

The 2012 Shareholders' Agreement provides that the Telecom Italia Group and the Telefónica Group are managed autonomously and independently.

Although Telco does not own a controlling interest in Telecom Italia's voting shares, Telco may exert as a matter of fact a significant influence on all matters to be decided by a vote of shareholders, including appointment of directors. In the shareholders' meeting held on April 12, 2011, 12 out of 15 Board members were elected from a list proposed by Telco, while the remaining 3 Directors were elected from a list proposed by a group of asset management companies and international institutional investors. In principle, the interests of Telco in deciding shareholder matters could be different from the interests of Telecom Italia's other ordinary shareholders, and it is possible that certain decisions could be taken that may be influenced by the needs of Telco.

In addition, Telefónica is the largest shareholder of Telco. Presently Telefónica and the Telecom Italia Group are direct competitors in certain countries outside of their respective domestic markets; nevertheless, the Shareholders' Agreement provides that the Telecom Italia and Telefónica groups will be managed autonomously and independently. The Shareholders' Agreement provides, among other things, that the directors designated by Telefónica in Telco and Telecom Italia shall be directed by Telefónica to neither participate nor vote at Board of Directors' meetings which discuss matters relating to companies of the Group in countries where Telefónica and Telecom Italia compete. Specific additional matters have been agreed with respect to Telecom Italia's operations in Brazil and Argentina. The presence of Telefónica in Telco could, however, result in legal or regulatory proceedings or affect regulatory decisions in countries where Telecom Italia may wish to operate if Telefónica is also an operator/competitor in such jurisdictions. For further information, please see "Item 7 Major Shareholders and Related-Party Transactions—7.1 Major Shareholders—7.1.1 Shareholders' Agreements" and "Item 10. Additional Information—10.1 Corporate Governance". See also "Note—Contingent liabilities, other information, commitments and guarantees" of the Notes to the Consolidated Financial Statements included elsewhere herein.

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

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

Although no shareholder is in a position to prevent a takeover of Telecom Italia, the Italian State, through the Treasury, is in a position to exert certain powers with respect to Telecom Italia through the exercise of the special powers included in Telecom Italia's Bylaws pursuant to compulsory legal provisions.

On March 26, 2009, the European Court of Justice declared that Italy, through the special powers, failed to comply with its obligations under the EC Treaty. According to the Court's ruling, the alleged infringement of the EC Treaty arose due to the applicable Italian legal provisions not making sufficiently clear the conditions for the exercise of the Treasury's special powers, so that investors would not be in a position to know in what situations the powers will be used. Through a decree passed on May 20, 2010, the Italian Government amended the criteria under which it may exercise such special powers. In any event, the ruling by the European Court of Justice does not have any immediate or direct impact on Telecom Italia's bylaws.

On March 15, 2012 the Legislative Decree no. 21/2012 was published, containing "Regulations relating to the special powers on share ownership in the sectors of defence and national security, and regarding activities of strategic importance in the energy, transport and communication sectors". The regulations provide that, at the moment the implementing decrees come into force identifying "*the networks and systems, goods and relationships of strategic importance for the communications* […] *sector*", the statutory clauses on special powers will cease to have effect to be replaced by these regulations. In brief, the new regulations will provide:

- a power granted to the Italian Government to impose conditions and possibly to oppose the purchase, for any reason whatever, by non-EU citizens, of controlling shareholdings in companies which hold strategic assets identified as above in the Prime Ministerial decree referred to above. The right to purchase will in any case be permitted solely on condition of reciprocity in the purchaser's home jurisdiction;
- a power of veto granted to the Italian Government (including through prescriptions or conditions) on any resolution, act or transaction which has the effect of modifying the ownership, control or availability of said strategic assets or changing their use, including resolutions of merger, demerger, transfer of registered office abroad, transfer of the company or business units which contain the strategic assets or their assignment by way of guarantee.

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.

For further information, please see "Item 7 Major Shareholders and Related-Party Transactions—7.1 Major Shareholders—7.1.3 Continuing Relationship with the Italian Treasury".

System failures could result in reduced user traffic and reduced revenue and could harm our reputation.

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 harm our reputation.

Our business depends on the upgrading of our existing networks.

We must continue to upgrade our existing networks in a timely and satisfactory manner in order to retain and expand our customer base in each of our markets, to enhance our financial performance and to satisfy regulatory requirements. Among other things, we could be required to:

- upgrade the functionality of our networks to permit increased customization of services;
- increase coverage in some of our markets;
- expand and maintain customer service, network management and administrative systems; and
- upgrade older systems and networks to adapt them to new technologies.

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

Risks Related to the Telecommunications Industry and Financial Markets

The value of our operations and investments may be adversely affected by political and economic developments in Italy or other countries. Continuing global economic weakness could reduce purchases of our products and services and adversely affect our results of operations, cash flows and financial condition.

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

Continuing uncertainty about current global economic conditions poses a significant risk as consumers and businesses postpone spending in response to tighter credit, negative financial news (including high levels of unemployment) or declines in income or asset values, which could have a material negative effect on the demand for our products and services. This is particularly the case in our domestic market where budget constraints and the need to reduce overall levels of indebtedness in response to the European sovereign debt crisis is expected to impede growth in the Italian economy in the short to medium term. Economic difficulties in the credit markets and other economic conditions may reduce the demand for or the timing of purchases of 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.

We may also be adversely affected by political developments in the countries where we have made significant investments. Certain of these countries have political and legal systems that are unpredictable. Political or economic upheaval or changes in laws or in their application in these countries may harm the operations of the companies in which we have invested and impair the value of these investments. In particular, in recent years the Argentine government has taken several actions to re-nationalize concessions and public services contracts that were privatized in the 1990's, such as Aguas Argentinas S.A., Aerolineas Argentina S.A. and recently YPF S.A. In April 2012, Decree 530/12 from the National Executive Branch established the intervention in YPF S.A., Argentina's largest company and the principal oil and gas producer. In addition, a bill was presented to the Argentine Congress declaring the public interest in the exploitation, production, transport and commercialization of oil and gas and declaring the expropriation of 51% of the share capital of YPF S.A. Finally, such bill was approved by the Argentine congress in May 2012. There is no certainty about the consequences the expropriation of YPF S.A. will have on Argentina's economy, on the confidence of local and international investors, on the business environment in Argentina or what response it will cause from other countries or international entities. We cannot provide any assurance that similar actions of the Argentine government will not be extended to other companies and/or other sectors in the future.

Because we operate in a heavily regulated industry, regulatory decisions and changes in the regulatory environment could materially adversely affect our business.

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

In Italy, Telecom Italia is also subject to universal service obligations, which require it to provide fixed line public voice telecommunications services in non-profitable areas. Telecom Italia is the only operator in Italy under this obligation.

As a member of the European Union (the "**EU**"), Italy has adapted its telecommunications regulatory framework to the legislative and regulatory framework established by the EU for the regulation of the European telecommunications market. The review of the EU common regulatory framework was approved at the end of 2009 and is expected to be implemented in Italy by the end of June 2012.

Included within the regulatory framework is the obligation on the part of the Italian regulator responsible for the regulation of the telecommunications, radio and television broadcasting sector ("**AGCom**") to identify operators with “significant market power” (“**SMP**”) based on market analyses in relevant separate retail and wholesale markets, identified in an EC Recommendation, in which it is considered necessary to intervene to protect free competition. The framework established criteria and procedures for identifying remedies applicable to operators with “significant market power” in various markets.

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

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

The regulatory framework of the Next Generation Access Network (“**NGAN**”) is not yet completely defined. With Decision 1/12/CONS dated January 18, 2012, AGCom published its final decision which granted Telecom Italia’s main request regarding the lack of a precise obligation to provide fibre unbundling over Gigabit Passive Optical Network (“**GPON**”) architectures, despite the strong pressure from Alternative Network Operators (“**ANOs**”) to require that Telecom Italia do so. As an alternative to fibre unbundling, the Authority confirmed the obligation to provide the “*end to end*” service, although significantly mitigating its scale compared to the draft decision originally submitted for public consultation. In fact the Authority introduced a “fairness and proportionality” principle for the building blocks demands by ANOs. Such a principle shall be implemented according to the NGAN investment plans published by Telecom Italia. In February 2012, AGCom opened three proceedings for the completion of the NGAN rules aimed at introducing: 1) a cost model for the pricing of passive and active wholesale services and the definition of the competitive areas for the geographic price differentiation of bitstream services; 2) the prospective enforcement of symmetric obligations on all operators, for the access to fibre vertical wiring and to building connection segments; 3) potential regulatory amendments of the copper sub-loop unbundling service in light of the possible introduction of the vectoring technology on Fiber to the Cabinet -Very High- Speed Digital Subscriber Line (“**FTTCab-VDSL**”) accesses. As Next Generation Access will require significant investments, the regulatory approach regarding the obligations which could be imposed on Telecom Italia could have an adverse effect on the Group’s cash flows and financial condition.

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

In general, 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. As evidenced by the regulatory developments described above, regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. Changes in laws, regulation or government policy could adversely affect 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 authorizations, to Telecom Italia or to 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.

For further information regarding the matters discussed above and other aspects of the regulatory environments in which Telecom Italia’s businesses operates, see “Item 4.3. Regulation”.

We operate under authorizations granted by government authorities.

Many of our activities require authorizations from governmental authorities. These authorizations specify the types of services permitted to be offered by the operating company holding such authorization. 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. Authorizations as well as their renewal terms and conditions, however, may be affected by political and regulatory factors and therefore it is not always guaranteed that the renewal process will be completed successfully.

Many of these authorizations are revocable for public interest reasons. The rules of some of the regulatory authorities with jurisdiction over our operating companies require us to meet specified network build-out requirements and schedules. In particular, our existing authorizations typically require us to satisfy certain obligations, including minimum specified quality, service and coverage conditions and capital investment. Failure to comply with these obligations could result in the imposition of fines or revocation or forfeiture of the authorization for the relevant area. In addition, the need to meet scheduled deadlines may require us to expend more resources than otherwise budgeted for a particular network build-out.

Strong competition in Italy 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. The use of the single European currency and the liberalization of the Italian telecommunications market (since January 1998) have intensified competition by facilitating international operators’ entry into the Italian market and direct competition with Telecom Italia’s fixed-line and mobile telephony businesses and for broadband services.

Competition has continued to intensify. As of the date of this Annual Report, there are a number of significant competitors offering fixed-line and broadband services and three other operators (in addition to Telecom Italia) offering mobile services in the Italian domestic market. In addition, some virtual mobile operators have been operating in the Italian mobile market since 2007 as a result of commercial agreements reached with operators of mobile networks, some of which “originated” from fixed line operators.

Moreover, convergence enables lateral competition from IT, Media and Devices/Consumer Electronic players. This competition may further increase due to the consolidation and 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.

Competition in our principal lines of business could lead to:

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

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, and although our plans take into account that we face significant competition from a number of operators in all the markets in which we operate, 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.

Our business and our revenues may be negatively affected if we are unable to continue the introduction of new services, stimulating increased usage of our fixed and wireless networks.

Telecommunications markets maturity (particularly in our core Italian market) and the rapidly changing competitive landscape (for example, the rise of global platform/ecosystems) have resulted in a continuous erosion in traditional service revenues for telecommunications operators.

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

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

Failing to exploit these business opportunities and to identify an appropriate role in the relative ecosystems may negatively affect our revenue generation.

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. 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, Telecom Italia 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, 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.

The mobile communications markets have matured in recent years and competition has increased.

In recent years, mobile communications markets have been approaching maturity levels in our domestic market in the voice services segment, although mobile broadband business continues to grow.

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.

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.

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 and means to increase the use of our networks in Italy and abroad. Our strategy is to integrate the mature, traditional voice services with broadband and value added services. Our ability to successfully implement this strategy may be affected if:

- Internet usage in Italy grows more slowly than anticipated, for reasons such as changes in Internet users' preferences or lower than expected PC penetration rate growth;
- broadband penetration does not grow as 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-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 SLAs.

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 generation could be negatively affected.

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

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

Fluctuations in currency exchange and interest rates may adversely affect Telecom Italia's 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 and Argentine Peso) 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.

3.2 EXCHANGE RATES

We publish our consolidated financial statements in euros. References to "€", "euro" and "Euro" are to the euro, the single unified currency that was introduced in Italy and 10 other member states of the EU on January 1, 1999. References to "U.S. dollars", "dollars", "U.S.$" or "$" are to U.S. dollars, the currency of the United States of America.

For convenience only (except where noted otherwise), certain euro figures have been translated into dollars at the rate (the "Euro/Dollar Exchange Rate") of €1.00= U.S.$ 1,2973, using the last noon buying rate in The City of New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the "**Noon Buying Rate**") on December 31, 2011.

These translations should not be construed as a representation that the euro amounts actually represent such dollar amounts or have been or could be converted into dollars at the rate indicated.

For the purpose of this Annual Report, "billion" means a thousand million.

The following table sets forth for the years 2007 to 2011 and for the beginning of 2012 certain information regarding the Noon Buying Rate for Dollars expressed in U.S.$ per €1.00.

Calendar Period	High	Low	Average(1)	At Period end
2007	1.4862	1.2904	1.3705	1.4603
2008	1.6010	1.2446	1.4725	1.3919
2009	1.5100	1.2547	1.3936	1.4332
2010	1.4536	1.1959	1.3262	1.3269
2011	1.4875	1.2926	1.3931	1.2973
2012 (through May 4, 2012)	1.3463	1.2682	1.3132	1.3091

Monthly Rates	High	Low	Average(1)	At Period end
November 2011	1.3803	1.3244	1.3558	1.3453
December 2011	1.3487	1.2926	1.3155	1.2973
January 2012	1.3192	1.2682	1.2910	1.3053
February 2012	1.3463	1.3087	1.3238	1.3359
March 2012	1.3336	1.3025	1.3208	1.3334
April 2012	1.3337	1.3064	1.3160	1.3229
May 2012 (through May 4, 2012)	1.3226	1.3091	1.3155	1.3091

(1) Average of the rates for each month in the relevant period.

The Ordinary Shares, par value 0.55 euros (the "**Ordinary Shares**") and Savings Shares, par value 0.55 euros (the "**Savings Shares**") of Telecom Italia trade on *Mercato Telematico Azionario* ("**Telematico**"), managed by Borsa Italiana S.p.A. ("**Borsa Italiana**") in euro. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar equivalent of the euro price of the Ordinary Shares and the Savings Shares and the price of the Ordinary Share American Depositary Shares ("**Ordinary Share ADSs**") and the Savings Share American Depositary Shares ("**Savings Share ADSs**"), on the New York Stock Exchange ("**NYSE**"). Cash dividends are paid in euro. Exchange rate fluctuations will affect the U.S. dollar amounts received by owners of Ordinary Share ADSs and Savings Share ADSs upon conversion by the Depositary of cash dividends paid in euro on the underlying Ordinary Shares and Savings Shares. See "Item 10. Additional Information—10.5 Description of American Depositary Receipts".

On completion of the Merger, Telecom Italia (formerly Olivetti) became a successor registrant to Old Telecom Italia under the Securities Exchange Act of 1934, as amended (the "**1934 Act**") and, therefore, became subject to and continues to file periodic reports under the 1934 Act required for a foreign private issuer. Telecom Italia (formerly Olivetti) obtained a listing of the Ordinary Shares and Savings Shares issued at completion of the Merger, on the NYSE where such Ordinary Shares and Savings Shares trade in the form of ADSs.

3.3 SELECTED FINANCIAL AND STATISTICAL 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, 2011, 2010, 2009, 2008 and 2007, which have been extracted or derived, with the exception of amounts presented in U.S. dollars, 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 have been audited by Reconta Ernst & Young S.p.A. with respect to 2007, 2008 and 2009. 2010 and 2011 have been audited by the independent auditor PricewaterhouseCoopers S.p.A., which replaced Reconta Ernst & Young S.p.A. as part of the normal required rotation of auditors.

In 2011, the Group applied the accounting policies on a basis consistent with the previous year and did not elect the early adoption of any IFRS.

The selected financial data below should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this Annual Report.

	Year ended December 31,					
	2011	2011	2010	2009	2008	2007
	(millions of U.S. dollars, except percentages, ratios, employees and per share amounts)(1)	(millions of euros, except percentages, ratios, employees and per share amounts)				
Consolidated Income Statement Data:						
Revenues	**38,863**	**29,957**	**27,571**	**26,894**	**28,746**	**29,554**
Operating profit (loss)	**(782)**	**(603)**	**5,818**	**5,493**	**5,437**	**5,738**
Profit (loss) before tax from continuing operations	**(3,404)**	**(2,624)**	**4,132**	**3,339**	**2,894**	**4,120**
Profit (loss) from continuing operations	**(5,536)**	**(4,267)**	**3,582**	**2,218**	**2,217**	**2,459**
Profit (loss) from Discontinued operations/Non-current assets held for sale	(17)	(13)	(7)	(622)	(39)	(99)
Profit (loss) for the year	**(5,552)**	**(4,280)**	**3,575**	**1,596**	**2,178**	**2,360**
· *Profit (loss) attributable to owners of the Parent(2)*	*(6,131)*	*(4,726)*	*3,121*	*1,581*	*2,177*	*2,353*
Capital expenditures	**7,907**	**6,095**	**4,583**	**4,543**	**5,040**	**5,031**
Financial Ratios:						
· Operating profit (loss)/Revenues (ROS)(%)	—	—	21.1%	20.4%	18.9%	19.4%
· Ratio of earnings to fixed charges(3)	(0.23)	(0.23)	2.84	2.51	2.21	2.67
Employees, average number in the Group, including personnel with temporary work contracts:						
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (average number)	78,369	78,369	70,150	69,964	73,508	75,735
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)	—	—	—	2,168	3,277	3,893
Basic and Diluted earnings per Share (EPS)(4):						
· **Ordinary Share**	**(0.31)**	**(0.24)**	**0.16**	**0.08**	**0.11**	**0.12**
· **Savings Share**	**(0.31)**	**(0.24)**	**0.17**	**0.09**	**0.12**	**0.13**
Of which:						
— *From continuing operations:*						
· *Ordinary Share*	*(0.31)*	*(0.24)*	*0.16*	*0.11*	*0.11*	*0.12*
· *Savings Share*	*(0.31)*	*(0.24)*	*0.17*	*0.12*	*0.12*	*0.13*
— *From Discontinued operations/Non-current assets held for sale:*						
· *Ordinary Share*	—	—	—	*(0.03)*	—	—
· *Savings Share*	—	—	—	*(0.03)*	—	—
Dividends:						
· per Ordinary Share	0.056	0.043(5)	0.058	0.0500	0.0500	0.0800
· per Savings Share	0.070	0.054(5)	0.069	0.0610	0.0610	0.0910

	As of December 31,					
	2011	2011	2010	2009	2008	2007
	(millions of U.S. dollars, except employees)(1)	(millions of euros, except employees)				
Consolidated Statement of Financial Position Data:						
Total Assets	**108,790**	**83,859**	**89,040**	**86,267**	**86,223**	**88,593**
Equity:						
· Equity attributable to owners of the Parent	29,567	22,791	28,819	25,952	25,598	25,431
· Non-controlling interests	5,064	3,904	3,736	1,168	730	1,063
Total Equity	**34,631**	**26,695**	**32,555**	**27,120**	**26,328**	**26,494**
Total liabilities	**74,159**	**57,164**	**56,485**	**59,147**	**59,895**	**62,099**
Total equity and liabilities	**108,790**	**83,859**	**89,040**	**86,267**	**86,223**	**88,593**
Share capital(6)	**13,757**	**10,604**	**10,600**	**10,585**	**10,591**	**10,605**
Net Financial Debt(7)	**39,981**	**30,819**	**32,087**	**34,747**	**34,039**	**35,701**
Employees, number in the Group at year-end, including personnel with temporary work contracts:						
· Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at year-end)	84,154	84,154	84,200	71,384	75,320	79,238
· Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (number at year-end)	—	—	—	2,205	2,505	4,191

	As of December 31,				
	2011	2010	2009	2008	2007
	(thousands)				
Statistical Data:					
Domestic (Italy) Business Unit					
Fixed-line network connections	16,745	17,609	18,525	20,031	22,124
Physical accesses (Consumer and Business)	14,652	15,351	16,097	17,352	19,221
Broadband accesses	9,089	9,058	8,741	8,134	7,590
Of which retail broadband accesses	*7,125*	*7,175*	*7,000*	*6,754*	*6,427*
Mobile lines	32,227	31,018	30,856	34,797(8)	36,331(8)
Brazil Business Unit					
Mobile lines	64,070	51,015	41,102	36,402	31,254
Argentina Business Unit					
Fixed-line network connections	4,141	4,107	4,060	4,010	3,918
Broadband accesses	1,550	1,380	1,214	1,032	768
Mobile lines	20,342	18,212	16,281	14,390	12,292

(1) For the convenience of the reader, Euro amounts for 2011 have been converted into U.S. dollars using the Euro/Dollar Exchange Rate in effect on December 31, 2011, of €1.00 = 1,2973 U.S.$.

(2) For the purposes of IFRS, "Parent", as used in this Annual Report, means Telecom Italia S.p.A.

(3) Due to the loss in 2011, the ratio coverage was less than 1:1. The company would have needed to generate additional earnings of 2,585 million euros 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.

(4) In accordance with IAS 33 (*Earnings per share*), basic earnings per Ordinary Share is calculated by dividing the Group's profit (loss) available to shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares. Since Telecom Italia has both Ordinary and Savings Shares outstanding, the calculations also take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2% of the par value of shares above dividends paid on the Ordinary Shares.

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

- Ordinary Shares was 13,264,375,078 for the year ended December 31, 2011, 13,239,883,276 for the year ended December 31, 2010, 13,220,792,908 for the year ended December 31, 2009, 13,246,643,947 for the year ended December 31, 2008 and 13,254,934,303 for the year ended December 31, 2007;
- Savings Shares was 6,026,120,661 for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

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

(5) Telecom Italia's dividend coupons for the year ended December 31, 2011, will be clipped on May 21, 2012, and will be payable from May 24, 2012.

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

(7) Net Financial Debt is a "Non-GAAP Financial Measure" as defined in Item 10(e) of Regulation S-K under the 1934 Act. For further details please see "Item 5. Operating and Financial Review and Prospects—5.2 Results of Operations for the Three Years Ended December 31, 2011—5.2.3 Non-GAAP Financial Measures".

(8) Please see "Item 4. Information on the Telecom Italia Group—4.1. Business—4.1.5. Recent Developments During 2012".

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3.4 DIVIDENDS

The determination of our future dividend policy, and the amounts thereof, will depend upon a number of factors, including but not limited to our earnings, financial condition and cash requirements, prospects and such other factors as may be deemed relevant at the time.

The following table sets forth the dividends per Ordinary Share and per Savings Share declared by Telecom Italia with respect to each of the last five fiscal years and the aggregate dividends paid in such years. Actual dividends paid are rounded to the nearest whole cent.

	Dividends on Ordinary Shares			Dividends on Savings Shares		
Year ended December 31,	Euros per Share	U.S. dollars per Share(1)	(millions of euros)	Euros per Share	U.S. dollars per Share(1)	(millions of euros)
2007	0.0800	0.1253	1,070.36	0.0910	0.1426	548.38
2008	0.0500	0.0652	667.16	0.0610	0.0796	367.59
2009	0.0500	0.0619	667.16	0.0610	0.0755	367.59
2010	0.0580	0.0846	775.48	0.0690	0.1006	415.80
2011(2)	0.0430	0.05629	575.30	0.0540	0.07069	325.41

(1) Euro amounts have been translated into U.S. dollars using the Noon Buying Rate in effect on the respective payment dates. As far as year ended December 31, 2011 is concerned, Euro amounts have been translated into U.S. dollars using the Noon Buying Rate in effect on May 4, 2012.

(2) Subject to approval at the Annual Shareholders' Meeting to be held on May 15, 2012. Pursuant to Italian Stock Exchange rules, dividends on the Ordinary Shares and the Savings Shares are payable from the fourth trading day after the third Friday of each month, and in any case, at least four business days after the Shareholders' Annual Meeting approving the dividends. Telecom Italia's dividend coupons for the year ended December 31, 2011 will be clipped on May 21, 2012, and will be payable from May 24, 2012.

Payment of annual dividends is subject to approval by the holders of Ordinary Shares at the annual general shareholders' meeting, which must be held within 180 days after the end of the financial year to which it relates (pursuant to article 18, second paragraph, of the Company's Bylaws). In addition, Article 21 of the Company's Bylaws gives the Board of Directors the power to approve the distribution of "interim dividends". Pursuant to Italian law, the distribution may be approved after the final approval of the preceding year's financial statements, and the interim dividends may not exceed the lower of (i) the difference between profits from the preceding fiscal year and amounts required to be attributed to legal and statutory reserves and (ii) available reserves. Once paid in compliance with applicable laws, shareholders cannot be required to repay interim dividends to the Company if the shareholders collected such dividends in good faith. Dividends not collected within five years from the date they become payable will be forfeited in favor of the Company. If profits are not fully distributed, additional reserves are created.

According to the Italian Civil Code, before dividends may be paid with respect to any year, an amount equal to 5% of the profit of the Company for such year must be set aside to the legal reserve until the legal reserve, including amounts set aside during prior years, is at least equal to one-fifth of the par value of the Company's issued share capital. This legal reserve is not available for payment of dividends. Such restriction on the payment of dividends applies, on a non-consolidated basis, to each Italian subsidiary of the Telecom Italia Group. The Company may also pay dividends out of available retained earnings from prior years or other reserves.

Dividends in respect of Ordinary Shares and Savings Shares held with Monte Titoli S.p.A. ("**Monte Titoli**") are automatically credited to the accounts of the beneficial owners with the relevant participant of Monte Titoli, without the need for presentation by such beneficial owners of any documentation. See "Item 10. Additional Information—10.4 Description of Capital Stock".

Arrangements between Euroclear or Clearstream and Monte Titoli permit the shareholders to collect the dividends through Euroclear or Clearstream. Holders of American Depositary Receipts ("**ADRs**") are entitled to receive payments in respect of dividends on the underlying Ordinary Shares and Savings Shares, as the case may be, in accordance with the relevant Deposit Agreement.

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Dividends payable on the Company's Ordinary Shares and Savings Shares may be subject to deduction of Italian withholding tax. See "Item 10. Additional Information—10.6 Taxation". Italian regulations do not contain any specific restrictions on the payment of dividends to non-residents of Italy. See "Item 10. Additional Information—10.2 Exchange Controls and Other Limitations Affecting Security Holders".

Pursuant to Italian law, in connection with the payment of dividends, participants of Monte Titoli are required to supply to the Italian tax authorities certain information concerning the identity of non-resident shareholders holding Ordinary Shares or Savings Shares. Shareholders are required to provide their Italian tax identification number, if any, or alternatively, in the case of legal entities, their name, country of establishment and address, or in the case of individuals, their name, address and place and date of birth, or in the case of partnerships, the information required for legal entities and the information required for individuals with respect to one of their representatives. In the case of Ordinary Share ADSs and Savings Share ADSs owned by non-residents in Italy, Telecom Italia understands that the provision of information concerning the Depositary, in its capacity as holder of record of the Ordinary Shares and Savings Shares, as the case may be, will satisfy these requirements.

The Depositary, in accordance with Telecom Italia, will provide information to beneficial owners of Ordinary Share ADSs and Savings Share ADSs, that are considered U.S. residents for purposes of applicable law. To the extent such owners wish to benefit from reduced withholding tax rates on dividends under an income tax convention, claims for such benefits must be accompanied by the required information. See "Item 10. Additional Information—10.6 Taxation".