

Telecom Italia Analyst & Investor Briefing: 2009-2011 Strategic Plan Update
London – December 3, 2008
Q&A session

1. Thanks very much. It's Nick Delfas from Morgan Stanley. If I could just take off with a question about your... your views on dividends and the rating agencies; so, where have you got to in discussions with the rating agencies? Have you spoken to them about this plan already? And, obviously, on slide 8, so Mr. Patuano's slides: is that free cash-flow after dividends or before dividends, to get sharing on that slide. And secondly a question on pricing in Italy: where are you expecting to see a decision from AGCOM on ULL and on Milan Rental? Thanks very much.

Thank you very much for your questions. On the dividends, I must say very clearly that the decision will be taken on the 27th of February, which is a normal time for taking such decisions, so there is nothing to add on the dividend policy. On the rating agencies: perhaps Marco Patuano will answer. On the pricing in Italy: we are expecting the decision from the AGCOM to come very soon in the next few days. I hope it will come in the next few days. But it will not be a long period of time before it comes. Marco.

Rating agencies: yes, we have already spoken with them before showing the three-year plan. We do not show the plan before having had it approved by the Board of Directors. The basic comment of the rating agency is: we want you to deleverage the company, we want you to continue reducing costs... so, the key drivers of this business plan are fully in line with the requests of the rating agencies. And the figures on page 8 are without dividends... before dividends.

There are other questions... let me take questions moving in this direction if you allow me. So, I'll go there... please can you take the microphone down there?

2. Good morning. Micaela Ferruta from Intermonte SIM. I have three questions. I'm sorry to go back to the dividends, I understand you don't want to make any comments, but I actually see you're indicating 11-12 billion of free cash-flow generation and at least 5 billion of debt reduction. So, how should we use the remaining 6 or more billion of free cash-flow generation? Is it going to... is it going to dividends, or are you assuming debt reduction or is it flexibility, given the current credit market conditions? The second question is: you're announcing 4000 additional headcount reduction; do you expect any problems in getting the approval... with... with trade unions? And also in light of the fact that you're asking for a monthly fee increase? And, finally I can't avoid asking about network: network spin-off... public support dismounting... actually, towards spin-off and the merger; what are Telecom Italia's views? What are the discussions with shareholders? What are the next steps? Can you make any comments? Thank you.

Yes. On the dividends, again, I will not make any comments. I mean, the decision will be taken on the 27th of February. I think that what we're showing... from last year is a consistent improvement in conditions; of course, at the same time, there is a deteriorating macroeconomic environment, so I think that the appropriate time is this time, it's the appropriate time to make decisions. So, I will make no further comments on this. You have seen the free cash-flow generation that we expect to achieve in the next three years. So, you make your guess. On headcount reductions: 4000 people will be added to the 5000 people we have already indicated in the agreement with trade unions on the 19th of September. Of course we will have to start a new negotiation with the trade unions to reach an agreement, but I'm fairly confident that with the appropriate framework, I think we can achieve also this target. On the network spin-off, you were mentioning the fact that there is growing

enthusiasm in Italy about network, but this enthusiasm has a lack of information and consistency, because everybody is meaning whatever crosses his mind on network separation. We think that the network is core to our business, we are open to considering synergies as we indicated and we are already achieving; we have mentioned the agreement we have with Vodafone on mobile infrastructure, we have mentioned the agreement we have with Fastweb on the fixed. So, there is scope for doing something that makes sense industrially, that increases the cost efficiency of the system, that increases the overall environment in which we are operating; but we have already given an answer: our answer is open access; open access is under discussion with the regulatory body; the regulatory body will come up with a decision in the next few days. We think that, given what we have been considering so far, in terms of the regulatory environment, the macroeconomic environment and our strategic aims, that, for the time being, is what we mean on the network. In the future we will see. But of course, we will never consider any spin-off of our core networks, the intelligent network... I mean, whatever pertains to our core business will never be the object of a spin-off. We can consider something that makes sense industrially, something that rationalizes costs, something that contributes to our overall cash position in terms of efficiencies, but nothing that impacts on our strategic position and on the strength that we have built over the years.

Can we go this way? I'm sorry, I will come that side in a few minutes. Next question, please?

3. Good morning. It's Luigi Minerva from HSBC. Three questions. The first on the net generation access investment: can you tell us how much you plan to invest in fiber-to-the-home or fiber-to-the-note ADSL over the next three years? The second is if you can give us an idea of what proportion of OPEX and CAPEX are fixed and what proportion is variable? And the third is on the tax investigation following the Blue breakup assets acquisition: if you can just give us an update. Thank you.

Thank you very much. I'll ask Stefano Pileri to answer to the question on the fiber network. Stefano.

Yes. We are going to have a very selective project of fiber deployment in the most important metropolitan areas in our country, in the domestic, especially in... naturally, in Milan and Rome, and in 2011 in the main fixed-in cities that we have in Italy. The investments are going to be 75 million in 2009 and a little bit more than 200 million in 2010 and 350 million in 2011, for a final coverage of past lines of about 3 million. This is our plan. I'll repeat again: it's fiber-to-the-home mainly and fiber-to-the-building-based projects; we have taken advantage of the very recent law that allowed us to utilize the DAKS available in the main cities without any additional cost when the DAKS are available. This is very important in our plan. And, as you can see, we reached... we reduced our capex still maintaining a very important penetration in these kinds of cities.

On the OPEX variable versus fixed component, the figure is 70% versus 30%. We're aiming to improve the ratio between fixed and variable costs. And, on the tax investigation I think that... well, what we're doing is we're on the verge of reaching an agreement with the tax authorities and I think that by the end of the year I assume that we will have cleared the situation with the tax authorities. So, we are expecting this not to be a problem any longer. And anyway, the... we... we... we think that our provisions for the tax investigation are sufficient to cover the agreement with the tax authorities.

Okay. Now, let's take the.... Hand the micro here this time... please, go ahead.

4. Thanks. James Britton from Nomura. Can you tell us whether you have budgeted for any spectrum investment over the next three years in your plan? So, if yes, how much? If not, why don't

you need to improve the spectrum? Secondly, can you just clarify the effects of the function you use for Brazil 2009? Thank you.

On the spectrum can you add something?

You know that in the mobile environment two things are going to happen: the first thing, which is very important, is the evolution of the broadband mobile, mobile broadband that requires more capacity, and then that is asking for more carriers in our network and...but the second very important thing that is going to happen is the refarming. The refarming that will allow us to utilize the 900 megahertz spectrum where we have more carriers than in the 3G for all... for the 3G services. But, answering to your question... and then, we do not see a stringent and an urgent need for more carriers in our broadband evolution of our network in the domestic. But, answering to your question, we are absolutely interested in obtaining one more carrier, and we are looking very carefully at the IPSE frequency that probably will be made available in the short term, in a short period. And we are looking very carefully at these kinds of carriers. And we already have the resources to address this kind of target in our plan.

Fixed rate for Brazil: 2009, end of period, it's expected at 66 in our... in our business plan. So, you asked for 2009. So...

We'll take a couple more questions on this side, and then we'll go back to the other one.

5. It's Nick Lyall from UBS. Can I ask two as well, please? Given the increased focus of Brazil, would you consider buying... or think buying as a minority might benefit you? And then, secondly, on the Telephonica view: have they helped put together this plan and could you tell us what their view on the new strategic plan might be? Thank you.

Well, on the second question: of course you have to ask Telephonica, but... we are independent companies. Telephonica is one of our shareholders, sitting on the Telco's Board, we have two members of the Board that are executives of Telephonica, but when they sit at Telecom Italia's Board, they defend the interests of Telecom Italia. So, there's no intermix between our plans and Telephonica's plans. On the other hand, I must say that the cooperation with Telephonica, on the... on the synergy plan, is going ahead very well and we are quite satisfied with the relation, but this is a completely different chapter. So, we are happy with this but everybody has its own 'home' to mind of. What was the first question?

If we want to buy back the...

Oh, the buyback of minorities. No, we don't buy back minorities. No.

(...) on Telephonica, as I said before, the Board has strongly supported this plan and... including the Board members of Telephonica.

Yes, please.

6. It's Steve Malcom. I have three questions, please. First on regulation, second on conditions. You mentioned a regulatory drag in the last year of 900 or so billion euros of revenues; can you just outline what you think the regulatory drag will be to the course of your plan, given your MTRs and what you expect the euro going forward? Secondly on MTRs in Brazil: what do you... what's you

planning horizon for the level and timing of cuts in MTRs in Brazil over the next three years? And, finally just on... maybe Mr. Patuano could elaborate a little on his comments on your appetite for debt beyond European and US markets? So are you thinking specifically of Japan, or should we think more, kind of... towards sovereign wealth funds and things like that? Thank you.

On the regulatory assumptions, we are assuming that the residential... the subscription fee will be increased by 1.26 euro per month from the 1st of February 2009. And consequently we will have an increase in wholesale line rental, which is 12%... which is minus 12% compared to the retail fee. The NATE fee, which is 20% of the retail fee, the unbundling... the unbundling fee will also be increased: we assume that the... I already answered... about... that there's a decision that is forthcoming in the next few days. We assume... we have asked for more than 1 euro, I think we'll end up with 1 euro, approximately. On termination, on voice there is, as you know, a progressive reduction in termination that will bring a more even situation, a more equilibrated situation among all the operators. So, we envisage a much better regulatory environment than the one that Telecom Italia has experienced over the last several years. I think that... I mean, the increase in the subscribers fee has been... is... will be... when it will be approved in the next few days, I think will be a major success because Telecom Italia has not received any... has not been allowed any increase over the last six years. When there was a very small increase in 2002 it was marginal compared to the one we will be, crossing fingers, achieving in the next few days. So, I think that we will be working in a much better regulatory environment; I must add that after the open access negotiation with the subscription of commitments with the regulatory authority, there will be a new market analysis process ongoing in the year 2009 and as a consequence of this new market analysis we are expecting a much more open regulatory environment, again. So, I think that we are coming out of the worst period and we are entering into a much better period from a regulatory point of view.

On... bond: yes, Far East is one of our carriers. I personally have traveled in Japan a few weeks ago with Ms. Rita and we found a very interesting appetite for corporate issuers in the Far East as well as... as you mentioned, some investors in the Middle East area are potentially interested in bond; so this is another area where we are frequent issuers so we have pretty much know-how and what I think is extremely important is that we want to (...) not only for shareholders for equity capital market but also for debt capital market... it's important today that potential investors have a good vision of what the company is... of what the company is, of what the expectations on our securities are... so, we are... we do not want to only stay in the US and Europe. So, the answer is yes, yes.

And Brazil.. yes. The regulatory framework in Brazil that we assumed in our plan is more or less that the termination... the mobile termination rate, the so-called VUM in Brazil, will be maintained broadly stable. It's around 40 reias... 40 real cents. The assumption is that the number portability is already in place and so all our fixed mobile convergence strategy is based on such assumption. And the last is unbundling of local loop. Unbundling of local loop has been introduced in the new regulation plan, but in our plan we assume that the ULL will take place in 2010.

Let's go to this side, now... if you allow me. Then I'll come back. Please.

(...)

Wait a second.

7. It's Terence Sinclair from Citigroup. Are you making the assumption that you can raise mobile prices again in Italy?

We hope so. No... go ahead.

I was thinking: am I right to assume that you have ruled out a capital increase this morning?

Yes. You're right in assuming that we have ruled out a capital increase. We said it several times and we keep saying it. You keep asking us, but we are very confident that our plan is strong enough in terms of cash generation, in terms of leveraging, to avoid any suspect of a capital increase. I think we are not... I mean, the figures you have seen... the figures you have seen are not consistent with a capital increase. I think that the long-term outlook that we see is an improving long-term outlook in normal conditions. Of course, now we are in fairly uncertain conditions because of the macroeconomic environment. Nobody knows where we're going and what the outcome of this recession will be. By the way, I must say that we have not seen dramatic signs of recession in Italy. I think that the recession is hitting worse other countries, it's hitting the UK, it's hitting Spain, countries in which we are not operating. In Italy apparently... well, first of all, the debt ratio of families is very low, so families are not cutting their spending, we have not seen any signs of slowdown till the second half of November; then we have seen very few signs. The repricing that we have made has been successful, has been taken up... of course our customers for a short while have been unsatisfied about the price increases, but they have taken these price increases and they've remained loyal to us. So I think that, all in all, I must say that, despite the macroeconomic environment, we are quite confident for the future.

If I may just follow up on that: and what would you normally expect in the sense that a price cut stimulates a little bit of elasticity but a price rise would stimulate at some stage some falling in volumes?

Yes, you're right. But the problem is that if you do it on a macro... on an aggregate basis, you have an elasticity that doesn't tell you many things. If you grow in a much more granular kind of analysis, and you make elasticity for different segments of the market, you will see that the higher standing segments of the market have a much lower elasticity. And what we have done, and we have declared in all our presentations, is that we want to focus on value customers; value customers have lower price elasticity, low level customers have a much higher price elasticity. But we... of course, because we are a mass operator, we are in that market, but we are not focusing on that market. So, the impact that we have seen is... of course the minutes of usage are not growing as they did in the last two or three years, because of the strong decline in prices, but, I mean, I must say that this is good news for us, because it means a much better... a much better quality of service. So, the price increase has been taken up. Whether we can do a second price increase, that... I mean, I neither rule it out and neither confirm. I think that this will depend on market conditions, it will depend on the competitive environment, it will depend on any... we have already brought home very important successes and I think that this is good enough for the time being. This is another confirmation that the environment that we are creating in Italy is a much better environment than it has been for the last six years.

Did I miss something?

No, no just to confirm that the repricing has also been an important move in order to allow us to compete more aggressively. So in the near future we will expect some decreases in prices because we will push again on volumes in that time. But, on the other hand, the success... I confirm what the CEO has been saying, that the success of the move has been in terms of no turn and no strong elasticity on volumes.

Now we must be polite, because we have not given... to any ladies, so far. So, please, go ahead.

8. *Thanks very much. It's Robin Bienenstock from Sanford Bernstein. I have a couple more questions. I just wanted to ask you: a lot of your growth seems to be depending on broadband growth; I wanted to ask you: what are your forecasts for market level broadband growth? And what is the penetration of broadband that you're expecting at a national level in, say, 2010, 2011?*

Mr. Cicchetti... do you have other questions?

The second question was just about your ICT growth: I'm interested to know what percentage of your ICT growth do you expect will come from small- medium-size enterprises and what percentage from large enterprises?

So, let's start from the first question. The first question is about broadband. We see that the Italian market is going to recover, gradually recover the gap vis-à-vis the other European markets. So in our forecast we maintain the same growth rate year per year. So it means that it will be something like 1 million, something more than 1 million subs per year, additional subs per year. The market share that we are assuming in order to justify our targets are... is 45% more or less of market share on the net addition. So, in order to divest, some things need to be put in place in Italy. The first is... as you perhaps already know, our country is the country with the lowest penetration of personal computers. So, to that extent, what it seems likely to be put in place... let's say the so-called broadband without PC, that means broadband with new equipment, with new customer equipment that allows to be connected to the network even without a PC. And the second, of course, is to increase the personal computer penetration. There are some important public administration projects that are taking place just in these days. On the other hand, always on the broadband, we are forecasting a significant increase in the ARPU, that will be driven by additional services, and by, let's say, the different ratios between the free and the flat offers. And I think this could be enough for the broadband. As far as the ICT is concerned, I think that the targets that... I can mention what the situation is right now, at the end of 2008: small and medium-size enterprises account for less than 10% of ICT revenues; of course we see that this is an important market in Italy; our growth projects are mainly based on this segment, you know that in Italy there are over 4 million small and medium-size enterprises it's a very, very specific market in terms of IT; this fragmentation of the market of small and medium-size enterprises also justifies, let's say, the lower expenditure in IT in Italy... the difference with the other.. the other... so, our objective to double the ICT revenues will be really focused on small and medium enterprises.

Please, go ahead.

9. *Great. Thank you very much. It's John Karidis from MS Global. I've got three quick questions, please. Firstly, do you feel comfortable there's more than 1 bar of Handsnet in Germany ? Secondly, could you remind me of the cost involved in you exercising the call option on Telecom Argentina? And thirdly, why are you comfortable that assuming unchanged Brazilian mobile termination rates is prudent enough?*

Well, first of all, on Handsnet: what I said very clearly is that we have not declared the assets that we're selling, we have declared the assets that we're keeping. So, given the complicated environment in which we are, we have no intention of selling our assets on the cheap side, we want to have the best environment for selling and we will decide to sell whatever asset is in the... in the... at the right time and to the right buyer and at the right price. So, we have an ambitious plan, what we said is that we'll concentrate only on Italy and Brazil and of course that means that everything else can be disposed but we will see the conditions. And... but of course our target is to deleverage severely the company. So, we will do the disposals, but we will do it in a very careful way in order not to sacrifice value. On ... on the call option...

I'll answer.

Telecom Argentina specialist...

Yes...

Well, the call option has a portion that has a fixed price, which is 99 million US dollars, and a portion, which is at most one third, that is market price. So, today an estimated call option price is in the range of 170-180 million US dollars for the whole 50% of Sofora, which is not in our hands. What we said more than once is that we are working in order to have a new local partner and to let the new local partner have a very significant portion of this 50% but we strongly want... we only consider the full control of Telecom Italia on Sofora. So, with... in this sense you can elaborate more on the price and the fact that we are not considering any cash disbursement so forth for this.

Oscar...

The third was about Brazil. There are two main reasons why we are assuming, let's say... I told you broadly stable. There are two important things on Brazil that are important and need to be taken into consideration: the first is that we are at the day after of a big concentration on the wireline business, because the government has just authorized the concentration among the two incumbent in two different areas; so, to that extent, as you... as we have already seen from the first decision about the so-called PGR, they, to some extent, don't want to penalize the wireless, because this is something that is, let's say, they authorized something in the wireline area. The second is that the third-generation network rollout is... essentially it's at an early stage, so in the mobile industry... needs to be to some extent subsidized in order to have financial resources to develop. Then there are important considerations about the termination rate, because Brazil is a market where termination rate is significantly high but the traffic volumes are significantly low. So, we foresee... first of all, the termination by contract will be stable till June 20, 2009; second: in our evaluation, even if we take into consideration the possibility of a slight decrease, that could be around 10%, that could be compensated by the elasticity on traffic, taking into account that the volumes are really low.

Go ahead.

10. It's James Ratzler from New Street Research. I have three questions, please. The first one regards your cost assumptions: do you feel you're actually holding back on your cost reduction targets? I ask that because if I look at your overall nominal reductions in cost over the next three years domestically, it only looks like it's about a decline of 1% per annum, which would be one of the lowest of the European incumbent, but at the same time you're forecasting an inflection in sales growth. So, if the sales growth inflection doesn't come through, do you have further capacity to reduce your domestic OPEX? The second question is just regarding mobile broadband data card, please: you were able to give some numbers from your plan in terms of how you forecast that market specifically to grow over the next three years and you forecast that hasn't any detrimental impact on the fixed broadband market? And a third question, a point of detail, is that you mentioned TI Sparkle could be a disposal candidate; are you able to let us know what the revenues, EBITDA and capex of that business are, please? Thank you.

On your first question, your cost assumptions don't sound right with my arithmetic. So, there must be something that... but I'll give you a benchmark. We are benchmarking our company with a very detailed benchmarking instrument. And what is coming out is that in several areas we are among the best performances... performers. If you take all the cash costs, opex and capex, we are

approximately at the same level as KPN in terms of efficiency, because measuring the entire structure of costs. We have areas in which we are, of course, out of the benchmark, and we are targeting very strongly to become the benchmark in that area and we have tried to do a very detailed analysis of our position and the way to reach the... the... a best of breed kind of position in our cost structure. Of course, as you know, there is always something better to do and improvements to make, but what we have done... and this is quite a strong change from the beginning, the first plan that we presented at the beginning of March. So, that was two months after I had taken the this position; of course, I was not deeply involved in the company, I had a limited view of the problems of the company. In the last nine months we did a thorough analysis of every area and we have come out, as you have seen and you will find in the figures and in the papers, we have come out with a very detailed analysis where we have the problems, the actions, the key performance indicators that we want to achieve. So, it's something that can be analyzed, can be followed, there are the milestones, so, first of all for our internal purposes and then for having a track record to present to the market. I mean, what I'm used to is to give a track record. And of course I'm happy of what we have done so far, we have addressed costs, also in terms of layoffs, I have given a figure where we have shown that we are ahead of time in terms of working; we are analyzing the macro organization of the company and we are reassessing all the processes. So, that takes time. Whenever there is... as you've seen, we have come out with one layoff (...) of actions in September; we are coming out with a new one now and whenever we come out with new conclusions on our assessment, we come up with new terms. But, for the time being, I think we've done a very good job and the entire organization is fully committed to achieving these targets. On mobile broadband, Oscar.

Yes. The mobile broadband, as we said in the first presentation, is one of the main and most important growth areas in our business plan in the domestic area. We are planning to increase our current revenue, so this year's revenues, more than 70% in three years' time, the last year compared with this year. So, let's say that the number of users, which right now are 3 million, will become close to 9 million. It is important to highlight that we have an important leading position in the market and we... in our plan we want to maintain our important market share that is something... that is more or less around 50%. You also asked about the data cards? In our plan... now we have 500,000 data cards out of the 3 million subscribers and at the end of the period we are forecasting that 50% of the broadband users will have... will be data cards. In terms of revenues, the source of revenues: the broadband revenues will be increasingly based on browsing. So, the browsing expenses are forecasted to grow significantly and this is one of the main growth drivers of the area. In terms of ARPU: of course the ARPU will be decreased year by year, but, say, the growth in volumes, the growth in customer base, the growth in service volumes, will be completely compensated... will completely compensate the decrease in ARPU.

Sparkle. Davide.

A couple of figures: you asked if Sparkle was included in the perimeter of non-core assets. Yes. Mr. Bernabè said so at the very beginning. We're talking about an animal of about 1.7 billion euros of revenues for 2009 and with a capex quite limited of around 100 million euros. So, this is almost the size of the animal we're talking about.

And the EBITDA is around 300...

It's about... between 250 and 300, it depends on prices for the next year.

Yes, please?

11. Thanks. It's Justin Funnel from Credit Suisse. Are you confirming the 08 guidance still at around 11.5 of EBITDA? I was just trying to work out how we get in line with your comment that it will be flat in 09. So, just the first question: are you confirming 11.5 roughly at the end of 08?

Yes.

Okay. Thank you. In terms of Argentina, there's been a story...

Argentina...

...there's been a story recently that a government committee proposed that there was essentially a conflict of interest between Telephonica's stake in Sofora and your position in Argentina. Are you confident you actually can exercise your 2% option, let alone the 50% option you may have in Sofora; where do you think the politics are going in Argentina, basically?

I'll have Marco Patuano, who will be the Chief Executive of Telecom Argentina, so who knows the situation very well... but I can tell you very frankly that we have a right there, we will exercise our right, I think that if there is politics in Argentina, this is of no interest to us. We have a strong commitment in fully exploiting our rights there and we will do everything that is possible to fully exploit our rights there. Marco, do you want to add something?

Yes. The antitrust authority hasn't answered yet, but we had, really, several talks with the local authorities because, as you perfectly know, in Brazil we voluntarily adopted a sort of rules... of governance in order to ensure the market that there are no contacts between Telecom Italia and Telephonica for... in order to manage the asset in a specific country. It's a matter of fact that we're fiercely competing in Argentina, so that there is no signal of any possible wrong doing in this sense. The sentiment of the government recently has been... in the very last talk we had, it was very calm and positive. So we... as Mr. Bernabè said, we are absolutely convinced that we'll... we have a right and we'll exercise our right. Of course, in full agreement with the local authorities and with the government.

Thank you.

As you know, on Argentina we have a rule that is epical to Brazil and Argentina, whereby the Spanish Board members do not participate in our Board meetings when Brazil and Argentina are in... subject. And the same rule that we have applied in Brazil concerning the relationship between the companies in the country is applicable to the Argentinean operations. So, they are totally independent, separate and with no possibility of connection.

Go ahead.

12. Yes, good morning, it's Mathieu Robian from BNP Paribas. I have two questions, please. First in Brazil you're basically getting a slight acceleration of revenue growth and I was just trying to understand where it is coming from: is it coming from a reacceleration of market growth? Is it market share you're taking in mobile? Or is it because of the six line initiatives? Second again on Brazil: the Brazilian currency has moved negatively versus the dollar and I wanted to understand how meaningful that is for your SACS, for instance? Handset subsidies in Brazil and capex. And finally just a point of clarification in terms of your free cash-flow guidance: I understand, in the free cash-flow guidance you include some of the assets that may be disposed? So should we assume that the free cash-flow generation of these assets avertedly deal so that if you sell them the free cash-flow generation will still be in line with the three-year guidance at a good level? Thank you.

Well, on the last... I'll answer to the last question, then I'll turn it over to Oscar Cicchetti for the questions on Brazil. On the free cash-flow generation there are assets that are contributing to the consolidated free cash-flow generation of the group and there are assets that are not contributing. And, therefore, the disposal of these assets will not impact the free cash-flow generation. I consider, for instance... just to give you an example: we have... we don't consolidate Cuba in our... in our figures and yet Cuba is a very valuable asset and, of course, these kinds of assets do not contribute to the decline... I mean, do not have an impact on free cash-flow generation and... that's the case of disposal. Oscar. Brazil.

Yes. As far as the revenue growth in Brazil, something's growing... you know that the market has continued to grow, so we are assuming to have, let's say, a more or less stable market share. At the same time we are trying to, let's say, get back to our leader position in terms of brand image, level of service and so on. And so, the effect of this strategy in our plan is to increase our postpaid customer base. Our postpaid customer base is forecasted to grow, year by year, from 2009 to 2011. Second, what Franco Bernabè was telling you in the presentation in his first speech is our convergence strategy: we believe that there is an important room for growth in mobile broadband, taking into account the status of the wireline network, and to that extent as you saw in the figures we are forecasting at the end of the period 2.5 million subs. On the other hand, we will take advantage of a very monopolistic situation on the wireline and a very limited coverage of the wireline. So, to that extent we are forecasting in our plan to get at the end of the period 3 million subs in wireline... in wireline service provided through mobile technology. If you consider the wireline business as a whole, we can say that it will account for, as Mr. Bernabè said, 1.5 billion at the end of the plan... end of period, that means something around 8%... 8% of revenues, of our... of revenues of TIM Brazil. If you consider the growth, I would say that the contribution of wireline to the growth in Brazil will be something that is close to 50%. And then the SACS. I apologize. As far as the SACS, SACS will be maintained stable. The number right now is something like more than 300 reais; so, it will be maintained at this level, more or less.

One question down there.

13. It's Ottavio Adoriso from Société Générale. I have three questions. The first one is for Mr. Pileri. You mentioned refarming as a possibility to increase capacity in the mobile network; can you just give an update about the fact that they have changed... that the regulators have changed the rules to use 3G on 900, and there is an operator in Italy only 3G who doesn't have access to 900, especially proposing that one legally? So, in the UK the regulator is asking to encompass... to actually share the 900: you'll be willing to actually give up some of the 900 in exchange for refarming? And the second one is on... basically it's a much more open question: today we're talking about pricing increase; that's why in Italy there's been a huge debate about... the huge pressure that consumers are going through; now we've seen, on the utilities side, a huge, significant cut on electricity prices... the whole industry has been actually (...) a one-off tax; now, what is the risk that... on the other side, you're basically talking about a deliberate price increase; somebody will come with the bill, and basically will ask for something in exchange; all options have been speculating the price, we are talking about increases in investments for broadband rollout, super fast broadband. On the second line, on the potentially Robin tax, that is the one-off tax that's been on the press for the last couple of weeks. And the third one is on TI Sparkle: could you just tell us how much of the revenues are actually in the company, because, from memory, I think TI Sparkle is related to servicing the group more than third party providers? Thank you.

Regarding the refarming process: we reached an agreement with all the other mobile operators in the domestic, in Italy and also taking into account the needs of the only 3G mobile operator and

that will be at the rest of the... in a particular part of the spectrum. And we proposed these kinds of schemes and these kinds of processes to the Ministry, to the government and we are still waiting for the final view, the final recommendation but we are very, very... we are sure that this kind of proposal will be approved and in our plan we are forecasting the beginning of the delivery of NODE-B in another spectrum in 2010 with the first approximately 1000 nodes and in 2011 another 1000. This is very important because you know that... you know very well that the... the reach of the 900 megahertz 3G technology is higher than the 2 gigahertz spectrum and this will allow us to reach a very important quality of coverage without increasing our capex a lot. It's a pillar of our strategy and we'd like very strongly to work with the authority and the government to speed up the process.

About the second question, I think it's a very sophisticated question and I want to congratulate you, because from a political point of view, I think that people perceived the difference between the fat cats and people coming out of starvation. Now, we've been coming out of starvation and I think that... and that doesn't mean that we need sympathy because normally a big telecommunications operator is not somebody that creates enthusiasm among politicians and so on, but I think we have been able, with a constant and very precise work over the last seven months, to create awareness of what has been done in the past and how Telecom Italia could not survive the same pressure in the future, and I think that this awareness has spread among politicians, among government officials, among ministers and the public opinion; one thing that really makes the difference between the situation before and the situation now is the reaction of consumer associations to the increase in prices. Normally, that would have created a very big row against us in the country. We have taken initiative to discuss with them, to explain the situation to them, to take commitments in terms of quality of service, in terms of...of quality of the relation with the customer. So, in fact we have taken commitments. But I would call them commitments in terms of software and not in terms of hardware, I mean, we are committing ourselves to a more transparent, a more customer-oriented approach, to be more open, and I think that everybody has appreciated this approach, and so far we have not had any requests. Now, for the kind of counterparties that you mentioned... now, of course there is a big discussion in Italy on what to do on the next-generation network. I think this is a legitimate discussion. I think that it is legitimate for the politicians to say that the country needs infrastructures. We have said very clearly that we will make investments only as long as these investments have a return on investment, which is up to our standards. And the message has been very clearly spread around the... all the decision-makers and I think it has been very openly received. Now, I think that the so-called Robin tax that you mentioned was a rumor. I don't know how much it was funded, I personally asked whether there was ground for that rumor and I've been confirmed that there's no such a so-called Robin tax under discussion. So, I take it from there and I'm confident that there is nothing so far. But I'm really quite confident that the kind of process that we've been undergoing and the kind of achievements also in terms of tariffs that we are expecting to come in the next few days and that have already been decided will be forthcoming without too many problems. There was another...

Sparkle.

Sparkle, yes.

Sparkle company... is almost one third of the total revenues. Market conditions. So, including Telecom Argentina, Telecom (...) buying some further but not changing the picture very much. So, for 2009 it's something around... between 550 – 600 million euros coming from intercompany.

There's another question on this side.

Yes. Please.

14. Thank you. A very good excuse of you ruled out earlier in the week an interest in India; can I just ask about your MNA approach through 2011 excluding Argentina, which you talked about. Is it right to assume you have no interest in any new geographies MNA going forward?

I confirm that we have no interest in new geography MNA. We will not do any new geography in MNA. We will be concentrating on Italy and Brazil and I think that that is more than enough for the next two to three years.

One more question down there.

15. Good morning. Mauro Bonbacigno from BNP Paribas. Can you say a word, please, on your strategy on Telecom Italia Media? Thank you.

Oh, good. Good question. Of course... given that it's not neither Telecom Italia nor Brazil, I assume that it's in the basket of whatever we will be disposing. There is, however, one point that has to be marked. I think that we want to be in the IPTV business. I think that despite the fact that Telecom Italia has a completely different business model, it has competences that could help us in the IPTV business. I think that the achievements... by the way, I'm quite surprised because, despite the recession, in the last few months we've been accelerating the IPTV business deployment and it's going fairly well, well in line with our expectations, but our expectations were quite ambitious and I'm quite satisfied about this, so there is an entire new world that we want to cap on TV. Now, well... has Telecom Italia helped us on this? No. So, I think we will be reorganizing, selling little pieces of the company; this we have already done: you've seen an announcement the other day, we've sold the pay-per-view business, we will be selling more, and we will be reorganizing. At the end, we will be keeping whatever competence helped us in developing and deploying our IPTV business.

Any other questions? No more questions? Oh, yes. Please.

16. Thank you. Carmelo Pappalardo from Dresdner. Just one question. In the last presentation in March, you focused on the synergies with Telephonica, indicating approximately 0.5... sorry, 0.7 billion cash cost heading coming from the synergies: you have not mentioned it today... just to have an outlook here?

Yes. I have not mentioned it because it's an ongoing program, we are on track on the program that we have defined. I'm very... as I said before, I'm very happy with the progress we've made with the synergies. Of course, the concept of the synergies with Telephonica is different from the concept of 2 billion cash cost that we have indicated before. I would say that they are calculated in a different way, they have a different impact... consider that in some cases it's optimization of platforms, of IT platforms, there is a great degree of synergies in that; there is a small part of these synergies which is included in the 2 billion, but only a part. So, I would say that to a large extent I would not quantify... because they are calculated in a different way, they are added on top of the 2 billion that I mentioned before. But it's more a... except for the synergies on procurement, it's more on efficiency of processes, combination of sharing of platforms, saving on capex and opex improving the quality of service that we deliver on our platform.

One, I think... a couple of last questions, then I think we can close. Yes, please.

17. *Thanks very much, I just wondered what your thoughts are about the saving shares, cause it's some kind of conversion that the (...) for the saving shareholders and the company?*

Well, I would love to convert the saving shares, but first of all there is too much market instability now. And I think that whatever mechanism we find for converting it might be unfair for somebody. So, I mean, the best... the best in my dreams would be at the end of the leveraging period, I would use the excess cash to buy back the shares, but we have a long way to go before this. Of course, if there are market circumstances and mechanisms that allow us to do a fair job, we are certainly aware of the problem and we want to solve it, but now, I mean, the uncertainty, the volatility of the market is so high that I think it would be very, very... very dangerous to define a mechanism that solves that problem. But, of course we are aware of the problem itself. Please.

18. *Thanks. Is it important for you to stay triple B on your credit rating?*

Well...

And not go to triple B minus?

Well, we hope to get to triple B plus, because I think that the kind of effort we're making is really... I think deserves rewards and, given the fact that we are on track, we are consistently achieving what we declared, we've set our priorities and these have been achieved. Of course, we are not responsible of the macroeconomic environment, but we'll try to compensate for whatever macroeconomic impact we will have, in a very... in a very careful and... very targeted way. But we are aiming to improve our targets. I mean, the... as you've seen, we have really concentrated the whole effort of our plan on how to improve our cash generation and how we can best use the cash that we are generating. So, I think we... we are aiming to improve our rating, not to downgrade our rating.

So, just a follow-up on that: the many (...) obviously there are some aspects of your plan that won't consider some optimistic, for example the currency assumption on Brazil, are things that could cause you not to hit that... that having done: are you pretty confident that even in that scenario you would stay triple B from the conversations you've had with the rating agencies?

We will do whatever is necessary to stay not only triple B but to improve our rating. Everything.

Thank you.

Including the fact that the Board is fully supported, as we said initially, in this direction.

I think there are no more questions. I think we have answered all of them. Thank you very much for your patience. Thank you for being with us today and I hope to see many of you soon. Thank you.

Thank you.