TELECOM ITALIA S P A
Form 6-K
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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

FOR THE MONTH OF SEPTEMBER 2011

Telecom Italia S.p.A.

(Translation of registrant s name into English)

Piazza degli Affari 2

20123 Milan, Italy

(Address of principal executive offices)

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

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information

to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. YES ¨ NO x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

The present document has been translated from the document issued and filed in Italy, from the Italian into the English language solely for the convenience of international readers. Despite all the efforts devoted to this translation, certain errors, omissions or approximations may subsist. Telecom Italia, its representatives and employees decline all responsibility in this regard.

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

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements, which reflect 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 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 impact of the global recession 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 both in Italy and abroad;

- 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;

- 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), 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);

- 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 hereof. 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 hereof, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

Half-year Financial

Report

at June 30, 2011

Contents

Interim Management Report

Telecom Italia Group Half-year Condensed Consolidated Financial Statements at June 30, 2011

This document has been translated into English solely for the convenience of the readers.

In the event of a discrepancy, the Italian-language version prevails.

Key Operating and Financial Data -

Telecom Italia Group

Half-year 2011 Highlights

The Group continues its repositioning on markets which offer better prospects for growth. Thanks to the consolidation of Argentina and the strong gains by Brazil, consolidated revenues are up 10% to 14.5 billion euros compared to the corresponding period of the previous year.

At the end of the period, operations in South America account for, in organic terms, 34% of the Group s revenues and 20% of its operating free cash flow (EBITDA-Capital Expenditures).

Cash flows generated by the Group continue to be solid, thanks in part to the huge commitment to improve efficiency, above all in the Domestic market. These results enable the Group to continue to reduce Adjusted Net Financial Debt which at June 30, 2011 is 349 million euros lower than at December 31, 2010 and about 2.5 billion euros down from June 30, 2010.

The Domestic market continues to feature a declining business trend due to the difficult macroeconomic situation and fierce competition in the market. Competitive repositioning begun last year is nevertheless starting to produce results; the contraction in revenues is slowing down particularly on account of the stabilization of prices in the mobile area and protection of value in the fixed client base.

The impairment test conducted at June 30, 2011 led to an impairment charge of 3.2 billion euros on the Goodwill allocated to the Core Domestic business. Such Goodwill, which originated during the period 1999-2005 as a result of acquisitions and the shortening of the Company s chain of command, was recalculated at 38.3 billion euros.

The consolidated net loss for the period attributable to owners of the Parent of 2.0 billion euros thus reflects the impact of the Goodwill impairment charge, which is countered by a current operating trend that remains positive. Excluding the negative impact of the Goodwill impairment charge, the profit for the period would have been 1.2 billion euros, which is basically in line with that of the prior year.

The Goodwill impairment charge has no financial effect and therefore does not have any consequences on the Company s debt deleveraging plans and the dividend payment policy which will be decided in conformity with the indications already announced to the market and taking into account the distributable reserves of the Parent which amount to more than 10 billion euros at June 30, 2011.

The trend of the key operating and financial indicators in the first half of 2011 can be summarized as follows:

Reported consolidated Revenues**:** amount to 14,543 million euros. This is an increase of 10.0% (+1,320 million euros) thanks to the revenues contributed by Latin American operations, which benefited from the entry of the Argentina Business Unit in the scope of consolidation, and the positive performance by the Brazil Business Unit. The change in organic consolidated Revenues(1) is equal to +1.0% compared to the same period of the prior year.

More to the point:

the organic reduction in Domestic Business Unit Revenues is 6.7%; as for the performance by customer segment, compared to the same period of the prior year, the first half of 2011 posted a reduction in revenues of 7.8% in the Consumer segment, 7.1% in the Business segment and 5.3% in the Top Clients segment.

Revenues in Brazil report an organic growth of 16.8% compared to the first half of 2010 (+503 million euros).

Organic Revenues in Argentina grew 27.8% over the first half of 2010 (328 million euros); in particular, Revenues of the Mobile business are up 34.4% while the Fixed-line area expanded by 15.4% compared to the corresponding period of the prior year.

Reported EBITDA: rose 244 million euros (from 5,733 million euros in the first half of 2010 to 5,977 million euros in the first half of 2011); a positive contribution was made to this result by the entry of the Argentina Business Unit in the scope of consolidation. Reported consolidated EBITDA margin fell 2.3 percentage points, settling at 41.1% in the first half of 2011 (43.4% in the first half of 2010).

Organic consolidated EBITDA margin is down 1.2 percentage points to 41.4% in the first half of 2011 (42.6% in the first half of 2010). Such performance is linked to higher revenues to total revenues by South America where margins are lower than those of the Domestic Business. In terms of the amount, organic EBITDA totals 6,021 million euros (6,143 million euros in the same period of the prior year).

Reported consolidated EBIT: is a negative of 51 million euros in the first half of 2011 (profit of 2,881 million euros in the first half of 2010) and is penalized by the impact of the impairment charge of 3,182 million euros on the goodwill allocated to the Domestic business.

Organic consolidated EBIT: amounts to 3,174 million euros in the first half of 2011 (+4.0% compared to the first half of 2010). Organic consolidated EBIT margin is 21.8%, gaining 0.6 percentage points compared to the same period of last year (21.2%).

Finance income/expenses and Investment Results: show the finance component, investment management and the equity valuation of associates basically in line with the same period of the prior year. The investment results, in particular, include the positive impact of 17 million euros from the January 31, 2011 sale of the entire investment held in EtecSA (Cuba), which is in addition to the benefit of the impairment reversal of 30 million euros that had been recorded in 2010.

Loss for the period attributable to owners of the Parent: is 2,013 million euros, with a reduction of 3,224 million euros compared to the first half of 2010 (profit of 1,211 million euros). Excluding the impact of the goodwill impairment charge, the profit for the period would have amounted to 1,169 million euros, a figure basically in line with that of the corresponding period of the prior year.

Operating free cash flow: is 2,512 million euros in the first half of 2011, increasing 360 million euros over the corresponding period of the prior year, confirming the Group s growing ability to generate cash

flows, thanks to the positive contribution of the Domestic and Brazil markets and also the entry of the Argentina Business Unit in the scope of consolidation.

Adjusted net financial debt: is 31,119 million euros at June 30, 2011, down 349 million euros compared to December 31, 2010 (31,468 million euros). Better cash generation from operating activities, together with the receipt of 386 million euros from the sale of the investment in EtecSA (Cuba), amply covered the payment of dividends (1,325 million euros, of which 1,183 million euros was paid to the market by the Parent) and the purchase of shares which in the first half of 2011 enabled the Telecom Italia Group to increase its economic stake in the Telecom Argentina group from 16.2% to 21.1%.

Compared to June 30, 2010, adjusted net financial debt decreased by about 2.5 billion euros, confirming the positive advances in deleveraging forecast for the entire year 2011 of a reduction in debt of approximately 2 billion euros by the end of the year.

Liquidity margin: liquidity amounts to 5.1 billion euros at June 30, 2011. During the first half of 2011, two new bond issues were placed on the European market for a total of 1.75 billion euros while about 3.5 billion euros of debt was repaid or repurchased. There is also another 7.8 billion euros of liquidity in long-term irrevocable credit lines (mainly 6.5 billion euros expiring in 2014 and 1.25 billion euros expiring in 2013), not subject to events which limit utilization. In the present environment of financial market uncertainty, the Telecom Italia Group keeps a high level of financial coverage, optimizing, at the same time, the average cost of debt.

The Half-year Financial Report at June 30, 2011 of the Telecom Italia Group has been prepared as set out in art. 154-ter (Financial Reports) of Legislative Decree 58/1998 (Consolidated Law on Finance TUF), and subsequent amendments and additions and has been drawn up in accordance with international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union (denominated IFRS), as well as the measures enacted implementing art. 9 of Legislative Decree 38/2005.

The Half-year Financial Report includes:

the Interim Management Report;

the Half-year Condensed Consolidated Financial Statements;

the Certification of the Half-year Condensed Consolidated Financial Statements pursuant to art. 81-ter of Consob Regulation 11971 dated May 14, 1999, with amendments and additions.

The accounting principles and consolidation principles adopted in the preparation of the Half-year Condensed Consolidated Financial Statements at June 30, 2011 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at December 31, 2010, to which reference can be made, except for new standards and interpretations adopted by the Group beginning from January 1, 2011. Such new standards and interpretations did not have any impact on the Half-year Condensed Consolidated Financial statements at June 30, 2011.

The Telecom Italia Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA, EBIT, the organic change in revenues, EBITDA and EBIT, net financial debt carrying amount and adjusted net financial debt. Additional details on such measures are presented under Alternative Performance Measures .

Furthermore, the part entitled Business Outlook for the Year 2011 contains forward-looking statements in relation to the Group s intentions, beliefs or current expectations regarding financial performance and other aspects of the Group s operations and strategies. Readers of the Half-year Financial Report are reminded not to place undue reliance on forward-looking statements; actual results may differ significantly from forecasts owing to numerous factors, the majority of which is beyond the scope of the Group s control.

PRINCIPAL CHANGES IN THE SCOPE OF CONSOLIDATION

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 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.

Consolidated Operating and Financial Data

(millions of euros)	1st Half 2011	1st Half 2010	Change %
Revenues	14,543	13,223	10.0
EBITDA [1]	5,977	5,733	4.3
EBIT[1]	(51)	2,881	n.s.
Profit (loss) before tax from continuing operations	(1,009)	1,924	n.s.
Profit (loss) from continuing operations	(1,786)	1,242	n.s.
Profit (loss) from Discontinued operations/Non-current assets held for sale	(11)	(2)	n.s.
Profit (loss) for the period	(1,797)	1,240	n.s.
Profit (loss) for the period attributable to owners of the Parent	(2,013)	1,211	n.s.
Capital expenditures	2,037	2,021	0.8

Consolidated Financial Position Data

(millions of euros)	6/30/2011	12/31/2010	Change
Total assets	82,305	89,131	(6,826)
Total equity	29,354	32,610	(3,256)
- attributable to owners of the Parent	25,761	28,819	(3,058)
- attributable to non-controlling interests	3,593	3,791	(198)
Total liabilities	52,951	56,521	(3,570)
Total equity and liabilities	82,305	89,131	(6,826)
Share capital	10,600	10,600	-
Net financial debt carrying amount [1]	31,505	32,087	(582)
Adjusted net financial debt [1]	31,119	31,468	(349)
Adjusted net invested capital [2]	60,473	64,078	(3,605)
Debt Ratio (Adjusted net financial debt /Adjusted net invested capital)	51.5%	49.1%	2.4pp

Consolidated Profit Ratios

	1st Half 2011	1st Half 2010	Change
EBITDA[1]/Revenues	41.1%	43.4%	(2.3)pp
EBIT[1]/Revenues (ROS)	n.s.	21.8%	n.s.

Headcount, number in the Group at period-end[3]

(number)	6/30/2011	12/31/2010	Change
Headcount	84,335	84,200	135

Headcount, average number in the Group[3]

(equivalent number)	1st Half 2011	1st Half 2010	Change
Headcount	77,985	67,130	10,855

(1)

Details are provided in the section Alternative Performance Measures .

(2)

Adjusted net invested capital = Total equity + Adjusted net financial debt.

(3)

Headcount includes the number of persons with temp work contracts.

Review of Operating and Financial Performance - Telecom Italia Group

Half-year 2011 Consolidated Operating Performance

The key operating indicators for the first half of 2011 compared to the corresponding period of 2010 are as follows:

(millions of euros)	1st Half 2011 (a)	1st Half 2010 (b)	Change (a-b) amount	%	% organic
Revenues	**14,543**	**13,223**	1,320	10.0	1.0
EBITDA	**5,977**	**5,733**	244	4.3	(2.0)
EBITDA margin	*41.1%*	*43.4%*	*(2.3)pp*		
Organic EBITDA margin	*41.4%*	*42.6%*	*(1.2)pp*		
Depreciation and amortization, losses on disposals and other impairment losses on non-current assets	(2,846)	(2,852)	6		
Impairment loss on Core Domestic goodwill	(3,182)	-	(3,182)		
EBIT	**(51)**	**2,881**	(2,932)	n.s.	4.0
EBIT margin	*n.s.*	*21.8%*	*n.s.*		
Organic EBIT margin	*21.8%*	*21.2%*	*0.6 pp*		
Profit (loss) before tax from continuing operations	**(1,009)**	**1,924**	(2,933)	n.s.	
Profit (loss) from continuing operations	**(1,786)**	**1,242**	(3,028)	n.s.	
Profit (loss) from Discontinued operations/non-current assets held for sale	(11)	(2)	(9)	n.s.	
Profit (loss) for the period	**(1,797)**	**1,240**	(3,037)	n.s.	
Profit (loss) for the period attributable to owners of the Parent	**(2,013)**	**1,211**	(3,224)	n.s.	

Revenues

Revenues amount to 14,543 million euros in the first half of 2011, increasing 10.0% compared to 13,223 million euros in the first half of 2010 (+1,320 million euros). In terms of the organic change, consolidated revenues increased 1.0% (+137 million euros).

In particular, the organic change in revenues is calculated by:

considering the effect of the change in the scope of consolidation (1,104 million euros, principally in reference to the consolidation of the Argentina Business Unit);

considering the effect of exchange differences (+114 million euros, almost entirely due to the positive exchange rate effect of the Brazil Business Unit [1], equal to +121 million euros);

excluding other non-organic revenues, equal to 35 million euros in the first half of 2010, relating to the termination, in the first half of 2010, of the 1001TIM loyalty program which had produced an increase in revenues from award credits previously suspended because not used by the customer.

The breakdown of revenues by operating segment is the following:

(millions of euros)	1st Half 2011		1st Half 2010		Change		
		% of total		% of total	amount	%	% organic
Domestic	9,356	*64.3*	10,091	76.3	(735)	(7.3)	(6.7)
Core Domestic	*8,953*	*61.6*	*9,563*	*72.3*	*(610)*	*(6.4)*	*(6.0)*
International Wholesale	*642*	*4.4*	*805*	*6.1*	*(163)*	*(20.2)*	*(17.5)*
Brazil	3,499	*24.1*	2,875	21.7	624	21.7	16.8
Argentina	1,511	*10.4*	-	-	1,511	-	27.8
Media, Olivetti and Other Operations	280	*1.9*	346	2.6	(66)	(19.1)	(7.9)
Adjustments and Eliminations	*(103)*	*(0.7)*	*(89)*	*(0.6)*	*(14)*		
Total consolidated revenues	14,543	100.0	13,223	100.0	1,320	10.0	1.0

The following chart summarizes the changes in organic revenues in the periods under comparison:

The Domestic Business Unit (divided into Core Domestic and International Wholesale) reports a declining trend in organic Revenues of 6.7% compared to the first half of 2010. This is an improvement over the first quarter of the year (-7.4%) thanks to the initial results from the repositioning strategy undertaken in the mobile business and the defense of value of the fixed customer base.

The organic services component (8,995 million euros in the first half of 2011) records a contraction of 6.9% and confirms the improving trend over the prior year (-7.6% in the first quarter of 2011 compared to -6.2% in the second quarter of 2011), driven by the mobile area (-10.2% in the first half of 2011, -8.7% in the second quarter of 2011), where the efforts made to competitively reposition TIM s rate plans are still being felt but to a lesser degree. The fixed area, with a contraction in revenues of 332 million euros (-4.9% in the first half of 2011, in line with the first quarter of 2011), reflects the performance of the International Wholesale voice business. Revenues in that area were penalized by strong price pressure caused by market competition and also rationalization measures undertaken to achieve a more selective approach to the client portfolio, recording a reduction of 21.8% in the first half of 2011, although there was no significant impact on the margin. Retail customer Revenues also contracted from the prior year (-6.2%) but improved during the first half (-6.3% in the first quarter of 2011; -6.0% in the second quarter of 2011).

As for handset sales, revenues total 361 million euros in the first half of 2011, displaying an increase driven entirely by the mobile area which benefits from a greater sales push on terminals offering mobile internet services.

As for the Brazil Business Unit, organic revenues grew 16.8% in the first half of 2011 compared to the first half of 2010. Service revenues confirm the positive trend (+10.4% in the first half of 2011) that was seen in the first quarter of 2011 (+9.0%), propelled by the growth of the customer base (55.5 million lines at June 30, 2011). Handset sales also show a significant increase (+142% in the first half of 2011) boosted, like the domestic business, by the strategy focusing on smartphones and webphones as the lever for the growth of mobile data traffic revenues.

An in-depth analysis of revenue performance by individual Business Unit is provided in the chapter The Business Units of the Telecom Italia Group .

EBITDA

EBITDA is 5,977 million euros, increasing 244 million euros (+4.3%) compared to the same period of the prior year; the EBITDA margin is 41.1% (43.4% in the first half of 2010). In organic terms, EBITDA decreased 2.0% and the EBITDA margin is down 1.2 percentage points (41.4% in the first half of 2011 vs. 42.6% in the first half of 2010).

Details of EBITDA and EBITDA margins by operating segment are as follows:

(millions of euros)	1st Half 2011		1st Half 2010		Change		
		% of total		% of total	amount	%	% organic
Domestic	4,547	*76.1*	4,920	85.8	(373)	*(7.6)*	(6.2)
EBITDA margin	*48.6*		*48.8*		*(0.2) pp*		*0.3 pp*
Brazil	948	*15.9*	823	14.4	125	15.2	10.6
EBITDA margin	*27.1*		*28.6*		*(1.5) pp*		*(1.5) pp*
Argentina	506	*8.5*	-	-	506		*23.8*
EBITDA margin	*33.5*		-	-			
Media, Olivetti and Other Operations	(24)	*(0.5)*	(11)	(0.2)	(13)		
Adjustments and Eliminations	-	-	*1*	-	(1)		
Total consolidated EBITDA	5,977	100.0	5,733	100.0	244	4.3	(2.0)
EBITDA margin	*41.1*		*43.4*		*(2.3) pp*		*(1.2) pp*

The following chart summarizes the changes in organic EBITDA:

(Revenues and income) / Costs and expenses excluded from the calculation of organic EBITDA are the following:

(millions of euros)	1st Half 2011	1st Half 2010	Change
Non-organic revenues	-	(35)	35
Disputes and settlements	8	4	4
Other	36	12	24
Total net non-organic (revenues and income) / costs and expenses	44	(19)	63

EBITDA was particularly impacted by the change in the line items analyzed below:

Acquisition of goods and services: the increase of 864 million euros is 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 surge 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. Countering these charges is the performance of the domestic business which benefits from cost cutting actions which contributed to a reduction in purchases of 274 million euros compared to the first half of 2010 (-7.6%);

Employee benefits expenses: record a total increase of 119 million euros. The increase largely reflects 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 is down 98 million 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.);

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), the increase of 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 include 180 million euros referring to the Domestic Business Unit (154 million euros in the first half of 2010), 47 million euros to the Brazil Business Unit (77 million euros in the first half of 2010) and 15 million euros to the Argentina Business Unit;

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

-

telecommunications operating fees and charges show an increase of 93 million euros referring 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).

Details of the main line items which impacted EBITDA are presented in the following tables:

Acquisition of goods and services

(millions of euros)	1st Half 2011	1st Half 2010	Change
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
Total acquisition of goods and services	6,232	5,368	864
% of Revenues	*42.9*	*40.6*	*2.3 pp*

Employee benefits expenses

(millions of euros)	1st Half 2011	1st Half 2010	Change
Employee benefits expenses - Italy	1,576	1,674	(98)
Employee benefits expenses Outside Italy	388	171	217
Total employee benefits expenses	1,964	1,845	119
% of Revenues	*13.5*	*14.0*	*(0.5) pp*

Average headcount of the salaried workforce

(equivalent number)	1st Half 2011	1st Half 2010	Change
Average salaried headcount Italy	53,555	57,731	(4,176)

Average salaried headcount Outside Italy[1]	24,430	9,399	15,031
Total average salaried headcount [2]	77,985	67,130	10,855

(1)

The increment in the average headcount of the salaried workforce is 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 outside Italy). In the first half of 2010, the headcount was 77 (64 in Italy and 13 outside Italy).

Headcount at period-end

(number)	6/30/2011	12/31/2010	Change
Headcount Italy	57,853	58,045	(192)
Headcount Outside Italy	26,482	26,155	327
Total[1]	84,335	84,200	135

(1)

Includes headcount with temp work contracts: 90 at June 30, 2011 and 71 at December 31, 2010.

Other income

(millions of euros)	1st Half 2011	1st Half 2010	Change
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 compensation, penalties and sundry recoveries	10	7	3
Sundry income	34	26	8
Total	108	104	4

Other operating expenses

(millions of euros)	1st Half 2011	1st Half 2010	Change
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
Total	844	570	274

Depreciation and amortization

Details are as follows:

(millions of euros)	1st Half 2011	1st Half 2010	Change
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
Total	2,843	2,845	(2)

The increase in amortization and depreciation charges is due to the entry of the Argentina Business Unit in the scope of consolidation (an impact of 261 million euros in the first half of 2011) countered by the decrease in amortization and depreciation charges of 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).

Impairment reversals (losses) on non-current assets

The impairment losses on non-current assets amount 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, repeated the 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 in the Telecom Italia Group half-year condensed consolidated financial statements at June 30, 2011.

EBIT

EBIT is a negative 51 million euros, with a negative change of 2,932 million euros compared to the first half of 2010. The organic change in EBIT, calculated by excluding also the above goodwill impairment charge, is a profit of 122 million euros (+4.0%); the organic EBIT margin grew from 21.2% in the first half of 2010 to 21.8% in the first half of 2011.

In detail, the organic change in EBIT is calculated by:

excluding the effect of the change in the scope of consolidation (184 million euros, mainly referring to the consolidation of the Argentina Business Unit);

excluding the effect of the exchange rate changes (+6 million euros);

excluding (revenues and income) / costs and expenses, with details as follows:

(millions of euros)	1st Half 2011	1st Half 2010	Change
Non-organic costs and expenses already described under EBITDA	44	(19)	63
Impairment charge of CGU Core Domestic goodwill	3,182	-	3,182
Other	(1)	-	(1)
Total net non-organic (revenues and income)/costs and expenses	3,225	(19)	3,244

Share of profits (losses) of associates and joint ventures accounted for using the equity method

Details are as follows:

(millions of euros)	1st Half 2011	1st Half 2010	Change
EtecSA (Cuba)	-	36	(36)
Other	(12)	3	(15)
Total	(12)	39	(51)

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.

Other income (expenses) from investments

In the first half of 2011, Other income (expenses) from investments is an income balance of 15 million euros and refers for 17 million euros to the gain on the sale of the entire 27% investment in the Cuban operator EtecSA. That amount is 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 was an income balance of 2 million euros and mainly included the net gains on the sale of minor companies.

Finance income (expenses)

Finance income (expenses) is an expense balance of 961 million euros (an expense balance of 998 million euros in the first half of 2010); this is an improvement of 37 million euros largely arising from lower net debt exposure.

Income tax expense

Income tax expense is 777 million euros and posts an increase of 95 million euros compared to the first half of 2010 (682 million euros) owing to higher taxable profit reported by the South American Business Units.

Profit (Loss) from Discontinued operations/Non-current assets held for sale

In the first half of 2011, the balance is a loss of 11 million euros and includes expenses incurred in connection with the sales transactions of prior years.

Profit (loss) for the period

The profit (loss) for the period can be analyzed as follows:

(millions of euros)	1st Half 2011	1st Half 2010
Profit (loss) for the period	(1,797)	1,240
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	(2,002)	1,213
Profit (loss) from Discontinued operations/Non-current assets held for sale	(11)	(2)
Profit (loss) for the period attributable to owners of the Parent	(2,013)	1,211
Non-controlling interests:		
Profit (loss) from continuing operations	216	29
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	-
Profit (loss) attributable to Non-controlling interests	216	29

Consolidated Financial Position Performance

Financial position structure

(millions of euros)	6/30/2011 (a)	12/31/2010 (b)	Change (a-b)
Assets			
Non-current assets	67,793	73,153	(5,360)
Goodwill	*40,691*	*43,912*	*(3,221)*
Other intangible assets	*7,459*	*7,903*	*(444)*
Tangible assets	*15,712*	*16,550*	*(838)*
Other non-current assets	*3,931*	*4,788*	*(857)*
Current assets	14,512	15,589	(1,077)
Inventories, Trade and miscellaneous receivables and other current assets	*8,934*	*8,177*	*757*
Current income tax receivables	*131*	*132*	*(1)*
Securities other than investments, Financial receivables and other current financial assets, Cash and cash equivalents	*5,447*	*7,280*	*(1,833)*
Discontinued operations/Non-current assets held for sale	-	389	(389)
of a financial nature	-	-	-
of a non-financial nature	-	*389*	*(389)*
	82,305	89,131	**(6,826)**
Equity and liabilities			
Equity	29,354	32,610	(3,256)
Non-current liabilities	36,932	38,450	(1,518)
Current liabilities	16,019	18,071	(2,052)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	-	-	

DBSI, acting as agent for Deutsche Bank AG, will not receive a selling concession in connection with the sale of the securities. DBSI will pay custodial fees to other broker-dealers of up to 0.25% or $2.50 per $1,000 Face

Amount of securities. Deutsche Bank AG will reimburse DBSI for such fees.

DBSI, the agent for this offering, is our affiliate. Because DBSI is both our affiliate and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), the underwriting arrangement for this offering must comply with the requirements of FINRA Rule 5121 regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. In accordance with FINRA Rule 5121, DBSI may not make sales in offerings of the securities to any of its discretionary accounts without the prior written approval of the customer. See

"Underwriting (Conflicts of Interest)" in the accompanying product supplement.

Settlement

We expect to deliver the securities against payment for the securities on the Settlement Date indicated above, which will be the third business day following the Trade Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, if the Settlement Date is more than three business days after the Trade Date, purchasers who wish to transact in the securities more than three business days prior to the Settlement Date will be required to specify alternative settlement arrangements to prevent a failed settlement.

Validity of the Securities

In the opinion of Davis Polk & Wardwell LLP, as special United States products counsel to the Issuer, when the securities offered by this pricing supplement have been executed and issued by the Issuer and authenticated by the authenticating agent, acting on behalf of the trustee, pursuant to the Indenture, and delivered against payment as contemplated herein, such securities will be valid and binding obligations of the Issuer, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith) and possible judicial applications giving effect to governmental actions or foreign laws affecting creditors' rights, provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above. This opinion is given as of the date hereof and is limited to the laws of the State of New York. Insofar as this opinion involves matters governed by German law, Davis Polk & Wardwell LLP has relied, without independent investigation, on the opinion of Group Legal Services of Deutsche Bank AG, dated as of January 1, 2015, filed as an exhibit to the letter of Davis Polk & Wardwell LLP, and this opinion is subject to the same assumptions, qualifications and limitations with respect to such matters as are contained in such opinion of Group Legal Services of Deutsche Bank AG. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the Indenture and the authentication of the securities by the authenticating agent and the validity, binding nature and enforceability of the Indenture with respect to the trustee, all as stated in the letter of Davis Polk & Wardwell LLP dated as of January 1, 2015, which has been filed by the Issuer on Form 6-K dated January 5, 2015.