

TELECOM ITALIA S P A  
Form 6-K  
September 22, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 6-K**

**Report of Foreign Private Issuer**  
**Pursuant to Rule 13a-16 or 15d-16 under the**  
**Securities Exchange Act of 1934**

**Telecom Italia S.p.A.**

**Piazza degli Affari 2,**

**20123 Milan, Italy**

**(Address of principal executive offices)**

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**FOR THE MONTH OF SEPTEMBER, 2011**

**Commission File Number 001-13882**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or 40-F

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**This Report on Form 6-K shall be deemed to be incorporated by reference in the Registration Statement on Form F-3 of Telecom Italia Capital S.A. (Registration No. 333-156476) and Telecom Italia S.p.A. (Registration No. 333-156476-01) and to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.**

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**2011 Half-Yearly Financial Report**

**Introduction**

**INTRODUCTION**

As used in this Report on Form 6-K, unless the context otherwise requires, the term **Company** means Telecom Italia S.p.A. the operating company for fixed and mobile telecommunications services in Italy and the holding company for various businesses, principally telecommunications, and the terms **we** , **us** and **our** refers to the Company, and, as applicable, the Company and its consolidated subsidiaries.

**n Presentation of Certain Financial and Other Information**

Unless otherwise indicated, the financial information incorporated by reference in this report has been prepared in accordance with International Financial Reporting Standards issued by the IASB International Accounting Standard Board (designated as **IFRS** ).

The currency used by Telecom Italia in preparing its consolidated financial statements is the euro. References to **€** , **euro** and **Euro** are to the euro.

References to **U.S. dollars** , **dollars** , **U.S.\$** or **\$** are to U.S. dollars.

References to **BRL** are to the Brazilian Reais.

References to **pesos** are to the Argentine pesos.

For the purpose of this report, **billion** means a thousand million.

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**2011 Half-Yearly Financial Report**

**Introduction**

**Cautionary Statement for Purposes of the Safe Harbor Provisions of the United States Private Securities Litigation Reform Act of 1995**

This report may contain certain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 or Section 21E of the U.S. Securities Exchange Act of 1934 (the "1934 Act"), which reflect Telecom Italia's management's current views with respect to certain future events, trends and financial performance. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information is based on certain key assumptions which we believe to be reasonable but forward-looking information by its nature involves risks and uncertainties, which are outside of our control, that could significantly affect expected results of future events.

The following important factors could cause our actual results to differ materially from those projected or implied in any forward-looking statements:

our ability to successfully implement our strategy over the 2011-2013 period;

our ability to successfully achieve our debt reduction targets;

the continuing impact of increased competition in a liberalized market, including competition from established domestic competitors and global and regional alliances formed by other telecommunications operators in our core Italian domestic fixed-line and wireless markets;

the increasing competition from global and local OTT (Over The Top) players (operators offering contents and services on the internet without owning a proprietary TLC network infrastructure);

the continuing effects of the global economic crisis in the principal markets in which we operate;

our ability to utilize our relationship with Telefónica to attain synergies primarily in areas such as network, IT, purchasing and international mobile roaming;

our ability to introduce new services to stimulate increased usage of our fixed and wireless networks to offset declines in the traditional fixed-line voice business due to the continuing impact of regulatory required price reductions, market share loss, pricing pressures generally and shifts in usage patterns;

our ability to successfully implement our internet and broadband strategy;

the impact of regulatory decisions and changes in the regulatory environment in Italy and other countries in which we operate;

the impact of economic development generally on our international business and on our foreign investments and capital expenditures;

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our services are technology-intensive and the development of new technologies could render such services non-competitive;

the impact of political developments in Italy and other countries in which we operate;

the impact of fluctuations in currency exchange and interest rates;

our ability to build up our business in adjacent markets and in international markets (particularly in Brazil and Argentina), due to our specialist and technical resources;

our ability to achieve the expected return on the investments and capital expenditures we have made and continue to make (such as those in Brazil and Argentina);

the amount and timing of any future impairment charges for our licenses, goodwill or other assets; and

the outcome of litigation, disputes and investigations in which we are involved or may become involved.

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date of this report. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date of this report, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

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**2011 Half-Yearly Financial Report**

**Introduction**

When evaluating forward-looking statements, you should also consider the risk factors set forth in the 2010 Annual Report and subsequent annual reports on Form 20-F and other documents Telecom Italia files with the U.S. Securities and Exchange Commission.



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**2011 Half-Yearly Financial Report**

**Key Definitions**

**KEY DEFINITIONS**

The following terms appearing in this Report on Form 6-K have the meanings set forth below.

IASB	means the International Accounting Standards Board.
IFRS	means International Financial Reporting Standards issued by the IASB.
Ordinary Shares	means the Ordinary Shares, 0.55 par value each, of Telecom Italia.
Savings Shares	means the Savings Shares, 0.55 par value each, of Telecom Italia.
Parent	means Telecom Italia S.p.A. or the Company.
Telecom Italia Group and Group	means the Company and its consolidated subsidiaries.
Telecom Italia Media	Telecom Italia Media is the Telecom Italia Group's subsidiary operating in the Media business.

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**2011 Half-Yearly Financial Report**

**Description Of Telecom Italia**

**DESCRIPTION OF TELECOM ITALIA**

Telecom Italia is a joint-stock company established under Italian law with registered offices in Milan at Piazza degli Affari 2, 20123 Milan, Italy. The telephone number is +39-02-85951. The company is recorded in the Milan Companies Register at number 00488410010, R.E.A. number 1580695, R.A.E.E. number IT0802000000799. The duration of the company, as stated in the company's Bylaws, extends until December 31, 2100.

**n Overview of the Telecom Italia Group's Major Business Areas**

Telecom Italia is the parent company of the Telecom Italia Group.

On October 13, 2010, the Sofora group Telecom Argentina entered the scope of consolidation following the increase, from 50% to 58%, in the stake held by the Telecom Italia Group in the share capital of Sofora Telecomunicaciones S.A., the controlling holding company of the Telecom Argentina group. In January and in March 2011, further shares of Sofora Telecomunicaciones S.A. and Nortel (the controlling holding company of the Telecom Argentina group, which, in turn, is controlled by Sofora Telecomunicaciones) were acquired which increased the economic stake in the Telecom Argentina group from 16.2% to 21.1%.

The data of the Sofora group are represented in the Telecom Italia Group by the new business unit denominated Argentina Business Unit. During 2010, the following companies exited the scope of consolidation: HanseNet Telekommunikation GmbH (a company operating in the broadband sector in Germany), which had already been classified in Discontinued operations/Non-current assets held for sale, whose sale took place on February 16, 2010; Elettra (a company included in the Domestic Business Unit International Wholesale) sold on September 30, 2010 and the BBNed group (included in Other Operations) sold on October 5, 2010.

Telecom Italia Group's Business Units as of June 30, 2011 were as follows:

(\*) Main companies: Telecom Italia S.p.A.; Matrix S.p.A.; Telenergia S.p.A.; Telecontact Center S.p.A.; Path.Net S.p.A.; HR Services S.r.l. and Shared Service Center S.r.l.

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**2011 Half-Yearly Financial Report**

**Summary Selected Financial And Statistical Information**

**SUMMARY SELECTED FINANCIAL AND STATISTICAL INFORMATION**

The summary selected financial data set forth below are consolidated financial data of the Telecom Italia Group as follows:

with respect to the separate consolidated income statement information, the unaudited financial data for the six-month periods ended June 30, 2011 and 2010; and

with respect to the statement of financial position information, the unaudited financial data as of June 30, 2011 and the audited financial data as of December 31, 2010.

In the opinion of the management of Telecom Italia, the unaudited interim consolidated financial data of the Telecom Italia Group reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Telecom Italia Group's consolidated results of operations for the unaudited interim periods. Results for the six-month period ended June 30, 2011, are not necessarily indicative of results that may be expected for the entire year.

Furthermore in the six months ended June 30, 2011 there were no material events or transactions (e.g. business combinations, disposals, significant transactions with related parties, including intragroup transactions) which would have required a specific disclosure in this report.

**This financial information was prepared applying the same accounting policies and methods of computation as compared with our Consolidated Financial Statements as of December 31, 2010 included in Telecom Italia S.p.A.'s 2010 Annual Report, to which reference should be made, except for the new standards and interpretations adopted by the Group since January 1, 2011 that did not have any impact on the Unaudited Interim Consolidated Financial Statements at June 30, 2011.**

**In addition, certain non-GAAP financial measures are presented.**

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2011 Half-Yearly Financial Report

Summary Selected Financial And Statistical Information

	Six months ended June 30,	
	2011	2010
	(Unaudited)	
	(millions of euros, except percentages, ratios, employees and per share amounts)	
<b>Separate Consolidated Income Statement Data:</b>		
<b>Revenues</b>	<b>14,543</b>	<b>13,223</b>
<b>Operating profit (loss)</b>	<b>(51)</b>	<b>2,881</b>
<b>Profit (loss) before tax from continuing operations</b>	<b>(1,009)</b>	<b>1,924</b>
<b>Profit (loss) from continuing operations</b>	<b>(1,786)</b>	<b>1,242</b>
Profit (loss) from Discontinued operations/Non current assets held for sale	(11)	(2)
<b>Profit (loss) for the period</b>	<b>(1,797)</b>	<b>1,240</b>
<i>Of which:</i>		
<i>Profit (loss) attributable to owners of the Parent<sup>(b)</sup></i>	<i>(2,013)</i>	<i>1,211</i>
<b>Investments</b>		
Capital expenditures	2,037	2,021
<b>Financial Ratios</b>		
Operating profit/Revenues (ROS)(%)	n.s.	21.8
Ratio of earnings to fixed charges <sup>(3)</sup>	0.01	2.73
<b>Employees, average number in the Group, including personnel with temporary work contracts:</b>		
Employees (average number)	77,985	67,130
<b>Basic and Diluted earnings per Share (EPS)<sup>(3)</sup>:</b>		
<b>Ordinary Share</b>	<b>(0.11)</b>	<b>0.06</b>
<b>Savings Share</b>	<b>(0.11)</b>	<b>0.07</b>
<i>Of which:</i>		
- <i>From continuing operations:</i>		
<i>Ordinary Share</i>	<i>(0.11)</i>	<i>0.06</i>
<i>Savings Share</i>	<i>(0.11)</i>	<i>0.07</i>
- <i>From Discontinued operations/Non-current assets held for sale:</i>		
<i>Ordinary Share</i>		
<i>Savings Share</i>		

**Table of Contents****2011 Half-Yearly Financial Report****Summary Selected Financial And Statistical Information**

	As of June 30, 2011 (Unaudited) (millions of euros, except employees)	As of December 31, 2010
<b>Consolidated Statement of Financial Position Data:</b>		
<b>Total Assets</b>	<b>82,305</b>	<b>89,131</b>
<b>Equity:</b>		
Equity attributable to owners of the Parent	25,761	28,819
Non-controlling interests	3,593	3,791
<b>Total Equity</b>	<b>29,354</b>	<b>32,610</b>
<b>Total liabilities</b>	<b>52,951</b>	<b>56,521</b>
<b>Total equity and liabilities</b>	<b>82,305</b>	<b>89,131</b>
<b>Share capital<sup>(4)</sup></b>	<b>10,600</b>	<b>10,600</b>
<b>Net Financial Debt<sup>(5)</sup></b>	<b>31,505</b>	<b>32,087</b>
<b>Employees, number in the Group at period-end, including personnel with temporary work contracts:</b>		
Employees (number at period-end)	84,335	84,200
	Six months ended June 30, 2011 (Unaudited)	2010
	(millions of euros)	
Cash Flows from (used in) Operating Activities	4,041	2,974
Cash Flows from (used in) Investing Activities	(1,715)	(2,614)
Cash Flows from (used in) Financing Activities	(3,810)	(2,601)
<b>Aggregate Cash Flows</b>	<b>(1,484)</b>	<b>(2,241)</b>

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	As of and for the period ended		
	June 30, 2011	December 31, 2010	June 30, 2010
<b>Statistical Data:</b>			
<b>Domestic fixed:</b>			
Fixed-line network connections in Italy at period-end (thousands)	17,124	17,609	18,062
Physical accesses (Consumer and Business) at period-end (thousands)	14,962	15,351	15,741
Broadband accesses in Italy at period-end (thousands)	9,117	9,058	8,958
<i>Of which retail (thousands)</i>	<i>7,169</i>	<i>7,175</i>	<i>7,134</i>
Virgilio average daily page views during the period (millions)	48.5	45.5	45.4
Virgilio average daily single visitors (millions)	4.2	3.7	3.6
Network infrastructure in Italy:			
access network in copper (millions of km - pair)	111.9	111.7	110.5
access and carrier network in optical fiber (millions of km - fiber)	4.4	4.3	4.1
Network infrastructure abroad:			
European backbone (km of fiber)	55,000	55,000	55,000
Mediterranean (km of submarine cable)	7,000	7,000	7,000
South America (km of fiber)	30,000	30,000	30,000
<b>Total Traffic:</b>			
Minutes of traffic on the fixed-line network (billions)	55.8	121.5	63.9
Domestic traffic	48.5	104.1	54.6
International traffic	7.3	17.4	9.3
<b>Domestic Mobile:</b>			
Number of mobile lines at period-end (thousands)	31,260	31,018	30,545
Change in mobile lines (%)	0.8	0.5	(1.0)
Churn rate (%) <sup>(6)</sup>	11.1	22.0	11.5
Total mobile outgoing traffic per month (millions of minutes)	3,608	3,305	3,109
Total average mobile outgoing and incoming traffic per month (millions of minutes)	4,801	4,597	4,405
Average monthly mobile service revenues per line <sup>(7)</sup> (euro)	17.5	19.7	20.1
<b>Brazil:</b>			
Number of mobile lines at period-end (thousands)	55,512	51,015	44,413
<b>Argentina<sup>(8)</sup>:</b>			
Number of fixed lines at period-end (thousands)	4,119	4,107	4,066
Number of mobile lines at period-end (thousands)	19,375	18,212	17,169
Broadband accesses at period-end (thousands)	1,457	1,380	1,274
<b>Media:</b>			
La7 audience share Free to Air (analog mode) (average during period, in %)	3.7	3.1	2.8
La7 audience share Free to Air (analog mode) (last month of period, in %)	4.4	3.3	3.1

(1) For the purposes of IFRS, Parent, as used in this Report, means Telecom Italia S.p.A.

(2) For purposes of calculating the ratio of earnings to fixed charges:

Earnings is calculated by adding:

profit (loss) before tax from continuing operations;

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fixed charges (as defined below);

amortization of capitalized interest and issue debt discounts or premiums;

dividends from associates and joint ventures accounted for using the equity method; and

share of losses of associates and joint ventures accounted for using the equity method; and then subtracting:

capitalized interest for the applicable period; and

share of earnings of associates and joint ventures accounted for using the equity method.

Fixed charges is calculated by adding:

interest expenses (both expensed and capitalized);

issue costs and any original issue debt discounts or premiums; and

an estimate of the interest within rental expense for operating leases.

- (3) In accordance with IAS 33 (*Earnings per share*), basic earnings per Ordinary Share is calculated by dividing the Telecom Italia Group's profit available to shareholders by the weighted average number of shares outstanding during the period, excluding treasury shares. Since Telecom Italia has both Ordinary and Savings Shares outstanding, the calculations also take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2% of the par value of shares above dividends paid on the Ordinary Shares. For the purpose of these calculations, the weighted average number of:

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**2011 Half-Yearly Financial Report**

**Summary Selected Financial And Statistical Information**

Ordinary Shares were 13,257,839,636 for the six months ended June 30, 2011 and 13,218,690,552 for the six months ended June 30, 2010; and

Savings Shares were 6,026,120,661 for the six months ended June 30, 2011 and 6,026,120,661 for the six months ended June 30, 2010.

For diluted earnings per share the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Potential shares are those securities that, if converted into shares, would increase the total number of shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. The Group's profit is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.

- (4) Share capital represents share capital issued net of the par value of treasury shares.
- (5) Net Financial Debt is a Non-GAAP Financial Measure as defined in Item 10 of Regulation S-K under the 1934 Act. For further details please see the items Non-GAAP Financial Measures and Liquidity and Capital Resources Capital Resources included elsewhere in this Report on Form 6-K.
- (6) The data refers to total mobile lines. The churn rate for the period represents the number of mobile customers who discontinued service during the period expressed as a percentage of the average number of customers.
- (7) The values are calculated on the basis of revenues from mobile services (including revenues from prepaid cards and revenues from non-domestic traffic) divided by the average number of lines.
- (8) The operating data of the Argentina Business Unit in the first half of 2010 is presented only for illustration purposes. The Argentina Business Unit has been consolidated by the Telecom Italia Group since October 13, 2010.



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**2011 Half-Yearly Financial Report**

**Non-GAAP Financial Measures**

**Non-GAAP Financial Measures**

In this report, in addition to figures presented in accordance with IFRS as issued by IASB, we disclose figures derived from IFRS that are non-GAAP financial measures ( **Non-GAAP Measures** ).

In this report the only non-GAAP measure utilized relates to Net Financial Debt.

**Net Financial Debt** is a Non-GAAP financial measure as defined in Item 10 of Regulation S-K under the 1934 Act, but is widely used in Italy by financial institutions to assess liquidity and the adequacy of a company's financial structure. We believe that Net Financial Debt provides an accurate indicator of our ability to meet our financial obligations (represented by gross debt) by our available liquidity, represented by the other items shown in the reconciliation table. Net Financial Debt allows us to show investors the trend in our net financial condition over the periods presented. The limitation on the use of Net Financial Debt is that it effectively assumes that gross debt can be reduced by our cash and other liquid assets. In fact, it is unlikely that we would use all of our liquid assets to reduce our gross debt all at once, as such assets must also be available to pay employees, suppliers, and taxes, and to meet other operating needs and capital expenditure requirements. Net Financial Debt and its ratio to equity (including Non-controlling Interest), or leverage, are used to evaluate our financial structure in terms of sufficiency and cost of capital, level of debt, debt rating and funding cost, and whether our financial structure is adequate to achieve our business plan and our financial targets. Our management believes that our financial structure is sufficient to achieve our business plan and financial targets. Our management monitors the Net Financial Debt and leverage or similar measures as reported by other telecommunications operators in Italy and outside Italy, and by other major listed companies in Italy, in order to assess our liquidity and financial structure relative to such companies. We also monitor the trends in our Net Financial Debt and leverage in order to optimize the use of internally generated funds versus funds from third parties. Net Financial Debt is reported in our Italian Annual Report to shareholders and is used in presentations to investors and analysts.

For further details on Net Financial Debt please see the item **Liquidity and Capital Resources** **Capital Resources** included elsewhere in this Report on Form 6-K.

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2011 Half-Yearly Financial Report

Telecom Italia Group Results Of Operations For The Six

Months Ended June 30, 2011

**TELECOM ITALIA GROUP RESULTS OF OPERATIONS FOR THE SIX****MONTHS ENDED JUNE 30, 2011 COMPARED TO THE SIX MONTHS****ENDED JUNE 30, 2010**

The information in this section should be read in conjunction with the Telecom Italia Group's Unaudited Interim Consolidated Financial Statements at June 30, 2011, and the Notes thereto, included elsewhere in this Report on Form 6-K.

	Six months ended June 30,	
	2011	2010
	(Unaudited)	
	(millions of euros)	
<b>Separate Consolidated Income Statement Data:</b>		
Revenues	14,543	13,223
Other income	108	104
<b>Total operating revenues and other income</b>	<b>14,651</b>	<b>13,327</b>
Acquisition of goods and services	(6,232)	(5,368)
Employee benefits expenses	(1,964)	(1,845)
Other operating expenses	(844)	(570)
Changes in inventories	81	(125)
Internally generated assets	285	314
Depreciation and amortization	(2,843)	(2,845)
Gains (losses) on disposals of non-current assets	(3)	(2)
Impairment reversals (losses) on non-current assets	(3,182)	(5)
<b>Operating profit (loss)</b>	<b>(51)</b>	<b>2,881</b>
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(12)	39
Other income (expenses) from investments	15	2
Finance income	1,685	3,464
Finance expenses	(2,646)	(4,462)
<b>Profit (loss) before tax from continuing operations</b>	<b>(1,009)</b>	<b>1,924</b>
Income tax expense	(777)	(682)
<b>Profit (loss) from continuing operations</b>	<b>(1,786)</b>	<b>1,242</b>
Profit (loss) from Discontinued operations/Non-current assets held for sale	(11)	(2)
<b>Profit (loss) for the period</b>	<b>(1,797)</b>	<b>1,240</b>
<i>Attributable to:</i>		
<i>Owners of the Parent</i>	<i>(2,013)</i>	<i>1,211</i>
<i>Non-controlling interests</i>	<i>216</i>	<i>29</i>

€ **Telecom Italia Group Consolidated Results**

v **REVENUES**

Revenues amounted to 14,543 million euros in the first half of 2011, an increase of 1,320 million euros, or 10.0%, compared to 13,223 million euros in the same period of 2010.

The breakdown of Revenues by operating segment is the following:



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<b>Geographical area</b>				
Italy	9,411	64.7%	10,154	76.8%
Abroad	5,132	35.3%	3,069	23.2%
<b>Total consolidated revenues</b>	<b>14,543</b>	<b>100.0%</b>	<b>13,223</b>	<b>100.0%</b>

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Details are as follows:

	Six months ended June 30,		Change
	2011	2010	
	(millions of euros)		
Late payment fees charged for telephone services	36	35	1
Recovery of employee benefit expenses, purchases and services rendered	14	19	(5)
Capital and operating grants	14	17	(3)
Damage compensations, penalties and sundry recoveries	10	7	3
Sundry income	34	26	8
<b>Total</b>	<b>108</b>	<b>104</b>	<b>4</b>

**v OPERATING EXPENSES**

Our operating expenses amounted to 14,702 million euros in the first half of 2011, an increase of 4,256 million euros, or 40.7%, compared to 10,446 million euros in the same period of 2010; such increase is detailed as follows:

**Acquisition of goods and services**

The increase of 864 million euros was largely due to the entry of the Argentina Business Unit in the scope of consolidation (an impact of 617 million euros in the first half of 2011) and the significant increase in the sales and technical costs of the Brazil Business Unit due mainly to an overall increase of +574 million euros needed to support the growth of the customer base and sales. Partially offsetting these increases was the performance of the domestic business which benefited from cost cutting actions which contributed to a reduction in purchases of 274 million euros compared to the first half of 2010 (-7.6%).

In detail:

	Six months ended June 30,		Change
	2011	2010	
	(millions of euros)		
Purchases of goods	1,162	559	603
Portion of revenues to be paid to other operators and interconnection costs	2,088	2,154	(66)
Commercial and advertising costs	1,125	987	138
Power, maintenance and outsourced services	707	595	112
Rent and leases	316	289	27
Other service expenses	834	784	50
<b>Total</b>	<b>6,232</b>	<b>5,368</b>	<b>864</b>

**Employee benefits expenses**

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Employee benefits expenses recorded a total increase of 119 million euros. The increase largely reflected the entry of the Argentina Business Unit in the scope of consolidation (an impact of 208 million euros in the first half of 2011); in contrast, the Italian component of ordinary employee benefits expenses was down 98 million euros mainly due to the reduction in the average headcount of the salaried workforce of 4,176 persons compared to the first half of 2010 (of whom -1,497 are under so-called solidarity contracts in Telecom Italia S.p.A. and Shared Service Center S.r.l.)

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2011 Half-Yearly Financial Report

Telecom Italia Group Results Of Operations For The Six

Months Ended June 30, 2011

Details are as follows:

		Six months ended June 30,		Change
		2011	2010	
		(millions of euros)		
Total employee benefits expenses	Italy	1,576	1,674	(98)
Total employee benefits expenses	Foreign	388	171	217
<b>Total employee benefits expenses</b>		<b>1,964</b>	<b>1,845</b>	<b>119</b>

The average salaried number of the workforce is the following:

		Six months ended June 30,		Change
		2011	2010	
		(units)		
Average salaried workforce	Italy	53,555	57,731	(4,176)
Average salaried workforce	Foreign <sup>(1)</sup>	24,430	9,399	15,031
<b>Total average salaried workforce<sup>(2)</sup></b>		<b>77,985</b>	<b>67,130</b>	<b>10,855</b>

- (1) The increase in the average headcount of the salaried workforce was primarily attributable to the entry of the Argentina Business Unit in the scope of consolidation (14,993 average headcount in the first half of 2011).
- (2) Includes the average headcount with temp work contracts: 95 in the first half of 2011 (78 in Italy and 17 abroad). In the first half of 2010 it included 77 units (64 in Italy and 13 abroad).

Employees at June 30, 2011 were as follows:

		As of	As of	Change
		June 30,	December 31, 2010	
		(units)		
Employees	Italy	57,853	58,045	(192)
Employees	Foreign	26,482	26,155	327
<b>Total<sup>(1)</sup></b>		<b>84,335</b>	<b>84,200</b>	<b>135</b>

- (1) Includes employees with temp work contracts: 90 at June 30, 2011 and 71 at December 31, 2010.

**Other operating expenses**



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Other operating expenses grew 274 million euros compared to the first half of 2010 largely on account of the entry of the Argentina Business Unit in the scope of consolidation (an impact of 157 million euros in the first half of 2011), and the increases in the Brazil Business Unit (+47 million euros including an exchange rate effect of 12 million euros) and the Domestic Business Unit (+73 million euros). In particular:

writedowns and expenses in connection with credit management included 180 million euros relating to the Domestic Business Unit (154 million euros in the first half of 2010), 47 million euros relating to the Brazil Business Unit (77 million euros in the first half of 2010) and 15 million euros relating to the Argentina Business Unit;

provision charges recorded mainly for pending disputes include 43 million euros relating to the Domestic Business Unit (19 million euros in the first half of 2010), 30 million euros relating to the Brazil Business Unit (17 million euros in the first half of 2010) and 5 million euros relating to the Argentina Business Unit;

telecommunications operating fees and charges showed an increase of 93 million euros relating primarily to the Brazil Business Unit (+60 million euros, including a positive exchange rate effect of 7 million euros), as well as the entry of the Argentina Business Unit in the scope of consolidation (28 million euros).

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Details are as follows:

	Six months ended June 30,		Change
	2011	2010	
	(millions of euros)		
Writedowns and expenses in connection with credit management	244	236	8
Provision charges	80	38	42
Telecommunications operating fees and charges	301	208	93
Indirect duties and taxes	167	58	109
Penalties, settlement compensation and administrative fines	21	9	12
Association dues and fees, donations, scholarships and traineeships	11	12	(1)
Sundry expenses	20	9	11
<b>Total operating expenses</b>	<b>844</b>	<b>570</b>	<b>274</b>

**Depreciation and amortization**

Details are as follow:

	Six months ended June 30,		Change
	2011	2010	
	(millions of euros)		
Amortization of intangible assets with a finite useful life	1,092	1,183	(91)
Depreciation of property, plant and equipment owned and leased	1,751	1,662	89
<b>Total</b>	<b>2,843</b>	<b>2,845</b>	<b>(2)</b>

The decrease in amortization and depreciation charges was due to decreases in amortization and depreciation charges primarily relating to the Domestic Business Unit (-111 million euros) and the Brazil Business Unit (-149 million euros, including the effect of the change in the real/euro exchange rate of +28 million euros) which were largely offset by the inclusion of the Argentina Business Unit in the scope of consolidation (an impact of +261 million euros in the first half of 2011).

**Impairment losses on non-current assets**

The impairment losses on non-current assets amounted to 3,182 million euros in the first half of 2011 following the impairment charge to goodwill allocated to the Core Domestic cash-generating unit of the Domestic Business Unit.

Specifically, in the first half of 2011, the Group, as in prior years, performed an impairment test on goodwill. The results of the test led to an impairment charge to the goodwill allocated to the Core Domestic cash-generating unit of 3,182 million euros. The impairment test, according to the Group's specific testing procedure, took into account the worsening of the financial market context both in general terms, with reference to the trend of interest rates, and in specific terms, according to the expectations of analysts about the anticipated performance of the Business Unit in question. For a more detailed analysis, reference should be made to the Note - Goodwill of the Telecom Italia Group Unaudited Interim Consolidated Financial Statements at June 30, 2011 included elsewhere in this Report on Form 6-K.

v **OPERATING PROFIT (LOSS)**

Operating profit (loss) was a negative of 51 million euros in the first half of 2011, with a negative change of 2,932 million euros compared to the first half of 2010.

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Details are as follows:

	Six months ended		Change
	2011	2010	
	June 30,		
	(millions of euros)		
ETECSA		36	(36)
Other	(12)	3	(15)
<b>Total</b>	<b>(12)</b>	<b>39</b>	<b>(51)</b>

The investment in EtecSA (Cuba), which was classified in Non-current assets held for sale starting from the month of October 2010, was sold on January 31, 2011.

**v OTHER INCOME (EXPENSES) FROM INVESTMENTS**

In the first half of 2011, Other income (expenses) from investments amounted to income of 15 million euros which relates primarily to a 17 million euro gain on the sale of the entire 27% investment in the Cuban operator EtecSA. That amount was in addition to the benefit from the impairment reversal of 30 million euros, recorded in 2010.

In the first half of 2010, Other income (expenses) from investments amounted to income of 2 million euros and mainly included the net gains on the sale of minor companies.

**v FINANCE INCOME (EXPENSES)**

Finance income (expenses) amounted to an expense of 961 million euros (an expense of 998 million euros in the first half of 2010); this 37 million euro improvement resulted mainly from lower net debt exposure.

**v INCOME TAX EXPENSES**

Income tax expense was 777 million euros in the first half of 2011, an increase of 95 million euros compared to the first half of 2010 (682 million euros), owing to higher taxable profit reported by the Business Units in South America (Brazil and Argentina).

**v PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE**

In the first half of 2011, loss from discontinued operations/non-current assets held for sale was 11 million euros and included expenses incurred in connection with the asset sales transactions of prior years.

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The highlights of the Telecom Italia Group are presented in this 2011 Half-yearly Financial Report according to the following operating segments:

**Domestic Business Unit:** includes domestic operations for voice and data services on fixed and mobile networks for final customers (retail) and other operators (wholesale), the operations of Telecom Italia Sparkle group (international wholesale) as well as the relative support activities;

**Brazil Business Unit:** includes mobile (TIM Brasil) and fixed (Intelig) telecommunications operations in Brazil;

**Argentina Business Unit:** comprises fixed (Telecom Argentina) and mobile (Telecom Personal) telecommunications operations in Argentina, and mobile (Núcleo) telecommunications operations in Paraguay;

**Media Business Unit:** includes television network operations and management;

**Olivetti Business Unit:** includes manufacturing operations for digital printing systems, office products and Information Technology services;

**Other Operations:** includes finance companies and other minor companies not strictly related to the core business of the Telecom Italia Group.

The table below sets forth revenues, operating profit (loss), capital expenditures and number of employees by Business Units, for the periods indicated.

		Domestic	Brazil	Argentina	Media	Olivetti	Other Operations	Adjustments and eliminations	Consolidated Total
		(millions of euros, except number of employees)							
Revenues(1)	2011 first half	9,356	3,499	1,511	118	161	1	(103)	<b>14,543</b>
	2010 first half	10,091	2,875		127	176	43	(89)	<b>13,223</b>
Operating profit (loss)	2011 first half	(686)	440	248	(20)	(27)	(9)	3	<b>(51)</b>
	2010 first half	2,758	165		(21)	(18)	(14)	11	<b>2,881</b>
Capital expenditures	2011 first half	1,358	444	205	26	3	1		<b>2,037</b>
	2010 first half								

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		1,487	507	21	3	3	<b>2,021</b>	
Number of employees(2)	As of June 30, 2011	56,309	10,007	16,090	803	1,088	38	<b>84,335</b>
	As of Dec. 31, 2010	56,530	10,114	15,650	777	1,090	39	<b>84,200</b>

- (1) Revenues are total revenues of the various business units of the Telecom Italia Group before elimination of intercompany sales (but after elimination of sales between companies within the same business unit).
- (2) The number of employees at period-end excludes employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale, and includes personnel with temp work contracts.

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**v DOMESTIC**

The Domestic Business Unit operates as the consolidated market leader in Italy in the sphere of voice and data services on fixed and mobile networks for final retail customers and other wholesale operators. In the international field, the Domestic Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

The principal operating and financial data of the Domestic Business Unit are now reported according to two Cash-generating units (CGU):

**Core Domestic:** includes all telecommunications activities inherent to the Italian market. Revenues indicated in the tables that follow are divided according to the net contribution of each market segment to the CGU's results, excluding intrasegment transactions. The sales market segments defined on the basis of the new customer centric organizational model are as follows:

**Consumer:** comprises the aggregate of voice and internet services and products managed and developed for persons and families in the fixed and mobile telecommunications markets, public telephony and the web portal/services of the company Matrix;

**Business:** is constituted by the aggregate of voice, data, internet and ICT solutions services and products managed and developed for SMEs (Small and Medium Enterprises) and SOHOs (Small Office Home Office) in the fixed and mobile telecommunications markets;

**Top:** comprises the aggregate of voice, data, internet and ICT solutions services and products managed and developed for the Top, Public Sector, Large Account and Enterprise clientele in the fixed and mobile telecommunications markets;

**National Wholesale:** consists of the management and development of the portfolio of regulated and unregulated wholesale services for fixed and mobile telecommunications operators in the domestic market;

**Other** (support structures) includes:

- i Technology & IT: services related to the development, building and operation of network infrastructures, real estate properties, plant engineering, delivery and assurance processes regarding clientele services in addition to the development and information systems;
- i Staff & Other: services carried out by Staff functions and other support activities performed by minor companies of the Group offered to the market and other Business Units.

**International Wholesale:** includes the activities of the Telecom Italia Sparkle group which operates in the international voice, data and internet services market aimed at fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

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The following table sets forth, for the periods indicated, certain financial and other data for the Domestic Business Unit.

	Six months ended June 30,		Change	
	2011 (a)	2010 (b)	(a-b)	%
	(millions of euros, except percentages)			
Revenues	9,356	10,091	(735)	(7.3)
Operating profit (loss)	(686)	2,758	(3,444)	
% of Revenues		27.3		
Capital expenditures	1,358	1,487	(129)	(8.7)
Employees at period-end (units)	56,309	(*)56,530	(221)	(0.4)

(\*) The number of employees is referred to December 31, 2010.



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**Core Domestic**

	Six months ended June 30,		Change	
	2011 (a)	2010 (b)	(a-b)	%
	(millions of euros, except percentages)			
Revenues (1)	8,953	9,563	(610)	(6.4)
<i>Consumer</i>	4,525	4,941	(416)	(8.4)
<i>Business</i>	1,658	1,784	(126)	(7.1)
<i>Top</i>	1,618	1,708	(90)	(5.3)
<i>National Wholesale</i>	1,054	1,029	25	2.4
<i>Other</i>	98	101	(3)	(3.0)
Operating profit (loss)	(747)	2,672	(3,419)	
<i>% of Revenues</i>		27.9		
Capital expenditures	1,340	1,460	(120)	(8.2)
Employees at period-end (units)	55,269	(*55,475)	(206)	(0.4)

(1) The amounts indicated are net of intrasegment transactions.

(\*) The number of employees is referred to December 31, 2010.

As regards the market segments, for the first half of 2011, the following changes compared to the corresponding period of 2010 are noted:

**Consumer:** the reduction in revenues of the Consumer segment in the first half of 2011 was 416 million euros (-8.4%) compared to the first half of 2010. Such results are still adversely affected, although to a progressively lesser degree, by a significant reduction in the average price levels of voice traffic after an in-depth review of the rate plan portfolio (with the introduction of increasingly clearer, more attractive and cheaper rate plans and solutions) in the previous year to meet competitive pressure, stem the loss of the customer base and prompt a recovery and improvement in revenues;

**Business:** the Business segment, in the first half of 2011, recorded a reduction in revenues of 126 million euros (-7.1%) with a smaller decline in the second quarter (-6.7% compared to 7.3% in the first quarter of 2011). Such contraction primarily related to the Mobile area and traditional voice services in the Fixed area, with the latter attributable to an erosion of the customer base (-5% compared to June 30, 2010);

**Top:** the Top segment posted a contraction in revenues of 90 million euros (-5.3%) compared to the first half of 2010 with a smaller decline in the second quarter (-4.9% compared to -5.8% in the first quarter of 2011). Such decrease can principally be found in revenues from services (-82 million euros, -5.4%) with an improvement in the second quarter (-3.8% compared to -7.0% in the first quarter of 2011, particularly in the VAS Mobile and ICT Fixed components);

**National Wholesale:** the increase in revenues (+25 million euros, +2.4%) was generated by the growth, of the customer base of OLOs (Other Licensed Operators) regarding services for Local Loop Unbundling Wholesale Line Rental and Bitstream.

**International Wholesale**

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	Six months ended June 30,		Change	
	2011 (a)	2010 (b)	(a-b)	%
Revenues	642	805	(163)	(20.2)
<i>Of which third parties</i>	431	581	(150)	(25.8)
Operating profit	61	84	(23)	(27.4)
<i>% of Revenues</i>	9.5	10.4		
Capital expenditures	19	29	(10)	(34.5)
Employees at period-end (units)	1,040	(*)1,055	(15)	(1.4)

(\*) The number of employees is referred to December 31, 2010.

In the first half of 2011, International Wholesale (the Telecom Italia Sparkle group) reported revenues of

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642 million euros, down 163 million euros compared to the same period of 2010 (-20.2%). Such decline was almost entirely due to voice services (-146 million euros) which were adversely affected by strong price pressure caused by market competition and measures to rationalize the sector based on a more selective approach to the customer portfolio but without significantly impacting margins.

IP&Data revenues were basically in alignment with the prior period whereas Multinational Client Services revenues grew slightly. Moreover, revenues in the first half of 2010 included 20 million euros generated by the subsidiary Elettra which was sold in September 2010.

\*\*\*

In addition to the summary by market segment reported above, sales information by technology (fixed and mobile) is also presented below as a continuation of the information presented in the annual and interim reports for previous periods.

**Revenues**

Revenues of the Domestic Business Unit by technology and market segment are reported below:

Market segment	Six months ended June 30,						Change %		
	Total	2011		2010		Total	Fixed (1)	Mobile (1)	
		Fixed (1)	Mobile (1)	Total	Fixed (1)	Mobile (1)			
	(millions of euros)								
Consumer	4,525	2,195	2,417	4,941	2,383	2,673	(8.4)	(7.9)	(9.6)
Business	1,658	1,116	564	1,784	1,175	634	(7.1)	(5.0)	(11.0)
Top	1,618	1,250	413	1,708	1,305	452	(5.3)	(4.2)	(8.6)
National Wholesale	1,054	1,522	81	1,029	1,450	126	2.4	5.0	(35.7)
Other	98	104	21	101	98	23	(3.0)	6.1	(8.7)
<b>Total Core Domestic</b>	<b>8,953</b>	<b>6,187</b>	<b>3,496</b>	<b>9,563</b>	<b>6,411</b>	<b>3,908</b>	<b>(6.4)</b>	<b>(3.5)</b>	<b>(10.5)</b>
International Wholesale	642	642		805	805		(20.2)	(20.2)	
Eliminations	(239)	(138)		(277)	(158)		(13.7)	(12.7)	
<b>Total Domestic</b>	<b>9,356</b>	<b>6,691</b>	<b>3,496</b>	<b>10,091</b>	<b>7,058</b>	<b>3,908</b>	<b>(7.3)</b>	<b>(5.2)</b>	<b>(10.5)</b>

(1) The breakdown by fixed and mobile technology is presented gross of intersegment eliminations.

**Fixed-line Telecommunications**

In the first half of 2011, fixed-line telecommunications revenues amounted to 6,691 million euros, decreasing 367 million euros (-5.2%) compared to the same period of the prior year. Such decrease was largely attributable to the reduction in Retail accesses which at the end of June 2011 were equal to 15 million lines (-2.5% compared to December 31, 2010, -4.9% compared to June 30, 2010).

This declining trend slowed down in the second quarter compared to previous quarters (-183 thousand lines in the second quarter of 2011 compared to -206 thousand lines in the first quarter of 2011 and -233 thousand lines in the fourth quarter of 2010) due to sales policies aimed at retaining and recapturing customers. In contrast, sales in Broadband services were basically stable due to a customer portfolio which remains more or less stable in a market which is beginning to show signs of saturation with continuingly fierce competition. The total Broadband portfolio at June 30, 2011 was equal to 9.1 million accesses (+59 thousand accesses compared to December 31, 2010), of which wholesale

accesses were about 1.9 million (+65 thousand, compared to the end of 2010).

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The following chart shows the trend of revenues in the major business areas:

	Six months ended June 30,		2010		Change	
	2011	%		%		%
(millions of euros, except percentages)						
Retail Voice	2,863	42.8	3,123	44.2	(260)	(8.3)
Internet	846	12.6	888	12.6	(42)	(4.7)
Business Data	763	11.4	759	10.7	4	0.5
Wholesale	2,038	30.5	2,093	29.7	(55)	(2.6)
Other	181	2.7	195	2.8	(14)	
<b>Total Fixed-line Telecommunications Revenues</b>	<b>6,691</b>	<b>100.0</b>	<b>7,058</b>	<b>100.0</b>	<b>(367)</b>	<b>(5.2)</b>

**Mobile Telecommunications Revenues**

Although there was still a contraction in terms of sales, the mobile sector displayed a structural improvement in sales performance which, we believe, confirmed the merit of the repositioning strategy adopted for the mobile business: the customer base grew by almost 243,000 lines from the end of 2010 to about 31.3 million with a churn rate equal to 11.1% in the first half of 2011, down from 11.5% in the first half of 2010.

Mobile telecommunications revenues totaled 3,496 million euros in the first half of 2011, decreasing 412 million euros compared to the first half of 2010 (-10.5%) with an improving trend in the second quarter of 2011 (-7.6% compared to -12% in the first quarter of 2011).

Revenues in the principal areas of business are the following:

Six months ended  
June 30,  
2011                  2010