TELECOM ITALIA S P A
Form 6-K
December 29, 2010

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 DECEMBER 2010

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 2010-2012 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.

Interim Report

at September 30, 2010

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The Interim Report at September 30, 2010 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, as well as Consob Communication DEM/8041082 of April 30, 2008 (Quarterly Corporate Reports issued by Companies whose Shares are Listed in Italy as the Original Member State).

The Interim Report is unaudited and has been drawn up in accordance with international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union (IFRS).

In the preparation of the Interim Report, the same accounting policies and consolidation principles have been adopted as those used in the preparation of the annual consolidated financial statements at December 31, 2009 of the Telecom Italia Group, to which reference can be made, except for new standards and interpretations adopted by the Group beginning January 1, 2010 and previously described in the annual report 2009. Such new standards and interpretations did not have any impact on the Interim Report at September 30, 2010.

Note should be taken that there were no events, circumstances or variations in key variables such as to require updating of the impairment test on goodwill conducted at the time of the preparation of the half-year condensed consolidated financial statements at June 30, 2010.

Furthermore, as a consequence of the errors of previous years as defined by IAS 8 which arose in connection with the Telecom Italia Sparkle case and are described in detail in the consolidated financial statements at December 31, 2009 of the Telecom Italia Group, the Group adjusted the income statement and statement of financial position figures for the first nine months of 2009 (including the third quarter) presented for comparison purposes. The main impacts are presented under Effects of Restatement for Errors in this Interim Report.

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 2010 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 present Interim 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

In the first nine months of 2010, the following companies exited the scope of consolidation:

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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; the sale took place on February 16, 2010;

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Elettra (a company included in the Domestic Business Unit International Wholesale) sold on September 30, 2010.

At September 30, 2010, following the decision taken for its sale, the BBNed group (included in the Other Operations sector) is considered as a disposal group in accordance with IFRS 5 (Non-current Assets held for Sale and Discontinued Operations). Accordingly, the assets and liabilities have been reclassified to two specific line items in the consolidated statement of financial position at September 30, 2010: Discontinued operations/Non-current assets held for sale and Liabilities directly associated with Discontinued operations/Non-current assets held for sale ; the sale took place on October 5, 2010.

During 2009, the following principal changes in the scope of consolidation occurred:

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entry on December 30, 2009 of the Brazilian fixed-line operator Intelig Telecomunicações Ltda following the acquisition of a 100% investment by Tim Participações, consolidated in the Brazil Business Unit;

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exit on May 1, 2009 of Telecom Media News S.p.A. following the sale of a 60% stake by Telecom Italia Media S.p.A..

Key Operating and Financial Data

Telecom Italia Group

Highlights on the first nine months of 2010

Revenues and EBITDA

The Telecom Italia Group s commitment is stronger in the first nine months of 2010 as it follows the path to transform its business in Italy and Brazil. Revenue performance confirms the trend of continuing improvement (stable in the third quarter of 2010, -0.5% in the second quarter of 2010 and -1% in the first quarter of 2010), aided by the appreciation of the real/euro exchange rate. In terms of Organic revenues, the third quarter displays an improvement over the previous quarters
(-4.4% in the third quarter of 2010, -5.3% in the second quarter of 2010 and -4.9% in the first quarter of 2010) thanks to the positive results achieved by Brazil in the Domestic fixed-line segment.

Careful attention to costs combined with the benefits obtained from the Efficiency Projects begun last year have allowed the Group s to reach EBITDA of 8,475 million euros and an EBITDA margin of 42.6% in the first nine months of 2010 and ensure stability in terms of both reported and organic figures.

Profit attributable to owners of the Parent

Profit attributable to owners of the Parent in the first nine months of 2010 is 1,819 million euros. Excluding non-recurring items, the Profit attributable to owners of the Parent would be 1,993 million euros, an increase of 14.6% over the corresponding figure in the first nine months of 2009 (excluding non-recurring items). The profit figure is the outcome of better operating results and improved results from financial management.

Financial discipline and debt reduction

Adjusted net financial debt decreases 964 million euros compared to December 31, 2009 and 594 million euros compared to June 30, 2009. The sales of HanseNet and Elettra and rigorous financial discipline neutralized the impacts of distributing dividends and paying a total of 418 million euros to the Revenue Agency over the Telecom Italia Sparkle case.

The trend of the key operating and financial measures in the first nine months of 2010 can be summarized as follows:

Organic consolidated **Revenues**: amount to 19,899 million euros. The organic change (*) is -4.9% compared to the same period last year. Reported consolidated revenues show a change of -0.5% (-96 million euros) owing largely to the Brazil Business Unit s positive real/euro exchange effect.

More to the point:

-

the organic reduction in **Domestic** Business Unit **Revenues** is -7.5%; as far as performance by customer segment in the first nine months of 2010 vs. the first nine months of 2009 is concerned, revenues are down -11.4% in the Consumer segment, -5.9% in the Business segment and -5.5% in the Top Clients Segment. However, the Business and Top Clients segments report gains compared to the previous quarters.

(*) The organic change in Revenues, EBITDA and EBIT is calculated by excluding the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses.

-

Revenues in Brazil are up 3.5% compared to the first nine months of 2009 (+151 million euros). The marketing policy for SIMs without a correlated handset sale, although bringing a reduction in Revenues from handset sales, is compensated by the positive organic change in Service Revenues of 5.9% in the first nine months of 2010 compared to the same period of the prior year. This gain is supported by the growth of the customer base which records an increase of 5.8 million lines in the first nine months of 2010 over the end of 2009.

Organic consolidated **EBITDA**: shows a focus on revenues with higher margins, efficiency measures and cost controls aimed at keeping cash costs in check. This is borne out by the trend in the organic EBITDA margin and organic consolidated EBITDA in the first nine months of 2010.

Specifically, the organic consolidated **EBITDA margin** gains 1.9 percentage points in the first nine months of 2010, reaching 44.0% (42.1% in the first nine months of 2009). Organic EBITDA in absolute terms is 8,747 million euros, basically in line with the same period of last year (8,817 million euros in the first nine months of 2009), as is reported EBITDA which, in absolute terms, posts a decrease of 51 million euros (-0.6%).

Organic consolidated **EBIT:** totals 4,559 million euros in the first nine months of 2010. The organic change is positive and is +2.8% higher than the first nine months of 2009 (reported EBIT: +11 million euros, +0.3%).

Organic consolidated **EBIT margin**: is 22.9% in the first nine months of 2010, with a gain of 1.7 percentage points over the same period of the prior year (21.2%).

Finance income/expenses, Investment Results and Income Taxes: shows the financial component, investment management and the equity valuation of associates recording an overall improvement of 124 million euros against the first nine months of the prior year. The financial income/expense balance, in particular, improves by 90 million euros largely due to lower interest rates and the reduction in net financial debt.

Income taxes decrease by 70 million euros compared to the first nine months of 2009.

Profit before tax from continuing operations: displays a positive trend in operations and also effective financial management leading to a higher profit before tax in the first nine months of 2010 of 5.1%, reaching 2,803 million euros (2,668 million euros in the same period of the prior year).

Profit for the period attributable to owners of the Parent: is 1,819 million euros, increasing 662 million euros compared to the first nine months of 2009. Excluding non-recurring items, it would be 1,993 million euros, an increase of 14.6% over the corresponding figure in the first nine months of 2009, also excluding non-recurring items.

Operating free cash flow: is 3,451 million euros and is reduced by the negative change in the third quarter of 2010 due to the utilization of operating provisions set aside in previous years in connection with the Sparkle case (389 million euros compared to a total of 418 million euros: the remaining amount of 29 million euros produces an impact on non-operating items since it refers to finance interest).

Excluding such impact, operating free cash flow during the period (3,840 million) is basically in line with the same period of the prior year (3,932 million euros). As a confirmation of this trend, operating free cash flow in the third quarter, net of the above effect, is exactly in line with the corresponding period of 2009.

Adjusted net financial debt: is 32,985 million euros at September 30, 2010, down 964 million euros compared to December 31, 2009 (33,949 million euros) and 2.1 billion euros compared to September 30, 2009. The sales of HanseNet and Elettra amply covered the cash requirements for the payment of dividends of 1,061 million euros, the aforementioned payment of 418 million euros for the Telecom Italia Sparkle case and the payment of income taxes of about 700 million euros.

Liquidity margin: amounts to 5,165 billion euros at September 30, 2010. During the first nine months of 2010, a new bond issue of 1.25 billion euros was placed on the European market and bonds were repaid for about 4.9 billion euros. There is another 7.75 billion euros in liquidity in irrevocable long-term credit lines (of which 6.5 billion euros expires in 2014 and 1.25 billion euros, relating to a credit line obtained in February 2010, 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.

Consolidated Operating and Financial Data (*)

(millions of euros)	**3rd Quarter 2010**	**3rd Quarter 2009**	**9 months to 9/30/2010**	**9 months to 9/30/2009**	**Change %**
Revenues					

6,676

6,674

19,899

19,995

(0.5)

EBITDA [1]

2,742

2,979

8,475

8,526

(0.6)

EBIT[1]

1,423

1,608

4,304

4,293

0.3

Profit before tax from continuing operations

879

1,066

2,803

2,668

5.1

Profit from continuing operations

662

744

1,904

1,699

12.1

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

-

(540)

(2)

(559)

◦

Profit for the period

662

204

1,902

1,140

66.8

Profit for the period attributable to owners of the Parent

608

198

1,819

1,157

57.2

Investments:

Industrial	
	917
	1,076
	2,938
	2,998
	(2.0)
Financial	
	35
	-
	35
	4
	°

Consolidated Financial Position Data (*)

(millions of euros)	**9/30/2010**	**12/31/2009**	**Change**
Total assets	82,834	86,181	(3,347)
Total equity	28,518	27,120	1,398
- attributable to owners of the Parent	27,171	25,952	1,219
- attributable to non-controlling interests			

1,347

1,168

179

Total liabilities

54,316

59,061

(4,745)

Total equity and liabilities

82,834

86,181

(3,347)

Share capital

10,600

10,585

15

Net financial debt carrying amount [(1)]

33,773

34,747

(974)

Adjusted net financial debt [(1)]

32,985

33,949

(964)

Adjusted net invested capital [(2)]

61,503

61,069

434

Debt Ratio (Adjusted net financial debt /Adjusted net invested capital)

53.6%

55.6%

(2.0) pp

Consolidated Profit Ratios (*)

3rd Quarter

2010

3rd Quarter

2009

9 months to 9/30/2010

	9 months to 9/30/2009
	Change
EBITDA(1) / Revenues	
	41.1%
	44.6%
	42.6%
	42.6%
	-
EBIT(1) / Revenues (ROS)	
	21.3%
	24.1%
	21.6%
	21.5%
	0.1 pp

Headcount, number in the Group at period-end (3)

(number)	**9/30/2010**	**12/31/2009**	**Change**
Headcount (excluding headcount of Discontinued operations)	70,054	71,384	(1,330)
Headcount of Discontinued operations (4)	-	2,205	(2,205)

Headcount, average number in the Group [3]			
(equivalent number)	**9 months to 9/30/2010**	**9 months to 9/30/2009**	**Change**
Headcount (excluding headcount of Discontinued operations)	66,893	70,574	(3,681)
Headcount of Discontinued operations [4]			

	-
	2,231
	(2,231)

Operating Data

	9/30/2010	12/31/2009	Change
Fixed-line network connections in Italy at period-end (thousands)	17,881	18,525	(644)
Physical accesses at period-end			

(Consumer + Business) (thousands)

15,584

16,097

(513)

Mobile lines at period-end (thousands)

77,566

71,958

5,608

of which Mobile lines in Italy (thousands)

30,632

30,856

(224)

of which Mobile lines in Brazil (thousands)

46,934

41,102

5,832

Broadband accesses in Italy at period-end (thousands)

9,034

8,741

293

of which retail broadband accesses (thousands)

7,186

7,000

186

(*) The statement of financial position and income statement figures for the first nine months and the third quarter of 2009 presented for comparison purposes have been restated for the correction of prior years errors - as defined by IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*) - arising as a result of the Telecom Italia Sparkle case, described in detail in the consolidated financial statements at December 31, 2009 of the Telecom Italia Group. Starting with the half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group, following a detailed review of the indirect taxes paid by the Group in the different fiscal jurisdictions and also in light of the forthcoming adoption of IFRS by the companies of the TIM Brasil Group, some taxes paid in Brazil have been reclassified from Other operating expenses to Revenues and Other income as deductions.

The amounts reclassified are as follows:

(millions of euros)	**9 months to 9/30/2010**	**Year 2009**	**9 months to 9/30/2009**	**Year 2008**	**Year 2007**	**Year 2006**
Income taxes and other income of the companies in Brazil (PIS and						

COFINS)

(240)

(271)

(194)

(282)

(266)

(221)

(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 people with temp work contracts.

(4) The headcount for 2009 refers to the cash-generating unit (CGU) HanseNet Telekommunikation GmbH, sold during the first quarter of 2010.

Corporate Boards at September 30, 2010

Board of Directors

The board of directors of Telecom Italia was elected by the shareholders meeting held on April 14, 2008 for three years, up to the approval of the 2010 annual financial statements.

The shareholders meeting held on April 29, 2010 appointed Mauro Sentinelli director of the Company in place of Stefano Cao who, in turn, in 2009 had replaced the director Gianni Mion.

At September 30, 2010, the board of directors of Telecom Italia is composed of 15 directors:

Chairman

Gabriele Galateri di Genola

Chief Executive Officer

Franco Bernabè

Directors

César Alierta Izuel

Paolo Baratta (independent)

Tarak Ben Ammar

Roland Berger (independent)

Elio Cosimo Catania (independent)

Jean Paul Fitoussi (independent)

Berardino Libonati

Julio Linares López

Gaetano Micciché

Aldo Minucci

Renato Pagliaro

Mauro Sentinelli

Luigi Zingales (independent)

Secretary to the Board

Antonino Cusimano

The board of directors formed the following internal committees:

-

Executive Committee composed of: Gabriele Galateri di Genola (Chairman), Franco Bernabè, Roland Berger, Elio Cosimo Catania, Julio Linares López, Aldo Minucci and Renato Pagliaro;

-

Committee for Internal Control and Corporate Governance composed of: Paolo Baratta (Chairman), Roland Berger, Jean Paul Fitoussi and Aldo Minucci;

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Nomination and Remuneration Committee, composed of: Elio Cosimo Catania (Chairman), Berardino Libonati and Luigi Zingales.