

**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**

The agenda to be discussed and resolved at the meeting of the bondholders which will be held in Milan on March 28 on first call, and, if necessary, on March 29 and 30 on second and third call respectively, is as follows:

- 1) setting up the office of the bondholders representative and related activities;
- 2) determining criteria for possible appointments of experts with the task to evaluate operations scheduled or implemented by the issuer and/or by the group;
- 3) funding the office of the bondholders representative and fixing his compensation.

*1) Setting up the office of the bondholders representative and related activities.*

With reference to bond issues, Italian law provides for the office of the bondholders 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 representative of the bondholders has:

- the power to represent the bondholders in trial, even in bankruptcy procedures,
- the right to attend the shareholders’ meetings,
- the duty to attend the drawing procedures, to execute the resolutions of the bondholders’ meetings and defend their common interests towards the issuer.

The bondholders representative seems to have only participative and executive tasks with regard to the bondholders resolutions.

The provision “defend the bondholders common interests towards the issuer” is not clear.

The provision may be intended by the setting up of an office of the bondholders representative with the purpose to organize the collection and circulation of information, in order to facilitate the approach by the bondholders .

The above activity might be implemented by a group of experts with the task of selecting and circulate information through internet – by instance, the web site of the issuer – and/or a forum to point out problems and exchange opinions.

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

The behaviour to be held by the bondholders representative is also not clear, should the issuer run into risks or schedule or implement operations/transactions subject to a potential risk.

In the above lack of rules, bondholders shall discuss and resolve on the activities and functions to be implemented by their representative and the conditions and means to proceed.

2) *Determining criteria for possible appointments of experts with the task to evaluate operations scheduled or implemented by the issuer and/or by the group.*

Should the bondholders resolve to set up the office of their representative in order to appoint experts with the task of continuously control the trend of the issuer and its group, the meeting shall also discuss and resolve the criteria for these appointments.

3) *Funding the office of the of the bondholders representative and fixing his compensation.*

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

The amount, the conditions of funding and its utilization shall be discussed and resolved by the said meeting.

Similarly, the reward of the common representative shall be evaluated and quantified, and therefore discussed and resolved by the bondholders .

*The bondholders representative  
Francesco Pensato  
Lawyer*