Telecom Italia
European Broadband Project

STEFANO MAZZITELLI
Safe Harbour

This presentation contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the Company with respect to the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the Company's activities and strategies. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors.

Analysts and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia Spa undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telecom Italia Spa business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission, which set out certain factors that could cause actual results to be materially different from the forward-looking statements contained herein.
Telecom Italia European Broadband Project

In 4Q 2003 Telecom Italia launched the European Broadband Project exporting ADSL plug&play solutions in high growing European BB markets.

**Germany**

- **Sep 2003**: Acquisition of HanseNet, infrastructure based city carrier initially operating in the area of Hamburg, for 243 € mln
- **2003**: EBITDA break-even
- **2004**: ULL coverage expansion in the main German cities
- **2005**: Op. CF break-even
- **2Q 2006**: Closing of AOL Germany acquisition
- **1Q 2007**: 2.1 mln BB customers
  - 24% EBITDA margin
  - 41% coverage ULL on HH

**France**

- **Sep 2003**: Start up of BB infrastructure operator, based on TI Plug & Play model
- **Jun 2005**: Acquisition of LSG, for 266 € mln
- **2006**: > 0.8 mln BB customers
  - 44% coverage ULL on lines

**NL**

- **2000**: Start up of BBNed, wholesale BB operator with an infrastructure based model
- **2003**: EBITDA break-even
- **2006**: Op. CF break-even
- **1Q 2007**: 0.2 mln BB customers
  - 30% EBITDA margin
  - 74% coverage ULL on lines
Telecom Italia European Broadband: Customer Base Evolution

**Broadband Portfolio**

'000 BroadBand Access

- **France**
  - Dec-04: 420
  - Dec-05: 548
  - Dec-06: 929
  - Mar-07: 810

- **Germany**
  - Dec-04: 1,313
  - Dec-05: 225
  - Dec-06: 186
  - Mar-07: 185

- **The Netherlands**
  - Dec-04: 1,890
  - Dec-05: 577
  - Dec-06: 1,223
  - Mar-07: 3,113

**Total customer portfolio: BB+NB**

'000 Access

- **The Netherlands**: 185
- **France**: 1,012
- **Germany**: 3,104

Total customer portfolio: 4,301,000

* Including AOL Customers, as of March 1, 1,083 BB customers and 2,089k total customers
Telecom Italia European Broadband: market positioning

- Alice is the leading European BB brand outside domestic market with 3.1 million BB customers

Proportionate* International retail BB customers in Europe (Mln.) – March ‘07

- TI (**) 3.1
- FT 2.9
- DT 1.6
- TEF 0.7

(*) Based on Equity stakes in respective operations
(**) Including AOL Germany customers

International ownership:
- FT: NL, ES, UK (full ownership) and Poland (47.5%)
- DT: France and Spain (full ownership), Croatia, Macedonia and Hungary (partial ownership)
- TEF: Germany (wholesale), Cesky (partial ownership)

Source: Company Data
Telecom Italia European Broadband: integrated approach

The benefits of TI Plug & Play

- Pan-regional visibility of “Alice” common brand
- Capitalization of TI Group broadband marketing and technical know-how and platforms
- Solutions “quick and easy” to be exported in different markets
- Economies of scale
- TI Group synergies add levers in Pan-EU propositions to multinational corporations (MNCs)
  - TI Sparkle European footprint and capabilities
  - local BB access in EU countries
# European BroadBand Operations: Main Results 1Q ‘07 vs ‘06

€ Mln, %

<table>
<thead>
<tr>
<th></th>
<th>1Q ‘07</th>
<th>1Q ‘06</th>
<th>Δ</th>
<th>Δ %</th>
<th>Δ</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>304</td>
<td>204</td>
<td>+100</td>
<td>+49.0%</td>
<td>nm</td>
<td>+25.6%</td>
</tr>
<tr>
<td><strong>Ebitda</strong></td>
<td>30</td>
<td>2</td>
<td>+28</td>
<td>+8.9pp</td>
<td>nm</td>
<td>+275.0%</td>
</tr>
<tr>
<td><strong>Ebitda %</strong></td>
<td>9.9%</td>
<td>1.0%</td>
<td>+8.4pp</td>
<td>+18.4%</td>
<td>+1</td>
<td>+3.1%</td>
</tr>
<tr>
<td><strong>Ebit</strong></td>
<td>-31</td>
<td>-38</td>
<td>+7</td>
<td>+18.4%</td>
<td>+1</td>
<td>+3.1%</td>
</tr>
<tr>
<td><strong>Ebit %</strong></td>
<td>-10.2%</td>
<td>-18.6%</td>
<td>+8.4pp</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>142</td>
<td>95</td>
<td>+47</td>
<td>+49.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>% on revenues</strong></td>
<td>46.7%</td>
<td>46.6%</td>
<td>+0.1pp</td>
<td>+3.0pp</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reported Data

Organic Growth

European BroadBand Operations: Main Results 1Q ‘07 vs ‘06

<table>
<thead>
<tr>
<th>Δ</th>
<th>Δ %</th>
<th>Δ</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>+62</td>
<td>nm</td>
<td>+22</td>
<td>+25.6%</td>
</tr>
<tr>
<td>+6.6pp</td>
<td>+1</td>
<td>+1</td>
<td>+3.1%</td>
</tr>
</tbody>
</table>

Reported Data Organic Growth
# European Broadband: market trends and TI guidelines

|-------------------------|-------------------------|------------------|
| Market consolidation in main EU countries and sustained BB growth in all markets | ▶ Focus on business growth and operational efficiency  
▶ Constant monitoring of market consolidation and new opportunities in Europe | ▶ Germany: Closing of AOL acquisition (1st March ’07) – No. 3 BB operator in Germany (14% market share)  
▶ France: turnaround improving efficiency and quality of services |
| Increase of alternative operator ULL coverage and early stage VDSL/Fiber Network project | ▶ Increase of ULL Coverage via own network deployment and partnerships  
▶ Evaluation of ultra-broadband project | ▶ Germany: 41% ULL coverage in 1Q ’07, on track with 2007 EoY target (~60%)  
▶ France: 44% ULL coverage in 1Q 07, reaching original 2007 EoY target  
▶ The Netherlands: launch of fiber project with local municipalities (7K customers as of April ’07) |
| Diffusion of 2/3 play offers and development of Fixed – Mobile Convergent offers | ▶ Continuous Portfolio innovation with 2/3 P offers  
▶ Launch of convergent offers through MVNOs  
▶ Development of MNCs services on Corporate segment, leveraging on TI international capabilities and infrastructure | ▶ France: enhancement of 3P offer via partnership with Canal+ (March 12th)  
total 3P customers ~ 55K as of May ’07  
▶ Germany: launch of Alice MVNO (April ’07)  
~ 90K * customers as of May ’07  
▶ Investigating MVNO option in France  
▶ Development of integrated pan-EU IP-VPN solutions |

* Including 60k AOL MVNO customers
## European Broadband: market evolution

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>14.9</td>
<td>15%</td>
<td>7.5</td>
<td>15%</td>
</tr>
<tr>
<td>UK</td>
<td>13.0</td>
<td>15%</td>
<td>6.8</td>
<td>15%</td>
</tr>
<tr>
<td>France</td>
<td>12.7</td>
<td>13%</td>
<td>5.4</td>
<td>13%</td>
</tr>
<tr>
<td>Italy</td>
<td>8.4</td>
<td>14%</td>
<td>3.9</td>
<td>14%</td>
</tr>
<tr>
<td>Spain</td>
<td>6.8</td>
<td>16%</td>
<td>3.9</td>
<td>16%</td>
</tr>
<tr>
<td>NL</td>
<td>5.1</td>
<td>6%</td>
<td>0.9</td>
<td>6%</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.0</td>
<td>21%</td>
<td>2.3</td>
<td>21%</td>
</tr>
<tr>
<td>Poland</td>
<td>2.4</td>
<td>36%</td>
<td>3.7</td>
<td>36%</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.3</td>
<td>12%</td>
<td>0.9</td>
<td>12%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2.2</td>
<td>8%</td>
<td>0.5</td>
<td>8%</td>
</tr>
<tr>
<td>Austria</td>
<td>2.4</td>
<td>13%</td>
<td>0.6</td>
<td>13%</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>2.0</td>
<td>21%</td>
<td>0.8</td>
<td>21%</td>
</tr>
<tr>
<td>Hungary</td>
<td>1.7</td>
<td>16%</td>
<td>0.6</td>
<td>16%</td>
</tr>
<tr>
<td>Romania</td>
<td>1.5</td>
<td>32%</td>
<td>0.9</td>
<td>32%</td>
</tr>
</tbody>
</table>

Germany and France are among the largest and fastest growing BB markets in terms of Net Adds.

Source: Merrill Lynch, TI, IDC, Ovum
French BB market shows interesting growth in the next 3 years: +5 Mln of BB access

Strong competition based on portfolio innovation (launch of ADSL 2+, 1st market for VoIP and IPTV penetration in Europe) while 3Play price stabilized at ~30€/month for all players

Market consolidation (merger Neuf/Cegetel and following acquisition of AOL France, Tele 2 acquisition by SFR, …) will continue
Development of Broadband market in Germany

Min accesses

- Germany is the first BB market in Europe in terms of size: 15 mn BB access, ~ 8 Bln € in value
- BB growth will continue at high rate (+15%) and penetration will reach 60% on fixed lines in 2009
- Highest Net adds in Europe: +7 Min of BB access, +4 Bln € of revenues will be distributed over the next 3 years
# European Broadband Project*: 2007 - 2009 Targets

<table>
<thead>
<tr>
<th>Report data</th>
<th>2006 Actual</th>
<th>2007 Targets</th>
<th>2009 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB Customer Portfolio ('MLN Access')</td>
<td>1.9</td>
<td>&gt; 3.5 (EoY 2007)</td>
<td>&gt; 5.0 (EoY 2009)</td>
</tr>
<tr>
<td>Revenues</td>
<td>0.9 Bln €</td>
<td>~ 1.6 Bln € (Year 2007)</td>
<td>&gt; 2.2 Bln € (Year 2009)</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>8.9%</td>
<td>&gt; 14% (Year 2007)</td>
<td>&gt; 22% (Year 2009)</td>
</tr>
<tr>
<td>CAPEX</td>
<td>0.5 Bln €</td>
<td></td>
<td>~ 1.2 Bln € (Cum. '07-09)</td>
</tr>
<tr>
<td>Op. Free Cash Flow</td>
<td>- 0.3 Bln €</td>
<td></td>
<td>Positive from 2009</td>
</tr>
</tbody>
</table>

* Germany, France, The Netherlands
Telecom Italia

Focus on HanseNet

HARALD ROESCH
Germany: market trends and HanseNet 2007 objectives

**Market Trends**

- German BB market growth is expected to continue at high rates (CAGR 06-09 +15%)
- Market concentrated among 4/5 competitors with room for further consolidation
- German ARPU, 40-50 €/month for bundle Voice + DSL, above European average
- Deutsche Telekom VDSL Plan and relevant regulation still under debate

**HanseNet 2007 objectives**

- Hansenet is an a very good position to capture the incremental market growth: Customer Base Target: ~ 2.5 mln BB customers
- Coherent marketing strategy to ensure continued success story
- Portfolio enhanced to maintain leadership in innovation in the market
- Network coverage expanded to ~ 60% of Households (~ 24 mln HH) with strong focus on cost efficiency
### HanseNet: Alice Germany market position

<table>
<thead>
<tr>
<th>ADSL customers (Mln) 1Q 2007</th>
<th>ADSL mkt share</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-online</td>
<td>7.0</td>
</tr>
<tr>
<td>United Internet</td>
<td>2.4</td>
</tr>
<tr>
<td>HN + AOL</td>
<td>2.1</td>
</tr>
<tr>
<td>Arcor</td>
<td>2.1</td>
</tr>
<tr>
<td>Freenet + Tiscali</td>
<td>1.2</td>
</tr>
<tr>
<td>Others *</td>
<td>0.9</td>
</tr>
</tbody>
</table>

*Others include Versatel, Net Cologne, EWE Tel and other alternative operators*

Alice is now among the TOP 3 German Players
HanseNet: a success story

**ADSL customer base**

- '000 BB customers, %
  - 1Q '06: 686
  - 2Q '06: 745
  - 3Q '06: 816
  - EoY '06: 929
  - 1Q '07: 2,118

ADSL M/S: 5.6% in 1Q '06, 6.0% in 2Q '06, 6.2% in 3Q '06, 6.4% in EoY '06, 13.6% in 1Q '07

*Continuous increase of ADSL customers and M/S*

*Including 1,083k AOL customers, as of March 1*

**Revenues**

- Mln €, %
  - 1Q '06: 111
  - 2Q '06: 127
  - 3Q '06: 138
  - 4Q '06: 152
  - 1Q '07: 198

*Strong revenues growth*

**EBITDA**

- Mln €, %
  - 1Q '06: 28
  - 2Q '06: 32
  - 3Q '06: 39
  - 4Q '06: 46
  - 1Q '07: 48

Margin: 25.1% in 1Q '06, 25.4% in 2Q '06, 28.6% in 3Q '06, 30.4% in 4Q '06, 24.2% in 1Q '07

*Continuous improvement in EBITDA*

**EBIT**

- Mln €, %
  - 1Q '06: 10
  - 2Q '06: 13
  - 3Q '06: 18
  - 4Q '06: 23
  - 1Q '07: 22

Margin: 8.7% in 1Q '06, 9.9% in 2Q '06, 12.7% in 3Q '06, 15.4% in 4Q '06, 11.1% in 1Q '07

*Continuous increase of EBIT*
HanseNet: key elements of success

- **Product**
  - Attractive Voice and DSL bundles
  - Innovation Leader (e.g. IPTV)
  - High quality service
  - Increase availability through ULL coverage development

- **Pricing**
  - Simple and transparent (e.g. no minimum contract period)
  - In line with competition and 10€ less than T-COM

- **Distribution**
  - Multi-channel strategy leveraging on Web and Call Center sales channels

- **Promotion**
  - Communication Strategy: emotional and not only price driven
  - Local communication approach

---

Fair,
Uncomplicated,
Clear,
Value for money
HanseNet: Alice Germany’s strategic focus

- PRODUCT INNOVATIONS
- ALICE STRATEGY
- AOL INTEGRATION
- COVERAGE EXTENSION
- COST AND REVENUE SYNERGIES FROM AOL MERGER
HanseNet product innovations: IPTV

Description IPTV Offer
- Basic TV subscription for 9.90€/month (All public and all major private German TV channels)
- Video-On-Demand offering films from several Hollywood majors (e.g. Disney)
- Additional 40 TV channels in Pay-TV packages

Launched in Hamburg in September 2006

Current Results
- Currently ca. 10.000 subscribers with ARPU of >10 Euro per month and Gross Margin > 50%
- Ongoing customer growth
- Technical stability reached with high quality video; no issues with scalability

2007 Developments
- Extension of coverage to ca. 8 Million Households (Berlin opened in May)
- Additional Content (TV and radio channels, VoD films) to enhance attractiveness
- Additional features (e.g. Time-Shift-TV as legally possible) and usability improvements
- Alternative forms of usage
## HanseNet product innovations: Alice Mobile

### Description Mobile Offer
- **Option Alice Mobile available for subscribers to Alice Broadband services**
- **Monthly Fee: 0 €**
- **Calls from Alice to Alice (Mobile-Mobile, Fixed-Mobile, Mobile-Fixed): 0 cent**
- **All other national calls (mobile or fixed): 15 cent/minute**

### Current Results
- **During first 6 weeks ca. 40,000 subscribers to Alice Mobile option**
- **Total mobile customer base ca. 90,000 (including also AOL Mobile)**

### 2007 Developments
- **Integration with Online Services (e.g. Mail and Portal)**

Launched in May 2007
### HanseNet product innovations: Portal and Value Added Services

<table>
<thead>
<tr>
<th>Alice Portal</th>
<th>Current Status</th>
<th>Outlook</th>
</tr>
</thead>
</table>
| ![Alice Portal](image) | - Since April all Alice customers have the joint AOL-Alice Portal (operated by AOL) as default home page  
- New Value Added Services such as options for Internet Security and a new Mail Service have been introduced recently | - Focus will be on growth of portal traffic and generation of additional ARPU from VAS |
**HanseNet: development of geographic coverage**

- Strong focus on ULL coverage, reaching ca. 60% EOY '07 (25% own network and additional coverage through partnership with Telefónica and QSC)
- ULL coverage considered key to success in the market
- Own network gives <10 Euro margin advantage per month compared to wholesale ULL (payback period for CAPEX ca. 2 years)
- “Make and Buy” approach gives flexibility to react to evolution of regulatory environment and quality of platforms

**ULL coverage expansion**

<table>
<thead>
<tr>
<th>Year</th>
<th>% ULL Coverage through Alice Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q '05</td>
<td>~12%</td>
</tr>
<tr>
<td>1Q '07</td>
<td>~40%</td>
</tr>
<tr>
<td>2007</td>
<td>~60%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>% ULL Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q '05</td>
<td>~5</td>
</tr>
<tr>
<td>1Q '07</td>
<td>~16</td>
</tr>
<tr>
<td>2007</td>
<td>~24</td>
</tr>
</tbody>
</table>

* % on Households, HH (mln)
# AOL Integration

<table>
<thead>
<tr>
<th>Activities</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Merger</td>
<td>Closing 1st of March 2007 (Start of consolidation of AOL accounts)</td>
</tr>
<tr>
<td></td>
<td>Legal Merger of all AOL Companies in HanseNet done in June 2007</td>
</tr>
<tr>
<td>Organization</td>
<td>Integrated organization in place since March</td>
</tr>
<tr>
<td>Products and Channels</td>
<td>Alice product line and brand has been adopted for new company</td>
</tr>
<tr>
<td>Customer Migration to Alice CRM systems</td>
<td>Migration ongoing. Already 20% of customers have been successfully migrated. Finalization of migration by end of 2007.</td>
</tr>
<tr>
<td>Upselling of AOL customers</td>
<td>Upselling of AOL Narrowband and Broadband customers to Alice products (and network) is ongoing</td>
</tr>
<tr>
<td></td>
<td>Upselling requires individual opt-in but doubles ARPU and multiplies margins by 4 in ULL areas</td>
</tr>
<tr>
<td>Synergies</td>
<td>Cost saving projects are under way with target of 25-40 Million € benefits per year</td>
</tr>
</tbody>
</table>
# Hansenet: 2007 – 2009 Targets

<table>
<thead>
<tr>
<th></th>
<th>2006 Actual</th>
<th>2007 Targets</th>
<th>2009 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB Customer Portfolio</td>
<td>0.9</td>
<td>~ 2.5 (*) (EoY 2007)</td>
<td>&gt; 3.2 (EoY 2009)</td>
</tr>
<tr>
<td>('MLN Access)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>0.5 Bln €</td>
<td>~ 1.1 Bln €</td>
<td>&gt; 1.5 Bln €</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Year 2007)</td>
<td>(Year 2009)</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>28%</td>
<td>~ 25% (Year 2007)</td>
<td>&gt; 30% (Year 2009)</td>
</tr>
<tr>
<td>CAPEX</td>
<td>0.2 Bln €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Op. Free Cash Flow</td>
<td>0.0 Bln €</td>
<td>Positive cash flow</td>
<td>~ 15% on revenues (Year 2009)</td>
</tr>
</tbody>
</table>

(*) Including about 1.1 Mln customers from AOL acquisition

---

TLCne-051027-P23
TELECOM ITALIA
Deutsche Bank 10th German Corporate Conference 2007
Frankfurt, June 20
Back up
## Regulatory Impacts 2007

<table>
<thead>
<tr>
<th>Subject</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>New ULL monthly and set-up fees</td>
<td>No significant price decrease has been granted on monthly ULL Fees</td>
</tr>
<tr>
<td></td>
<td>Decision on one-time fees expected for the end of June – in current political environment no significant economic benefits are expected</td>
</tr>
<tr>
<td>Access to Deutsche Telecom Ducts and Street Cabinets</td>
<td>Improves HanseNet possibilities to evaluate further network enhancements in high market share areas (VDSL/Fiber)</td>
</tr>
<tr>
<td></td>
<td>Business case will depend on pricing for duct/cabinet access</td>
</tr>
<tr>
<td>Introduction of naked DSL/Bitstream Access</td>
<td>Could potentially improve margins in areas without ULL coverage (Expectation ~5 € margin increase per month with respect to Deutsche Telekom’s Resale conditions)</td>
</tr>
<tr>
<td></td>
<td>Customers will not need telephone connection from Deutsche Telekom anymore</td>
</tr>
</tbody>
</table>