

TELECOM ITALIA S P A
Form 6-K
May 25, 2011

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 MAY 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)

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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 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

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.

Interim Report

at March 31, 2011

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at
March
31,
2011**

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

Key Operating and Financial Data Telecom Italia Group

Highlights - First Quarter of 2011

In the first quarter of 2011, the key operating and financial data bear out a trend in line with the objectives announced for the current year. Efforts continue to focus on the core markets with the aim of increasing cash generation by the Group in a manner consistent with the update delivered with the presentation of the Business Plan 2011-2013. Positive effects from the projects to reduce cash costs are confirmed and the contribution by operations in South America increased to 34% of sales and 24% of the operating free cash flow (EBITDA-Capital Expenditures) of the Group.

A summary of the key operating and financial data for the first quarter of 2011 is as follows:

Reported consolidated **Revenues:** amount to 7,073 million euros. This is an increase of 10.3% (+660 million euros) thanks to the positive contribution made by operations in Latin America which benefit from the entry in the scope of consolidation of the Argentina Business Unit (+592 million euros) and the favorable performance of the Brazil Business Unit. The change in consolidated organic Revenues⁽¹⁾ is equal to -0.2% compared to the same period of the prior year.

More to the point:

the organic reduction in the Domestic Business Unit Revenues is 7.4%; as concerns performance by customer segment, compared to the same period of the prior year, the first quarter of 2011 posted a reduction in revenues of -9.2% in the Consumer segment, 7.3% in the Business segment and 5.8% in the Top Clients segment.

Revenues in Brazil report an organic growth of 13.8% compared to the first quarter of 2010 (+200 million euros).

Revenues in Argentina report an organic growth of 27.2% compared to the first quarter of 2010 (+161 million euros); Revenues of the Mobile business in particular are up 33.2% while the Fixed area recorded a 15% increase compared to the corresponding period of the previous year.

Reported EBITDA: rose 103 million euros (from 2,826 million euros in the first quarter of 2010 to 2,929 million euros in the first quarter of 2011); a positive contribution was made to this result (210 million euros) by the entry of the Argentina Business Unit in the scope of consolidation. Reported consolidated EBITDA margin: fell 2.7 percentage points, settling at 41.4% in the first quarter of 2011 (44.1% in the first quarter of 2010).

Organic consolidated **EBITDA margin:** is down 1.5 percentage points to 41.9% in the first quarter of 2011 (43.4% in the first quarter of 2010). Such performance is linked to the higher percentage of South American revenues, the margins of which are lower than those of the Domestic Business. In terms of the amount, organic EBITDA totals 2,966 million euros (3,077 million euros in the same period of the prior year).

Reported consolidated **EBIT**: amounts to 1,499 million euros in the first quarter of 2011 (+6.5% compared to the first quarter of 2010). Reported consolidated EBIT margin: in the first quarter of 2011 is 21.2%, down 0.8 percentage points compared to the corresponding period of the last year (22.0%).

Organic consolidated **EBIT**: is 1,536 million euros in the first quarter of 2011 (+1.2% over the first quarter of 2010). Organic consolidated **EBIT margin**: is 21.7%, gaining 0.3 percentage points against the same quarter of the prior year (21.4%).

Finance income/expenses, Investment Results and Income Taxes: show the financial component, investment management and the equity valuation of associates basically in line with 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 already recorded in 2010.

Profit for the period attributable to owners of the Parent: amounts to 549 million euros in the first quarter of 2011, with a reduction of 52 million euros compared to the first quarter of 2010 (601 million euros).

Operating free cash flow: is 1,076 million euros in the first quarter of 2011, increasing 322 million euros over the corresponding period of the prior year, confirming the Group's elevated ability to generate cash flows.

Adjusted net financial debt: is 30,622 million euros at March 31, 2011, down 846 million euros compared to December 31, 2010 (31,468 million euros). This reduction in debt is an improvement of 159 million euros compared to the end of the first quarter of 2010 (687 million euros). Better cash generation from operating activities together with the receipt of 374 million euros on the sale of the investment in EtecSA Cuba, amply covered the cash requirement of 155 million euros for the purchase of shares in the first quarter of 2011 which enabled the Telecom Italia Group to increase its economic interest in the Sofora Telecom Argentina group from 16.2% to 21.1%.

Liquidity margin: at March 31, 2011, liquidity amounts to 6.8 billion euros. During the first quarter of 2011, a new bond issue was placed on the European market for 1 billion euros while about 1.5 billion euros of debt was redeemed or repurchased. There is also another 7.8 billion euros in liquidity in long-term irrevocable credit lines (of which 6.5 billion euros expires in 2014 and 1.25 billion euros 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 Interim Report at March 31, 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, 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, 2010 of the Telecom Italia Group, to which reference can be made, except for new standards and interpretations adopted by the Group beginning January 1, 2011 and previously described in the annual report 2010. Such new standards and interpretations did not have any impact on the Interim Report at March 31, 2011.

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 consolidated financial statements at December 31, 2010 of the Telecom Italia Group.

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, accounting net financial debt and adjusted net financial debt. Further details on such measures are presented under Alternative performance measures .

Moreover, 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 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

On October 13, 2010, the Sofora Telecom Argentina group entered the scope of consolidation after the Telecom Italia Group increased its stake in the share capital of Sofora Telecomunicaciones S.A., the controlling holding company of the Telecom Argentina group, from 50% to 58%. In January 2011 and March 2011, additional shares were purchased which increased the economic interest held in the Telecom Argentina group from 16.2% to 21.1%.

The data of the Sofora group are represented in the Telecom Italia Group in the 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 been classified in Discontinued operations, whose sale took place on February 16, 2010; Elettra (a company included in the Domestic Business Unit

International Wholesale) sold on September 30, 2010; the BBNed group (included in Other Operations) sold on October 5, 2010.

Consolidated Operating and Financial Data (*)

(millions of euros)

1st Quarter 2011

1st Quarter 2010

Change

%

Revenues

7,073

6,413

10.3

EBITDA ⁽¹⁾

2,929

2,826

3.6

EBIT⁽¹⁾

1,499

1,408

6.5

Profit before tax from
continuing operations

1,042

961

8.4

Profit from continuing
operations

648

606

6.9

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

-

-

-

Profit for the period

648

606

6.9

Profit for the period
attributable to owners
of the Parent

549

601

(8.7)

Capital expenditures

901

1,042

(13.5)

Consolidated Financial Position Data (*)

(millions of
euros)

3/31/2011

12/31/2010

Change

Total assets

86,967

89,131

(2,164)

Total equity

32,975

32,610

365

- attributable to
owners of the
Parent

29,413

28,819

594

- attributable to
non-controlling
interests

3,562

3,791

(229)

Total liabilities

53,992

56,521

(2,529)

Total equity and
liabilities

86,967

89,131

(2,164)

Share capital

10,600

10,600

-

Accounting net
financial debt ⁽¹⁾

30,972

32,087

(1,115)

Adjusted net
financial debt ⁽¹⁾

30,622

31,468

(846)

Adjusted net
invested capital
(2)

63,597

64,078

(481)

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

48.2%

49.1%

(0.9) pp

Consolidated Profit Ratios (*)

1st Quarter 2011

1st Quarter 2010

Change

EBITDA⁽¹⁾/Revenues

41.4%

44.1%

(2.7) pp

EBIT⁽¹⁾/Revenues
(ROS)

21.2%

22.0%

(0.8) pp

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

(number)

3/31/2011

12/31/2010

Change

Headcount

84,144

84,200

(56)

Headcount, average number in the Group ⁽³⁾

(equivalent
number)

1st Quarter
2011

1st Quarter
2010

Change

Headcount

78,104

67,299

10,805

Operating Data

3/31/2011

12/31/2010

Change

Fixed-line
network
connections
Domestic BU
at period-end
(thousands)

17,367

17,609

(242)

Physical
accesses at
period-end
(Consumer +
Business)
(thousands)

15,145

15,351

(206)

Fixed-line
network
connections
BU Argentina
at period-end
(thousands)

4,110

4,107

3

Mobile lines
at period-end
(thousands)

102,657

100,244

2,413

*Mobile lines
Domestic BU
(thousands)*

31,038

31,018

20

*Mobile lines
Brazil BU
(thousands)*

52,836

51,015

1,821

*Mobile lines
Argentina BU
(thousands)*

18,783

18,211

572

**Broadband
accesses
Domestic BU
at period-end
(thousands)**

9,131

9,058

73

*of which retail
broadband
accesses
(thousands)*

7,194

7,175

19

**Broadband
accesses
Argentina BU
at period-end
(thousands)**

1,407

1,380

27

(* Starting in the first half of 2010, certain taxes paid in Brazil, that were not significant, were reclassified from Other operating expenses to Revenues and Other income as deductions. Specifically, such reclassifications allow the Telecom Italia Group to align its accounting presentation to that of the main telecommunications operators, thus ensuring better comparability and understanding of its income statement and financial information. The data relating to the first quarter of 2010 has also been reclassified on a consistent basis. The amounts reclassified are as follows:

*(millions of
euros)*

1st Quarter
2011

1st Quarter
2010

Income
taxes on
Revenues
and Other
income of
the
companies
in Brazil
(PIS and
COFINS)

(91)

(70)

(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.

Corporate Boards at March 31, 2011

Board of Directors

At March 31, 2011, the board of directors of Telecom Italia is composed of 14 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)

Julio Linares López

Gaetano Micciché

Aldo Minucci

Renato Pagliaro

Mauro Sentinelli

Luigi Zingales (independent)

Secretary to the Board

Antonino Cusimano

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Also at the date of March 31, 2011, the board committees were as follows:

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.

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

The ordinary shareholders meeting held on April 12, 2011 appointed the new board of directors of the Company composed of 15 directors who will remain in office for three years until the approval of the financial statements for the year ended December 31, 2013.

On April 13, 2011, the new Telecom Italia board of directors appointed Franco Bernabè Chairman and Chief Executive Officer, Aldo Minucci Deputy Chairman and Marco Patuano Chief Operating Officer and Managing Director of the Company. Consequently, the board of directors of the Company is now composed as follows:

Chairman and
Chief
Executive
officer

Franco
Bernabè

Deputy
Chairman

Aldo Minucci

Chief
Operating
Officer and
Managing
Director

Marco
Patuano

Directors

César Alierta
Izuel

Tarak Ben
Ammar

Elio Cosimo
Catania
(independent)

Ferdinando
Falco Beccalli
(independent)

Jean Paul
Fitoussi
(independent)

Gabriele
Galateri di
Genola

Julio Linares
López

Gaetano
Micciché

Renato
Pagliaro

Francesco
Profumo
(independent)

Mauro
Sentinelli
(independent)

Luigi Zingales
(independent)

Secretary to
the Board

Antonino
Cusimano

All the board members are domiciled for the positions they hold in Telecom Italia at the registered offices of the Company in Milan, Piazza degli Affari 2.

The board of directors also appointed the members of the board committees which are formed as follows:

Executive Committee, composed of: Chairman and CEO, Deputy Chairman, COO and Managing Director, Ferdinando Falco Beccalli, Elio Cosimo Catania, Julio Linares López, Renato Pagliaro and Mauro Sentinelli;

Committee for Internal Control and Corporate Governance, composed of: Elio Cosimo Catania, Jean Paul Fitoussi, Francesco Profumo, Mauro Sentinelli and Luigi Zingales;

Nomination and Remuneration Committee, composed of: Elio Cosimo Catania, Jean Paul Fitoussi, Gabriele Galateri di Genola and Francesco Profumo.

In addition to the responsibilities of the internal Committees which remain those established by the Company's Self-regulatory Code, the following duties were also attributed to:

the Executive Committee: responsibility for expressing a preliminary opinion on the transactions submitted for approval to the board of directors pursuant to point 3.2 of the Self-regulatory Code, that is, on the transactions which, by their nature, strategic importance, size or commitments which they may involve, have a significant impact on the operations of the Company and the Group;

the Committee for Internal Control and Corporate Governance: responsibility over matters regarding transactions with related parties according to the specific Procedure on this subject and the task of high-level oversight regarding corporate social responsibility;

the Nomination and Remuneration Committee: responsibility over matters regarding the management succession and replacement process and the selection/designation of the external member of the Supervisory Board, as well as the task of formulating proposals for allocating the total compensation established by the shareholders' meeting among the entire board of directors.

Board of Statutory Auditors

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The board of statutory auditors of Telecom Italia was elected by the shareholders meeting held on April 8, 2009 and will remain in office until the approval of the 2011 annual financial statements.

The board of statutory auditors is composed as follows:

Chairman

Enrico Maria Bignami

Acting Auditors

Gianluca Ponzellini

Lorenzo Pozza

Salvatore Spiniello

Ferdinando Superti Furga

Alternate Auditors

Silvano Corbella

Maurizio Lauri

Vittorio Giacomo Mariani

Ugo Rock

Independent Auditors

The shareholders meeting held on April 29, 2010 appointed the audit firm of PricewaterhouseCoopers S.p.A., to audit the Telecom Italia financial statements for the nine-year period 2010-2018.

Manager responsible for preparing the corporate financial reports

Andrea Mangoni (Head of the Group Administration, Finance and Control & International Development Function) is the manager responsible for preparing the corporate financial reports of Telecom Italia.

Macro-Organization Chart of the Telecom Italia Group at March 31, 2011

Following the appointments by the new board of directors of Telecom Italia on April 13, 2011, the organizational structure of the Telecom Italia Group has been redesigned as of April 15, 2011.

Specifically, the board of directors voted to appoint Franco Bernabè Chairman and Chief Executive Officer, Aldo Minucci Executive Deputy Chairman and Marco Patuano Chief Operating Officer and Managing Director of the Domestic business.

The **Chairman of the Board and Chief Executive Officer** shall have the following responsibilities: representation of the Company, in accordance with the bylaws, and all the powers, to be exercised by single signature, necessary to

carry out the duties pertinent to the business of the Company in its various forms, the overall governance of the Group, including the coordination of the corporate activity of the COO and the definition of the strategic guidelines of the Company, responsibility for extraordinary operations and financial extraordinary transactions to be submitted to the board of directors, as well as the authority to govern communications to the public regarding privileged information. The following report to this office:

the Functions

Legal Affairs

Public & Regulatory Affairs

Administration, Finance and Control & International Development

Strategy

External Relations

Security

as well as the companies

Telecom Italia Media

TIM Brasil

Telecom Argentina

The **Deputy Chairman** shall have the following duties: representation of the Company, in accordance with the bylaws, in the absence or unavailability of the Chairman and oversight of the internal control system. The Audit function reports to this office.

The **Chief Operating Officer and Managing Director of Domestic Operations** shall have the following responsibilities: representation of the company, in accordance with the bylaws, and all the powers, to be exercised by single signature, necessary to carry out the duties pertinent to the business of the Company in its various forms and the overall governance of the domestic business. The following report to this office:

the Functions:

Innovation & Industry Relations

Consumer

Business

Top Clients

Public Sector

Technology

Information Technology

National Wholesale Services

Supply Chain & Real Estate

Human Resources and Organization

Domestic Media

Quality

Compliance

Also reporting to the **Domestic COO and Managing Director** is the company *Olivetti*.

The new organization chart of the Telecom Italia Group is therefore as follows:

Information for Investors

Telecom Italia S.p.A. Share Capital at March 31, 2011

Share capital

10,688,746,056.45 euros

Number of ordinary shares (par value 0.55 euros each)

13,407,963,078

Number of savings shares (par value 0.55 euros each)

6,026,120,661

Number of Telecom Italia ordinary treasury shares

37,672,014

Number of Telecom Italia ordinary shares held by Telecom Italia Finance S.A.

124,544,373

Percentage of ordinary treasury shares held by the Group to total share capital

0.83%

Market capitalization (based on March 2011 average prices)

20,553 million euros

Shareholders

Composition of Telecom Italia S.p.A. shareholders according to the Shareholders Book at March 31, 2011, supplemented by communications received and other available sources of information (ordinary shares):