

Telecom Italia
3Q'07 Group Financial Results – Conference Call
Milan – November 9, 2007
Q&A session

1. Mr. Robert Grindle from Dresdner Kleinwort:

Yes, hi there. Firstly I'd just like to say I'm not surprised it's taking the new owner six months to find a new top management team. I think it's hard to find one of the same high quality as the existing one. And, if the new shareholder's listening, I hope the TI IR department got the high recognition they deserve with the changes ahead. And now my couple of questions: is it possible to give some extra detail on the tax notices you have been hit with, and that you refer to in your press release? Is it possible to quantify the size of the risk that you might be facing? And then the second question: with regard to the slowdown in domestic mobile VAS, due to messaging, is that something seasonal? Or do you expect the messaging to be depressed in the next couple of quarters? Thanks very much.

Well, about your question on taxes, I'm pleased to answer to your questions, trying to clarify the rumors on the newspapers. The tax inspectors are making their audits on our books for the years 2002 to 2006. And up to now, the tax inspectors' audit reports, performed by the so-called Guardia di Finanza in Italy, that is the operating tax inspector level... they should give their reports to us and to the upper level of the tax inspectors, that is the revenue agency, and no tax assessment has been made so far on these tax audit reports. They claim three topics, let me say; they are three topics that are very well known, because they were disclosed in our annual reports to any level, and were in accordance with the law and the fiscal law. I remind them: number one refers to the devaluation that was made by Olivetti in 2002 on the Telecom Italia shares that were carried in the Olivetti books. This devaluation was made just for fiscal purposes, to take benefits from that, according to the fiscal law, it was disclosed in the annual report, and was in accordance with the law. The claim of the tax inspectors relates to the fact that in 2003 we merged Olivetti and Telecom Italia; so, they claim that the devaluation made by Olivetti was a part of an elusion design put in place in order to avoid that later on the Telecom Italia shares should have increased in their value, so we subtracted the possibility to tax this increase in value. This claim has no foundation, in our opinion because, first of all, it was put in place in accordance with the law, there is no relation between this and the merge of Olivetti and Telecom Italia, that was made for different reasons, and we are confident that we could... be recognized that we did it in a proper way. And, as a matter of fact, no tax assessment has been made by the revenue agency, that is the only entity that has the authority to do that. The second item that was risen by the tax inspectors relates, again, to the sale of Pagine Gialle, that was made in July 2003, through the spin-off of the part of Pagine Gialle, as it was sold with a loss on the... a little loss on the.. on this disposal. The tax inspectors claim that also in this case we put in place an elusion project, because instead of a spin-off, we should have sold the part of the company Seat Pagine Gialle, and not the spin-off of the Seat Pagine Gialle, because in that way we should have a profit, and the taxes should have been paid. Also in this case we are confident that we did right, we were also supported by opinions of advisors, this transaction was clearly disclosed, put in our annual report and in our balance sheet, and there is no common sense to sell a part of a company while using the spin-off of a listed company. The third claim that was reported by the tax inspectors relates to the famous concession fee that Telecom Italia paid until 1999; we claim we were given right in the European court in 2003, and, later on, in the Italian courts in 2004. They dispute that we were wrong in accounting this profit in 2004 when the final sentence of the Italian court was issued, because we should have accounted this profit in 2003, when the European court gave right to us, and they claim that this profit should have been booked in 2003 and not in 2004. I remind you that in the profit booked in 2004 we paid taxes on that, and then we were reimbursed in cash only in 2006. So, we were disappointed about this item, but,

anyway, we are, also in this case, confident of what we did, and we have tax experts' opinions on all of this item, that were issued previously than when we put in place all those transactions, and, also after the claims of the tax inspectors, our tax experts confirmed their opinions. These are the three items of tax inspectors. There is a fourth one that is talked about in the press, which relates to Blue. Blue, as you remember, was a company... a telecommunications company, it was spread off, and a part of them was assigned to different companies. We took the company, the empty company, with the tax carried on, and before doing this, we asked the tax authority for a ruling: a written request and a written answer from the tax authority recognized that we could do the transaction, and take the benefit of the tax carried by Blue. Later on, the tax inspectors denied the... what they did with the ruling, and also in this case we have experts' opinions that say that we were right with the ruling. Also in this case there are no tax assessments. So, on nothing of what is said by the press there is a tax assessment, there is only a tax report by tax inspectors. For which... I repeat, we are confident, and supported, about what we did; all this was clearly reported in our books. You ask what the amount of debt is: the theoretical amount of all this... amounts to 3.3 billion, but, I repeat, there is no foundation of this issue... in addition, the press also talks about VAT elusion or evasion that we should have put in place, but on this subject there is absolutely nothing, neither from tax inspectors, nor from anybody on this subject that relates to VAT. So, in this case we have nothing to say, because it's completely... there's no foundation on that. So, I hope that... I tried to explain what the situation is in a very clear way, but, anyway, I'm available to give you any further detail on this subject. Thank you.

Yes, first of all, thank you for your kind words on management. On the VAS, the trend is on messaging... we see on the fourth quarter, probably, a slight increase, around 2-2.3%. So, it has been mainly due to the seasonality on messaging due to the promotion on the summer side that we had on messaging.

Thanks very much. That was very clear.

Thank you.

2. Mr. Damian Maltharp from Cazenove:

Thank you very much, I've got two questions. First, you just... I suppose, you know, on your guidance about the full year net income, if I understood correctly, I would suggest a Q4 net income figure of 3-400 billion euros; given what you've been running at in the first three quarters, what should we be thinking about specifically that's going to dampen Q4? Is that just purely the fact that Q4 margins tend to be lower, or is there anything else below the EBITDA line that we should specifically be looking at? And the second question... it kind of relates to tax, but perhaps maybe a bit more positively this time: it looks like the corporate corporation tax rate reduction was approved yesterday; can you just let us know what impact will that have on your effective tax rate going forward? Thanks.

Thank you. For what regards net income, I remind you that the sold part cashed in that I mentioned before amounted to 500 million dollars, which equals to 360 million euros, net of book value it's about 100 million, and net of tax it's less than 200 million. So, this is the amount that we expect to book in the fourth quarter. Then there are no major issues that occur in the fourth quarter; of course we estimate in our forecast to account for any... properly, for all the evaluations that we have to make, for tax approvals, for... and so on and so forth. And what I said is that taking into account the consensus that talked about 2.5-2.6 billion, we are confident we'll deliver on that. I'm not saying we'll deliver less or more than that, if you say 2.5-2.6, we are confident that we'll deliver this kind of amount. Then, again on... you mentioned another question on taxes...

Yes, on the corporate tax...

... the tax rate of corporate... well, this is a usual issue that we have on the tax rate. I'll tell you again, the tax rate is based on the Italian taxable income, and the expected tax rate for the nine months is in the range of 43%, and we expect 46% by year-end. I said various times that the tax is calculated on the taxable income according to the Italian statutory books adjusted for dividends and other issues, that is 43% on that; in addition, we have to add the so-called IRAP, I-R-A-P, tax that is not calculated on the taxable income, but is calculated on some cost items, that accounts for another 10% of taxable income, roughly. So, on average, the tax burden is in the range of 43%, but, according to adjustments made, by year end we expect a tax rate of 46%. Again, don't calculate the tax amount to the consolidated profit before tax, because there is no relation between the consolidated profit before tax and the tax amount that is calculated according to the Italian statutory books in the way that I said.

Actually, my question was more about the tax rate going forward...

The... it's then... you say that the so-called Finanziaria law has been approved, but it's not yet been approved; so, there is no... no... it should apply for next year, not for this year.

So we shouldn't be thinking about any changes in the tax rate...

It has not been... it has not been approved. There is no change for this year in corporate tax. It's as usual, as I used to comment on taxes, as the calculation and the rate is always the same.

Okay. Thank you.

Thank you.

3. Mr. Luigi Minerva from HSBC:

Yes, good afternoon to everyone. I've got three questions, if I may. The first one is on the dividend guidance you issued at the Investor Day; can you confirm the 80-85% payout ratio? The second question on the regulatory review on network separation; my understanding is that, as the law stands at the moment, the NRA doesn't have the power to enforce any resolution, or to impose anything, they need to look for an agreement with you. If you can confirm that, and possibly give us an update on the regulatory review? And the final question: your basic broadband offer is now on 7 mega. If you can tell us a bit about the coverage of the (...), the technology collaboration you've made to reach that level, and what sort of investments did it require. Thank you very much.

Okay. For what regards the dividend guidance, we don't have any news on that, because we don't have a new plan, we didn't have a new talk with the new shareholders about that... so, from a manager standpoint we confirm that there is no reason to change that guidance, but, if there shall be a new guidance, it will be communicated... when it is available. Thank you.

Okay. For what concerns regulatory updates, we have for the moment, on the network separation, no further information. The only thing is that our position remains the one which I think is known. We believe, and, I think, also the NRA believes that any process on network separation will be much better to be agreed between the parties. And, so, what's next to come from a win-win situation for... not only for TI and the NRA, but for the overall market, so I think that is the spirit that we've... we have conducted the issue since we started with the NRA, and I think that this is the spirit which is remaining. I think that in the next months, if we will continue on this discussion, again, the spirit of reaching a win-win agreement for the entire market will be fundamental for

addressing this issue. For what concerns the 7 megabit, we... you know, the upgrade investment is about 30 million euros, and the coverage of the service will hit, this year, 95% of coverage, and next year about 98.5%. So, we'll be able to deliver this performance around and across more than 7,000 local exchange switch of TI.

Thank you very much.

Thank you.

4. Mr. Nick Delfas from Morgan Stanley:

Yes, thanks very much indeed. Two questions: first of all, on page 5 of the operations' presentation. I just wanted to talk about the capex rise in 2007, because, obviously, you've given quite a lot of information about EBITDA and costs. What's lying behind that pretty big rise in capex year-on-year? And, secondly, is it still your views that EBITDA in 2008 is likely to be flat down, or how is that outlook changing? Thank you very much.

Okay. Mainly the capex driver... has been all driven by Brazil and, basically, the European broadband. So, on the... mainly on the domestic side, we had a... so, basically, an increase of about 60 million euros, 60-70 million euros, out of the 202, and this is mainly because of an HSDPA increase of deployment. So, we moved from 50 to 70% coverage, mainly due to the increase of coverage of DSL2+ and the migration of our basic offer, flat offer, to 7 megabit, from 2 mega, on flat... for... again, the flat... and the rest is European project and Brazil, which counts for the rest. So, it's about 110 million in Brazil and about 20 million for the European project. On Brazil: the main cost has been Information Technology; so, on IT, on the platforms, CORM... so on customer operations platforms of this year, so this is the main driver of the increase of capex that we had for Brazil. Your second question, sorry, was...?

Yes, I was just wondering... I mean, at the Investor Day in March, it appeared that the outlook for 08 was still a little bit uncertain... and maybe it was going to be down on 07 at the EBITDA level... is that still the case?

No. I think that for 08... if we look at the trend that we are, again... looking at the profitability trends that we have seen on the domestic side, which are slightly improving compared to our targets, we have for the moment an 08 outlook that is, at least at the EBITDA level, for the domestic, in line with 07.

And does that mean that you're happy with the dividend guidance around 10 cents as well?

Again, you know, we... we confirm that for what concerns 07 dividends, we have... reaching the targets is... and looking at the net income perspective for the year, we have absolutely no concern on what we have said in March for dividend.

Okay. And do you expect the new (...) to take another look at that? Or do you think it will remain... the fact that the policy will remain the same?

Let me say that it is very difficult for me to forecast what the new shareholders could... imagine on this matter not having discussed with them on that. So... But, again, I repeat that for what concerns the financial objectives being matched, we don't see... and, in any case, the management will recommend to the new shareholder to respect the guidance on dividends that we have said in March.

Okay. Thanks very much.

Thank you.

5. Mr. James Rivett from Citygroup:

Yes. I've just got a couple of questions. Is there anything within the improvements that you've seen in the domestic mobile market recently, is there anything to suggest that these trends shouldn't continue, and, indeed, accelerate as we go into... as we go into 2008? And, secondly, in terms of the European broadband businesses, the performance in all of them and the profitability revenue's strong, except for in France, where you're still struggling to reach an EBITDA positive and add customers. Do you think there's any conceit or chance you would think about exiting that business at any stage? Thanks.

Okay. Let me say, for what concerns the domestic mobile trend, that we... we see a... you know, in particular on the value-added service side, positive trends, not only for this year, but also for next year. So, we expect that VAS on revenue, for next year, will be really around 25%, looking at how especially new services are improving, like browsing and all interactive, because of the new technologies that have been introduced. On our last Dealer Convention, 53% of the sale was non-GSM, which counted for more than 1 million 600,000 non-GSM handsets. So, we have introduced new packages, and new services, combining value-added services and voice, but also combining broadband mobile with value-added services and voice and fixed. So, we see this trend also with keeping the elasticity effect fine... you know, a solid perspective for the domestic mobile in 08. For what concerns the European broadband... for what concerns France: again, we believe we have improved significantly since a year, with almost 19% of EBITDA improvement in terms of percentage. We are going to post last Q EBITDA positive for France, which is even a quarter ahead of what we were expecting, compared to our plan. Then, let me say that, of course, the French business, taking into account how the French market today is standing, on the medium-long term, it's not a country in which we want to consolidate. And so, I don't deny that we have considered to exit France and, eventually, of swapping that investment or that sale, going to other European countries, or to consolidate our presence in other countries. So, this is something we're willing, of course, to take into account.

Very clear. Thank you very much.

Thank you.

6. Mr. Justin Funnel from Credit Suisse:

Thank you. I guess, just a feel for how one (...) competition is evolving in Q4. I think that there's been a bit of a vacuum in competition over the summer in Italian consumer broadband, which obviously is of July and also not as well as your efforts on retention; I believe there's a press got from Wind (...); do you think it's reasonable for you to maintain your line loss at these 200,000 a quarter, or should we expect it to take up again over the next twelve months? And the second on mobile is a similar question, really: you've obviously effectively cut your price after the Bersani Decree, whereas your competitors tried to rebalance, and you've taken some share since then. But now are we seeing your competition react? Are they cutting prices to try and slow down the market share gains you've had in domestic mobile? Thanks very much.

Well, for what concerns wireline, it's absolutely true that Wind is strongly competing. We expect to see not a significant but, you know, a little rebound on ULL takeout, and then takeoff on fourth Q, compared to third, which has been, relatively pure, again, with 160,000 ULL, compared to 260... or 290 in the second Q. So, it will probably hit a bit more than third Q for sure, also because of the end of the seasonality, but we don't really think it's going to be a 12 month period. It goes more on seasonality, and the overall pickup is more or less under control, taking into account the new offers, the strong migration that we are doing in bringing free customers into flat, the 7 megabit rollout, so the naked DSL offers that we're going to launch in 08 in the business and in the residential market, that will help also improving our offer presence. So, all these elements bring us to say that we're going to see more or less the same trend next year, without any, you know, big or strong impacts. For what concerns the mobile: the mobile trend, again... we... for what concerns the elasticity effect, you know, in particular combining this elasticity with the pricing plans that we have in the different seasons, is, you know... we don't forecast there, again, any signs of strong difference between what we are seeing now. Competition is more or less in line with what we've been doing, so we don't see any really strong pressure on the pricing side; the overall price per minute, you know, since the summer, but also in these first months after the summer period, did not really change so much compared to what we were forecasting. So, we don't see, also from that side, any big discontinuities on the pricing side.

Thank you. Maybe just a follow-up question on consolidation of (...) a long awaited event in the Italian mobile everyone was hoping for it; do you see any sign that it may finally be becoming as of reports of 3 Italia being out for sale, do you see any sign that either you or your competitors might be able to buy this business and take it out of the market?

Well, we see... certainly, you know, in Italy, and this is another positive trend, a consolidation of the market. I think that the move of Vodafone in acquiring Tele2 is a sign that the market is going to move into a convergent market. Not only on fixed-to-mobile purely, but integrating broadband, IP solution, fixed, and mobile. This is something that, apart from us, Voda will pursue, Wind can pursue, so I think there is going to be a consolidation in any case around this model in the next few years, which is also positive because it's a model in which more and more the quality of value-added services, because of the (...), and also the acceleration of the broadband market, will be fine for all the competitors. Not only on fixed, but in particular on mobile. So, I think this is positive, because when the major players in the market share the same model, the overall market starts growing fast, not only in the single lines of business, but overall. So, I think that's another positive element, apart from the consolidation.

I'm sorry, are there any insights or is it just too difficult to know what's going to happen?

It is very difficult, you know, to forecast anything.

Okay. Thanks very much.

Thank you.

7. Mr. Simon Weeden from Goldman Sachs:

Yes. I have two questions, if you don't mind. First, I wanted to know if you could update us on the extent of your cooperation with Telefonica in Germany, and where that might go next. And second, would be coming back to the tax question, should we take it from your previous answer that you're expecting to see a tax rate at about 46% in 2008 as well? Do you mean that the corporate tax reduction doesn't go through from the government? And... but if it does go through from the government, what would you expect the impact to be versus it doesn't? Thank you.

Well, for what concerns the Telefonica, we basically stick with what we said previously. I think there are *n* areas of opportunity to work together to bring synergies. We estimate these synergies, potentially being around 500 million euros per year, for both... I think the areas where we can start working very soon are the areas we indicated, so the purchasing, the... basically, the joint R&D, the content side, as well, the international accounts... these are some of them... we started also a good relationship between the two companies in Germany, between O2 and Hansenet, on... a mobile virtual operator which is bringing us a successful... also there, there are areas in which we will see in particular on the IP side what we can do jointly. So, these are the areas where we very soon will start working with them.

For what regards your question, again on taxes: up to now there is no change in the tax law for corporate. Of course, if there will be any changes in 2007, then we will benefit from them, but the law that will rule this aspect has not yet been approved nor discussed. So, it will happen from next year. But we don't have any... any official information on this subject.

So, there's nothing public that we can use as a template for understanding what the impact might be if it was approved?

Sorry?

I can't quite follow you... if I'm understanding you correctly, there isn't anything that's in the public domain yet anyway that would allow us to assess what the impact would be if the proposal was approved?

Well, of course if there is any assumption on the change in taxes, it's very easy to evaluate what the impact on our accounts is, but up to this moment there is no... no firm assumption that we may extrapolate for 2008, and absolutely not for 2007.

Okay. Thank you very much.

Thank you.

8. Ms. Micaela Ferruta from Intermonte SIM:

Thank you. Good afternoon. I have three questions, if I may: one regards broadband, again. I'd like to ask you: given the slight slowdown, which is of course also due to the seasonality in Q3, whether you can share with us a target of penetration for the broadband market for the end of the year and for 2008? And maybe tell us if you believe there is a further price cut, which you believe is needed, or would be needed, in order to achieve this penetration. And second question on mobile regulation: I've been reading in the press that the authority would... or is thinking about cutting mobile termination more than what it initially thought on 08, so I would like to have a comment on that and an update on that. And a final question: can you give us an update on the guidance for the group's capex for the end of this year? And just a clarification, I'm sorry, the fourth one: when you said synergies with Telefonica around 500 million per year for both, so to be split between you and Telefonica, or you meant each? Sorry. Thank you.

No. both... both.

Thanks.

Okay. For what concerns broadband, we have an expectation of penetration for broadband for the year end of about 45% on total lines. We think that the trend on the next... for next year should be about 50-52%. We believe that the trend in the next two years will be near 60%. Of course there are two drivers for this increase in penetration of about 15-20% compared to, let's say, September, which is, on one side, further price readjustment, but also the mix, and so the progressive penetration of dual play and triple play programs. So these are mainly the drivers that we see, which were also the main cause for the slight increase of penetration that we have forecasted and that we have seen in these years. For what concerns mobile termination... well, you know, we cannot exclude any revision of it, but we have no, basically, not only information, but we didn't have any discussion for the moment with the NRA. So, it is still a possibility, but, again, no... no... any official meeting or any official contact with the NRA on that matter. Your third question was an insight... sorry, on the capex guidance for the year end: capex will be about 5.5-5.7 billion at the year end. This is the capex figure that we see for 07.

Thank you very much. Can I ask what the share of the domestic is going to be out of this 5.5-5.7 billion?

About 3 billion is the domestic side.

Okay. Thank you.

3.5... sorry.. 3.5

Okay. Thanks.

3.5; Thank you.

9. Mr. James Brittain from Leheman Brothers:

Thank you very much. The first question is just on your interest burden: basically, the cost of debt is currently 5-5.5%; do you see this trending up slightly in 2008? And then the second area is around your push into postpaid in mobile: do you actually see the current of postpaid connections to be stable, or is it likely to increase from here? So increase from the 24% of gross connections you've had year to date and do you know yet whether you're seeing an increase in consumer ARPU when you pull an existing prepaid customer over to postpaid? And then how much by? And then finally: what capex do you actually spend on handsets for these 1.8 million postpaid connections for this year?

Well, for what regards your question on the interest burden: now the average cost of our debt is in the range, as I said, of 5.5; we don't expect it to go up in 08, because, as you know, 70% of our interest cost is fixed, only 30% is variable. So, we don't expect any of this in 2008. According to expected word... of course.

Okay, thanks.

For what concerns the... we basically see a trend for postpaid increasing. So, all our offers are in that direction. So, this not only in the business, but also in the consumer. We can... we have... you know, taking into account that the most of this ARPU is coming from business, we are seeing... sorry... the postpaid is coming from the business... we see an increase of about 10 euros on the ARPU on a year-by-year on the business, because of postpaid... so, which is moving from 65... to 75 to 80 euros on the business side. So, again, we don't see any stop on that going forward...

Sorry for interrupting, but you said on the consumer side, where you're pulling over prepaid customers to postpaid, are you seeing a positive impact on their spend?

Yes. On the consumer side also, we see an improvement of the ARPU, which is about 10-15%, depending, of course, on which profile of customer it reaches. So, you know, let's say, the overall is around 10%. For what concerns the mobile handsets capex, including business customers it's about 250 million euros.

Okay. Fantastic. Thank you.

Thank you.

10. Mr. Guilleum Tastet from Oddo Securities:

Yes. Good afternoon. I was wondering if you could update us on your convergence strategy in Brazil; how your Home-zone offer is going on, and (...) Francois for business? Thank you.

Sorry, can you speak louder? I missed your question, I'm sorry.

Can you hear me better now?

Yes. Fine.

Well, I wanted to know if you could update us on the development of your convergence offers in Brazil, especially on the residential and on the business side. Thank you.

Yes. The convergence's really moving very well. You know, the TIM Casa product in Brazil is taking up very well, so the Home-zone product. So, we are looking at launching... when we will bid for UMTS next year, also convergent products, you know, using UMTS for mobile data. We think that mobile data in Brazil will catch up pretty well, because, especially... not only for UMTS, but also in the future, when after UMTS you will have high speed HSDPA networks, because of the performance that you can get on mobile connections that are better than the ones you can have today on fixed, in which today actually you carry around 1 megabit on fixed. So, we believe we will concentrate our efforts in these two areas in 08 to push convergence.

Okay. Thanks very much.

Thank you.

11. Mr. Roberto Condulmari from Kairos:

Yes, more than a question I wanted to, you know, make a comment on... if you want, an intervention... support of the questions that were asked on the impact of the future tax reform. I have to say I personally find it a bit surprising that a company of the size of Telecom Italia with a lot of people in the tax department doesn't have an idea of what, you know, the effects of the tax reform may be, because we speak to a lot of companies in this country, and most of them have at least tried to give an idea... it's not... so, maybe it would be better to reformulate your answer. Maybe... I wouldn't have anything against it, if you say: we are not prepared to make any comment. But, to be frank with you, I find it a bit surprising that you say you don't have an estimate; or you

haven't looked at it... there's plenty of newspaper articles... written not by people like me, but by experts, about the impact. So, you now, can you elaborate a bit more on this issue? And on why you don't want to make any statement. I would understand if you don't, but, can you at least give us... I wouldn't say a better answer, but, you know, a different answer. Thank you.

Well, I don't have a different answer on this subject, because we're used to making estimate assumptions on a firm basis, so I won't say that we didn't read the newspapers or we didn't know what is circulating in the government about that; what I say is that on this assumption we calculated the estimates for the tax in our forecast for this year, and we will consider this for next year as soon as we will have firm assumptions for what regards the law on the taxes. So, this is what I said and what I confirm on that.

Okay. But just to give a clarification: you have an idea. You don't want to tell us. But you have an idea based... if what...

But well....

Cause otherwise it would be a bit surprising, you see... if you don't have an idea.

Well... quite frankly, I don't think I understand your point on this issue, because I have ideas on different aspects of... with what are formulating on the so-called Finanziaria law, and so on and so forth. As soon as this is under discussion, under change in the two houses of the Parliament, the government is debating on that... I don't, quite frankly... I don't see any reason to debate on that, as we don't have any firm conclusion on the different aspect. We can debate on personal... on what we think about that, but from the company standpoint, I don't have anything to add... to what I said, because there is no impact for what regards our forecast on 2007. We are not talking about 2008, so there is no reason to dispute about what will happen on the tax, corporate tax for the... what is going on in the Parliament. That's it. This doesn't mean that a company of this size doesn't know what is happening in the Parliament, and so on and so forth. Of course we do. But there is no firm consideration on which to debate in a conference call like this that relates to the results of the nine months of 2007 and the expectations about our targets for 2007. I don't know if I formulated by answer in a better or worse way than before...

I think a bit more understandable.

I hope I formulated... Sorry?

To me it's more understandable than the answer you gave before. Yes. Thank you very much.

Thank you very much.

Thank you.

Thank you.

12. Mr. Justin Funnel from Credit Suisse:

Yes, just some follow-up, actually. So far this year there's been minimal impacts on your revenues from roaming; you quantified it and it's quite low. I think, if I'm right, Telecom Italia cut its retail process on roaming towards the end of Q3. I was just wondering what sort of discontinuity at all that we should expect for Q4 from that? If you could quantify it, that would be very helpful. Secondly, Moodies in a report of this year said that they would sort of like you to cut... so, TI to cut

the dividend by about a third in order to maintain the VAA credit rating that they had during the time. Just wondering if you've had any discussions with the credit rating agency since that point, and whether actually asking for bigger cuts in dividends are following the change in the credit market over the summer. And then thirdly, just your margin guidance in Q4 in Brazil implies that you in Brazil will be a bit less aggressive in the market on market share in Q4.

So, the... for what concerns the... your first question, the total... the total impact and the total estimate that we have on visitors in fourth Q is about 60... 60 million. So, that is... the impact.

Okay thank you.

...the impact.

Thank you very much.

For what concerns... sorry, your third question...

Yes. It's just the margin increase that you are targeting for Q4. Does that imply less aggression in the Brazilian market to save a bit on subsidy so you can get the margins up so (...) on an underline basis from the 23 to 25 and therefore less aggressive in market share? Or is there some seasonality in your cost base?

No, it's a seasonality that we have on our cost base.

Okay. Thank you.

So, basically it's mainly due to that.

Thank you. And then, obviously, the question on the discussion with credit rating agencies on dividend policy that might cause you to be a bit more cautious on dividend.

Well, on rating there are no news. We had a meeting with our rating agency some weeks ago, as part of our normal relationship with them, as we are delivering the results according to what we said, they have no change in the rating, so no news on this subject. So...

Okay. Thank you very much.

So, normal business as usual.

Thank you.

Okay. So, thank you very much to all of you, and... I think it's the end of the conference call. Again, thank you very much.

Thank you. Bye, bye.

Ladies and gentlemen, the conference is over. Thank you for calling Telecom Italia.