1. Mr. Damian Maltarp from Cazenove:

Thank you very much. I’ve got a couple of questions: firstly, I’ve seen your thoughts on Bolivia, do you think there’s any risk that you won’t be able to get any reimbursement for your stake in Intel? And also there have been some comments that you owe around 650 million dollars in (...) and back taxes; is there any risk that you’re going to have to pay something in that respect? And the second question: just on Bersani, if I’ve done the numbers right, it looks like the impact from Bersani is getting worse; I suppose another way of asking that is: the 125 million euros of impact from Bersani; does that just relate to two months? Or does that relate to three months, given that it was introduced one month... or that it had a one month impact in Q1 07? Thanks very much.

On Bolivia... the... we of course do not know what the outcome is, but we have moved very quickly in blocking all foreign accounts held by the company, both in the United States and in... in Europe and, of course, we will do whatever is needed to protect our interests there; I think we have already been given a strong support by our government: the Foreign Minister will go to the Lima conference next week to protest very strongly against this. I think that given the write-offs that we have already taken in the past, we will have a fairly limited impact on the... on the... on our balance sheet... probably Mr. Parazzini can elaborate a little bit better on this. On the Bersani: the impact is... is... the impact of all three months and of course it won’t be worsening, but it will be improving, because the elasticity, as I’ve shown in one of the tables, is improving. Let’s give you two figures on Bolivia: Parazzini.

Thank you. Well, Bolivia accounts in our consolidated figures at... on a yearly basis for 200 million revenue and 90 million EBITDA. The equity, the book value of Bolivia accounts for 40 million, and this is the stake we have at risk in case we have to write-off our assets, but as Mr. Bernabè said, we are trying to protect our assets in Bolivia. Thank you.

Okay. Thanks.

2. Mr. Ottavio Adorisio from Société Générale:

Thank you very much. Good afternoon, gentlemen. I need, let’s say, just a clarification; going back to the Bersani: basically, I refer to one slide, slide 19. I see that you’ve had a net impact of 125 million that is net of 96, that is due to elasticity; so, it looks like the impact should have been around 220 million. Last year, looking at the guidance, this particular quarter, according to the guidance, should have been impacted by 120 million only. I would be grateful if you could just clarify what the balance is between the 120 million guided last year impact on this quarter and the 220 million you’re showing this quarter. Thanks very much.

Mr. Luciani will answer to this.

Now, looking at this quarter, the gross impact of Bersani is in the range of 220 million euros. Out of these we recovered 96 million euros by elasticity, and we had the net of 125. Similarly, during last year, we had a gross impact of 630 million euros and a net impact of 404 million euros. So, that’s an overall similar impact. Now, the effect during the last fiscal year’s quarter was that the recovery was higher in the second Q and third Q and lower and lower in the fourth quarter of fiscal year.
2007. That’s similar to this. Why? Because consumer habits basically stabilized over the period in a longer phase, so that we don’t have the boost that we had in the second Q of last year.

If I can follow up: thank you for your answer, but my question was not on the net impact. It was on the gross impact, which would have been much easier to calculate for Telecom Italia. So, last year when the management gave a guidance to the market, they basically presented a full-year impact of 750 and... 2007 impact, so net of this particular quarter, of 630. Therefore, the difference of 120 million is what, basically, I believe the market was expecting for this quarter. I’ve seen 220 million, and that’s important for us to calculate your year-on-year impact, to see what’s really the organic growth behind the business.

Okay. Back again. Luca Luciani. In the first quarter of 2007 we had a pick-up from the Bersani impact at the gross level in the range of 30 million euros, because of the IAS impact of it. Then we had a negative impact as of the second Q. Now, if you compare Q1 2008 with Q1 2007, you have two effects at the gross level: the first one is that you don’t have recharges anymore, and this is worth 185 million euros; then you don’t have, in the basis of 2007, the pick-up you had. That’s the reason why... of the gross impact.

Okay. Thank you very much.

Thank you.

3. Mr. Nick Pelfes from Morgan Stanley:

Hello, it’s Nick Delfast from Morgan Stanley. Okay, I think we’re a little bit confused about the Bersani impact, ‘cause I had the same issue with page 43. If we use your numbers for the Bersani decree impact of 125 net impact in Q1 08... last year it was a 30 million net impact, so if we put those numbers in, we get 2.4% growth before all discontinuities, rather than 3.8, which is shown in slide 43. But leaving that aside, I just wanted to check with you that you are happy then that if service revenues fell 6% in Q1, logically they should fall around 2% in Q2 and the Bersani discontinuities’ no longer in the numbers year-on-year. So, that’s my first question: it’s that you’re happy with that as a statement. And secondly, I just wanted to check in terms of your revised guidance for Brazil and for Germany... you know, obviously the Investor day happened two months since the quarter already, are you satisfied that your management systems are working quickly enough within the company to allow you to these kinds of hiccups over the rest of the year? Thanks very much.

The first question will be answered by Luca Luciani and then I will answer the second.

I mean, on page 43 you have the details of the Bersani decree net effect. If you go back to the first quarter 2007, 30 million euros net was the sum of basically three key effects: the first one is a positive 30 million euros, that was the IAS impact; the second one was negative, because we did not have recharges, as of March 5th 2007; and the third one was elasticity. Now, elasticity in Q1 was almost null, so that the 30 million euros was basically the netting of the IAS and the recharges. Elasticity worked with the 25... working this later, so that you have a pick-up of the elasticity as of April.

My question was more on Q2: I mean, are you happy that the Bersani impact net (...) you’ll end up with about a 2% decline on revenues?

Yes, in Q2 you had, basically, last year, 205 million euros gross and 130 million euros net. That was the impact.
On the second question, I must tell you that as soon as we... we became aware of what was going on in Germany and in Brazil we reacted immediately, and in Brazil in the last... in the last period we worked very extensively with the management, with the local management, we had joint working groups with the management in order to understand what went wrong and to correct the trends. And in Brazil we think, we are fairly confident that if there were... I mean, management mistakes or whatever, they are being addressed very, very carefully. In Germany the problem is much more complicated, because it’s a general market trend; the market is becoming much more aggressive, much more competitive and of course we are reacting to this, but it’s something that’s a little bit more difficult to address. So, I think that whatever was necessary to do has been done, however in Germany it will depend on the general evolution of the market. But whatever lever we had to react, we pulled.

Thanks very much.

Thank you.

4. Mr. Justin Funnel from Credit Suisse:

Thanks. Just a few questions, please. Would you consider selling out German broadband? Obviously, your core to market trend is quite hard to back that trend...

You mean outside Italy of course?

In German broadband in Hansenet, would you consider selling...

Oh, German Broadband.

Yes, German broadband.

German broadband. Well, listen, I think that I have a very precise view on this. I think that we have the opportunity of creating value in Germany. I don’t think that what we called... what we called the European broadband strategy is a strategy in a strict sense for Telecom Italia, in the sense that it cannot do without this. So, I think that we are open to whatever creates more value for Telecom Italia shareholders and for the... for the company, for Telecom Italia at large. So we have... so, we are very, very candid about the future of our broadband strategy, we have nothing more than... we have no other objective than creating more value to our shareholders.

Thank you. Just a second question on capex: capex is up year-on-year in Q1 quite materially, capex for the full year I think is down 10%, I was just wondering again how you achieve that guidance? And, secondly, your handset volumes in Italian mobile are down, I think about 25% year-on-year in terms of gross ads; again, is that a trend or is that just quite a strong seasonality? And we’ll see quite a good pick-up in handset volume in Q2?

On capex: we have frontloaded, as we said before, the expansion of broadband because we think it’s better to invest in the early part of the year in order to see the revenue opportunities in a later stage of the year, but I must tell you that we have... we have created a very, very rigid mechanism of investment control, we meet every week, we have an investment committee every week that reviews in detail each individual investment of the company. So, I think that... I think it’s the first time that this has been introduced in Telecom Italia, we are quite happy of the results in terms of careful scrutiny of whatever investment is undertaken in every corner of the company, and I think
that this gives us full control of what’s going on there. On the handsets, I would like Luca Luciani to answer.

I mean, if we look at the market, what is happening is that overall there is a pressure mainly on 2G handset sales, while 3G handset sales continue to be good. In this market I would say that TIM is over-performing versus the average. Let me give you some details. If we take GFK data, and the total figure at market level is less than 3% in terms of volume and less than 7% in terms of value; if we look at TIM sell-out figure, we have 5% volume with a +15% 3G volume, and +8% value and a +17% value. What does it mean? It means that on page 23 you have the sell-in; and sell-in obviously reflects the fact that we are exiting from a very strong Christmas campaign of Berlin, where we booked more than 3.5 million handsets. If we look at the sell-out, the figures are more normal; I repeat: a +5% in terms of volume, a +15% in terms of 3G volume. So that we don’t see any problems in terms of ramp-up of mobile Internet; what we are focusing on more and more is the switch between 2G and 3G handsets and the push of mobile office and PC card products; for perspective, in the first quarter we are market leaders, both in terms of mobile office and PC cards; we have more than four points in terms of share, compared to Vodafone. Vodafone was in campaign… advertising campaign during February and March; we were on air at the end of March, so that this number… this GFK number… is not yet reflecting the push of the advertising campaign. So that the 3G roll-out is continuing very well and the mobile handsets are going very well, including PC.

Thank you. That would imply, if that’s the sell-in, then there would be less decline year-on-year in sell-in Q2? Is that a fair assumption? This -24% in handset volume.. is this sell-in, sell-out effect?

Well, as you know, in total fiscal year figures we already gave a reduction in overall sales; we will not have a 24% volume drop in second Q, even because we will have the start of the summer campaign, but definitely we will have something like a single-digit drop. That’s what we do expect. The more and more we are looking at volume... not... value, sorry, not volume... so that from a revenue standpoint, this drop should be lower.

Thank you. And just a clarification on capex: frontloaded, I understand that; what elements of capex are frontloaded? Obviously you do capitalize some of your cash, are we talking about a fair amount of cash that was capitalized in Q1?

No, we’re talking about investments in broadband and in the network.

Okay. Thanks very much.

5. Mr. Ivon Leal from BBVA:

Hallo, good afternoon, gentlemen. I’ve got a couple of questions; the first one concerning your targets for year 2008. I think... I don’t quite understand what’s happening here: you’re basically lowering our EBITDA targets in Brazil and in Hansenet and you maintain your targets for... at the consolidated level. If I understood correctly this due to further cost cutting in the rest of the division: could you please detail where are we going to see, you know, this additional cost cutting? My main concern here is whether this is basically coming from commercial cost and this could eventually have, you know, a negative impact on year 2009, or on the end of year 2008.

...

That’s the first question.
Yes. Mr. Parazzini.

Okay. But... well, we have made an assessment of... an assessment of our forecast and we feel that due to the trend in the first quarter we feel we may confirm our targets for the full year, where we say that we were about... 31 billion revenues at consolidated level and about 48.5% in EBITDA. And, due to what was said up to now, and the possibility to recover this at EBITDA level in Brazil, we feel that managing the various levers that we have in the company we may confirm this target.

Okay, thanks. The second one regarding the situation in the German market: as you say, a strong pressure on prices, so... I don’t clearly understand what is going to change in the rest of the year, in order to achieve that 24% margin target? And the second one: I mean, would you give priority to your sales target growth, or to your margin target in German broadband business? Thank you.

Mr. Cicchetti will answer to this.

Yes. Let’s say that of course we are focusing on sales as well as on margins. Our program in Germany’s based on, first of all, recovery in ARPU, and this will be pursued by changing, by focusing on the mix between ULL acquisition and wholesale acquisition. The second, of course, is based on cost reduction; we experienced in... this first quarter we experienced an important increase in costs related to customer care. We are acting on this, we are rationalizing internal and external resources, and so to that extent we believe we will be able to deliver the targets.

Is there any specific competitor which has been especially aggressive in the market, or is it just everybody?

Now, perhaps you already know, the most aggressive on the market is Vodafone that has launched and continues to have on the market an offer that comes close to six months free, and so we are answering, we are fighting against this with... of course we have been forced to reduce our prices, but we strongly believe that the battle continues to be... continues to be at that level. One important thing in Germany is that as a matter of fact we’ve been able to increase significantly our customer base on Alice, and what we are experiencing is turn, that is mainly due to the migration of ULL and to that extent we foresee that in the coming quarters this kind of turn will be significantly reduced.

Okay. Thank you very much.

Thank you.

6. Mr. Nick Lyall from UBS:

Hi. It’s Nick Lyall from UBS. Can we just come back to that last question about domestic cost, please? And just check: your marketing costs are down about 5% year-on-year for the domestic business; is this something we should expect to continue? Is that... this focus on value as a post of volume going to keep on delivering marketing cost cuts? And then, secondly, there’s been a lot of comments in the press; I think a few interviews as well about the potential for further cost cuts in the domestic business? I mean, which area of cost in particular do you think your biggest opportunity comes from in your domestic cost base again, please? Thank you.

On the first question Mr. Luciani will answer. On the second I will take the question.
Definitely yes. The remix from volume to value will bring to lower marketing costs; where we do expect to invest more is in customer care, and costs on the existing customers, but definitely acquisition costs are going lower and lower.

On the second question, we have... we are already putting in place a detailed program for reviewing overhead costs and operating costs in the IT area and in the marketing area.

Is there anything you found so far on the personnel side as well that you think might be interesting? Margins up?

Yes. This will come along with a more global reduction in costs that will involve real estate costs, it will involve... over... I mean, general overhead costs and we will be... we are working already on this and we will... before the middle of the year we will come up with a more detailed plan.

Okay. Thank you very much.

Thank you.

7. Mr. James Britton from Lehman Brothers:

Thanks very much. Two questions, please. First of all on termination rates. Why do you still refer to mobile termination rate pressure as a discontinuity? Do you really think termination rates can stabilize? And if not, can you just tell us what your budgeting for MTR decline in your guidance statements for this year and the next couple of years? Is it greater or less than the current 10% decline? And second question: is there any potential for you to rebalance the consumer access fee in domestic wireline? For that you have a greater proportion of (...) news coming from a subscription source. Thanks very much.

Thank you. On mobile termination rates Luca Luciani will answer.

Well, in the first quarter we have a 54 million impact from the termination cuts; a similar impact in second Q: as of July in our numbers we are forecasting a termination rate drop down to 8.0 euro cents per minute. Up to now it has still not been on fixed but there could be slightly better news on this.

On the second question Mr. Labriola will answer.

Okay. As we already mentioned in March, during the Investor Day, we will continue our activity of migration of broadband access from G to flat, and we’re working on new services to increase the ARPU. So, we forecast a continuous increase of the ARPU, also in the following quarter. Related to the access line fee, it’s not forecst today any kind of increase due to the actual regulation.

Thank you. Next question.

I’d like to ask one follow-up on mobile termination, if I can?

Yes, please.

Yes. You know that there’s a big discussion going on. You know that Mrs. Redding is asking for a severe cut in termination rates for the entire industry, probably starting from... not from next year. They want to see a more cost-oriented approach to termination rates. I think there is a strong reaction from the industry, I think that the regulators... the national regulators have their own say on this, I think that the outcome of all this is still very uncertain, Mrs. Redding is very determined in pursuing this cost-oriented strategy for mobile termination rates.

*You have a view on where cost-oriented rates are?*

Sorry, I didn’t get your question.

*It’s a final question. Do you have a view on where cost-oriented rates are?*

I have my own view, and it’s not coincident with Mrs. Redding’s view. Mrs. Redding thinks that cost-oriented termination rates are 2.5 cents per euro.

Okay. Thanks.

Thank you.

8. Ms. Micaela Ferruta from Intermonte SIM:

Good evening, Ferruta from Intermonte SIM. I have three questions: one regards the statement that you made about the fact that unbundling lines are actually slowing down growth and all those are actually taking the wholesale product, can you give us an update, maybe, on Q2 and how you explain this... this trend? Are they taking customers outside the coverage areas? And should we assume such a thing to go on? And the second thing regards the possible disposals or acquisitions, so, I would ask you an update on the disposal process of Alice France and maybe a comment on the Tiscali offer, which, according to newspapers, you have presented... though unbundling, of course. Thank you.

The first question will be answered by Mr. Labriola, the second I will take.

Okay. What is happening today is that, as you can see in the chart where we have shown which is the customer base of our competition that we estimate, our competitors have worked until today mainly on the migration of their (...) selection, (...) selection customers mainly in the unbundling area. Remaining only 3 million customers overall in the market, as indirect customers, and we estimate that perhaps one third will be on unbundling area, the capability of our competitors to continue to increase their unbundling customer base will go down in the next months and if they want to continue to keep the same level of acquisition, they will increase their cost of acquisition. So, we don’t foresee any kind of increase in terms of unbundling local loop. In terms of wholesale rental we cannot forecast anything for the next two or three months, because this kind of process started in the last month, so we are not able, on a one-month basis, to forecast what will happen. However, also in this area what will happen is that the capability of our competitors to continue to increase the number of wholesale rental could have a cap in terms of migration of customers from indirect access to direct access.

On the second question, on Alice France we have three firm offers, binding offers; we are very happy about the process and we think that there will be a great deal of competition in the last stages of the process, which has started now. On Tiscali we are not presenting any offer, but we will see what... how the process will evolve.
Okay. Thank you.

Thank you.

Next question.

9. Mr. Guillaume Tastet from Oddo:

Thank you. Good afternoon. I have a couple of questions, please. And the first one: I’d like to know if you can give us the percentage of view IP as the percentage of fixed traffic, please? And the second one is more a bit of a clarification: I think you already said it, but can you confirm that you did not capitalize any acquisition costs in Q1 2008? Thanks.

Excuse me, I did not quite get the questions.

Okay...

Can you repeat them?

Yes. Can you hear me better now?

...

Sorry. Can you hear me better now?

Yes. A little better, thanks.

Sorry. The first question was: I wanted to know the percentage of traffic, of fixed traffic, which is represented by view IP? And the second question is a bit of a clarification: can you confirm that you did not capitalize any mobile acquisition costs in Q1 2008?

Luca Luciani will answer to this.

Acquisition costs: we do have 85 euros... of sack... of subscriber acquisition costs, including the advertising. So that out of these 85 we do have 40 euros that is advertising. Obviously, advertising was bought on new customer and existing customer base, so, basically, roughly the split is 40 advertising, 45 is commissioning and... in case, handset costs.

Thanks.

Next question.

10. Mr. James Retzer from New Street Research:

Yes. I have two questions, please. The first one is just regarding a release you put out in November last year, regarding a potential tax investigation around the Olivetti and the Blue deal; I was wondering if you could please give us an update on the status of that investigation, please? And the second question: with regards to your domestic business it strikes me that you’re doing a good job on cost cutting at the moment, that the revenue trends in both fixed lines and the mobile business continue to deteriorate... I mean, to what extent do you think there’s a danger you are
under-investing in the business, and costs are going to have to rise? I mean, I take your domestic business is currently going down around 5% at the top line, excluding the Bersani decree, and your guidance for 2009 and 2010 is for that revenue trend to stabilize... is not going to require quite a bit more investment? Thank you very much.

On the... Mr. Parazzini will take the first question and I will answer the second.

Well, for what regards the tax issue, for what regards the first part of the Olivetti portion that you mentioned before, there are no news as compared to what is disclosed in our annual report, and I repeat that on this fact there was just a report from the so-called Guardia di Finanza, that is the investigation arm of the revenue agency. There is no news on this subject. For what regards the Blue case, there was an assessment, as you remember, in December for the revenue agency, we appealed against it, and now we received, just the day before yesterday, the first bill of this for 180 million to be paid, and this is regular, according to the procedure of the revenue agency. It was pretty unexpected, as compared to the talk we had with the revenue agency, trying to manage these disclaims; anyway, we are now preparing the appeal versus this bill, in order not to pay this before the final judgment on this subject that is in process, and we appealed against it and we have to just follow the steps of the claiming procedure.

And you’re expecting future payments on this Blue deal in addition to 180 million you just received yesterday?

Well, we have received this, and... against this... regular according to the normal procedure. As I said, it was quite unexpected, due to the talks that we had with the revenue agency, that had previously said that they wouldn’t issue this bill, we, anyway, following the procedure, can claim the suspension of the payment, up to the time when a final judgment is issued against it. And we will see what the answer of the revenue agency will be for what regards this claim to postpone the payment at the end of the judgment.

On the second question: it’s a very complicated question and it would require a long explanation, but to put it very shortly, I must say that I think that the Italian market is not a mature market, in the sense that it has a great growth potential in a number of areas, which are exactly the areas that require a development of the broadband. So, we are very, very confident that through our actions, through a more benign attitude of the government and a more pro-business and pro-technology attitude of the government, we will be capable of seizing this opportunity. I think that the Italian market offers a lot of opportunities, it’s... we have outlined the process which... which we’ll go through for the next two or three years, but I’m very, very confident that there is unexpressed growth potential in the country and that we will be able to seize this unexpressed growth potential. And now...

And do you think you’ll have to invest more to achieve that level of growth, please?

No, I think that... no, not at all, I think that we have one of the best technical infrastructures in Europe. We have already integrated the fixed and mobile network, and we have done it ahead of everybody else; we are capable of providing a seamless service, mobile and fixed, to all our customers, and I think that we will be giving our customers the best experience and the quality of service that they deserve. So, I’m very confident that we will not need to over-invest or to make, I mean, an increased investment effort in order to seize this opportunity.

And now, since there are no more questions, I want to thank everybody for having been with us. I want to... I want to stress that we feel very confident in reaching full-year targets, and we are very happy to keep a very open dialogue with the financial community and with the financial markets. Thank you for being with us, and have a good weekend.
Ladies and gentlemen, the conference call is over. Thank you very much for your attention.