

**Explanatory Report of the Notice Convening
the Meeting for Holders of**

**“Telecom Italia 1.5% 2001-2010 Convertible Bonds
with Premium upon Redemption”
ISIN IT0003187215**

**“Telecom Italia 2002-2022 Floating Rate Notes,
Exclusive Subscription by Employees and Retired Workers of the Telecom Italia
Group”
ISIN IT0003217640**

**“Telecom Italia S.p.A. Euro 750,000,000,000 4.50 per cent. Notes due 2011”
ISIN XS0184374063**

**“Telecom Italia Sp.A. Euro 1,250,000,000 5.375 per cent. Notes due 2019”
ISIN XS0184373925**

The agenda to be discussed and resolved at the meeting of noteholders, which will be held in Milan, on December 11, 2006, on first call, or, if necessary, on December 12, 2006, on second call, or, if necessary, on December 21, 2006, on third call, respectively, for each of the above issues, is as follows:

1. set up of the office of the noteholders' common representative;
2. activities carried out by the noteholders' common representative: relations with the Issuer; call of the noteholders' meetings; explanation of the web section dedicated to the noteholders, posted on the websites of the Issuer www.telecomitalia.it and www.telecomitalia.com (the “Web Site Section”); explanation of the systems for despatching information to the noteholders; presentation of the economic and financial position of the Issuer since the issue date of the notes. Reimbursement of the expenses for the activities carried out by the noteholders' common representative;
3. activities to carry on:
 - 3.1. appointment of a group of experts for the selection of the information to be published in the above Web Site Section and for the organization and coordination of a web forum dedicated to the noteholders;
 - 3.2. determination of the criteria for possible appointments to evaluate the economical and financial situation of the Issuer and its Group and transactions scheduled or implemented by the Issuer and/or its Group;
4. fund of the office of the noteholders' common representative;
5. compensation of the noteholders' common representative.

1) Set up of the office of the notesholders' common representative.

With reference to notes issues, Italian law provides for the office of the noteholders common representative (paragraph 2417 Italian Civil Code). Nevertheless, Italian law does not exhaustively provide for its functions.

Indeed, paragraph 2418 of the Italian Civil Code provides that the noteholders' representative has:

- the power to represent the noteholders in trial, even in bankruptcy procedures;
- the right to attend the shareholders' meetings;

- the duty to attend the drawing procedures;
- the duty to execute the resolutions of the noteholders' meetings;
- the duty to defend the noteholders common interests towards the Issuer.

The noteholders representative seems to have mainly participative and executive tasks with regard to the noteholders resolutions.

Yet, the provision "defend the noteholders common interests towards the issuer" is susceptible of many interpretations.

Italian law does not make clear if the noteholders representative has powers/duties to check the statements of assets and affairs, the operations and the transactions scheduled or implemented by the issuer and its financial trend.

The behaviour to be held by the noteholders representative is also not clear, should the issuer implement risky operations/transactions for the noteholders interests or should the issuer implement operations/transactions however susceptible to reduce the basic security provided by paragraph 2740 of the Italian Civil Code (which defends the noteholders' interests as well as any other creditor's) in comparison with the issue date of the notes.

In the above uncertainty in rules, notesholders shall discuss and resolve on the activities and functions to be implemented by their representative and the conditions and means to proceed. Lacking noteholders' resolutions, the noteholders' common representative has autonomously established an office, at his own legal firm in Milan, via Brera 5, with the aid of a secretary and of his own advisers, to provide to the activities connected with the study of the rules, the examination of the documentation related to the Issuer and to the issue, the call of the meetings, the relations with the Issuer, the coordination of some important instruments for despatching information to the noteholders (see paragraph 2 below).

Those activities, especially the activities aimed to study/examination and to despatch information, could be more exhaustively implemented with the support of a group of experts (see paragraphs 3.1 and 3.2 below).

- 2) *Activities carried out by the noteholders' common representative: relations with the Issuer; call of the noteholders' meetings; explanation of the web section dedicated to the noteholders, posted on the websites of the Issuer www.telecomitalia.it and www.telecomitalia.com (the "Web Site Section"); explanation of the systems for despatching information to the noteholders; presentation of the economic and financial position of the Issuer since the issue date of the notes. Reimbursement of the expenses for the activities carried out by the noteholders' common representative.*

The noteholders' common representative has organized a web section on the web site of the Issuer.

The above section is set up by five sub-sections: Introduction, Interactive Section, Consolidated Economic and Financial Data, Documentation related to the single Issues, Explanatory Section.

By the instruments introduced by the Interactive Section, the noteholder may get constantly informed, by fax, sms and e-mail, on the main activities concerning Telecom Italia Group and on the information, if any, concerning the notes and on the economic and financial press releases.

The Economic and Financial Data Section allows the noteholder to get aware on the situation of the Issuer. This Section shows the public documents : balance-sheets and six-monthly and quarterly reports, credit-analysts / rating of the Issuer, reports of the external auditor , consolidated debts (with mark up of the debts towards the banks and of the debts towards the noteholders), financial strategy already published by the Issuer. This section contains also a synoptic table showing the most important data, in order to enable the noteholder to get an

easier representation of the evolution of the Issuer's consolidated economical and financial position since the date of the issue of the notes.

The section devoted to the single Issues shows all the documents concerning the Issues (such as the prospectus [and relevant updates], terms and conditions, appointments of the common representative, notices of the meetings, explanatory reports, minutes of the meetings, etc.).

The Explanatory Section gives cognitive and interpretative instruments to allow the noteholder to be acquainted with the investment.

All the above activities required regular relations with the Issuer.

Noteholders are invited to consider the activities executed by the noteholders' common representative and discuss and resolve on the refund of the costs incurred in relation therewith.

3) *activities to carry on:*

3.1. *appointment of a group of experts for the selection of the information to be published in the above Web Site Section and for the organization and coordination of a web forum dedicated to the bond[note]holders;*

3.2. *determination of the criteria for possible appointments to evaluate the economical and financial situation of the Issuer and its Group and transactions scheduled or implemented by the Issuer and/or its Group.*

3.1) Information activity executed through the Web Site Section on the internet site of the Issuer could be better implemented appointing a group of experts. The experts shall select the information to be published and eventually promote a forum devoted to point out problems and to exchange opinions.

3.2) Should the noteholders resolve to appoint experts with the task of controlling the trend of the Issuer and its Group and operations/transactions scheduled or implemented by the Issuer and/or by the Group, the meeting shall also discuss and resolve the criteria for these appointments.

Noteholders, for their common interest, shall discuss and resolve on the usefulness of organizing the above information tools.

4) *Fund of the office of the noteholders' common representative.*

The activities that the noteholders will assign to the office of their common representative shall be supported by an adequate fund.

The amount and the conditions of funding for each kind of activity, and its utilization, shall be discussed and resolved by the said noteholders' meeting.

5) *Compensation of the noteholders' common representative.*

Similarly, the reward of the common representative shall be evaluated and quantified, and therefore discussed and resolved by the noteholders, as well as the conditions for the collection of the amount for its payment.

*The Noteholders Common Representative
Francesco Pensato
Lawyer*