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TELECOM ITALIA S P A
Form 6-K
August 05, 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 AUGUST 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 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- _____

PRESS RELEASE

Telecom Italia Group: Board of Directors examines and approves the Group First Half Financial Report at 30 June 2011

REVENUES: €14,543 MILLION, +10.0% COMPARED WITH H1 2010

OPERATING FREE CASH-FLOW: €2,512 MILLION, +€360 MILLION COMPARED WITH H1 2010

ADJUSTED NET FINANCIAL POSITION: €31,119 MILLION, DOWN €349 MILLION COMPARED WITH 31 DECEMBER 2010 AND BY AROUND €2.5 BILLION COMPARED WITH 30 JUNE 2010

GOODWILL WRITE-DOWN OF €3,182 MILLION ON DOMESTIC OPERATIONS

BERNABE': "REPOSITIONING ON MARKETS WITH BETTER GROWTH PROSPECTS HAS ENABLED THE GROUP TO CLOSE THE FIRST HALF WITH REVENUES OF €14,5 BILLION, OF WHICH 34% FROM BRAZIL AND ARGENTINA. THE TREND IN DOMESTIC REVENUES IS IMPROVING, IN PARTICULAR, DUE TO PRICE STABILISATION IN THE MOBILE SEGMENT AND PROTECTION OF VALUE IN THE FIXED-LINE CUSTOMER BASE. THE GOODWILL WRITE-DOWN HAS NO FINANCIAL CONSEQUENCES AND NO IMPACT ON THE GROUP'S DEBT REDUCTION PLAN OR DIVIDEND DISTRIBUTION.

THE BOARD COOPTED LUCIA CALVOSA

TELECOM ITALIA GROUP

REVENUES: €14,543 MILLION, +10.0% COMPARED WITH H1 2010 (+1% IN ORGANIC TERMS)

EBITDA: €5,977 MILLION, +4.3% COMPARED WITH H1 2010 (-2% IN ORGANIC TERMS)

EBITDA MARGIN: 41.1%, DOWN 2.3 p.p. COMPARED WITH H1 2010 (-1.2 p.p. IN ORGANIC TERMS)

EBIT: -€51 MILLION (THE VARIATION WITHOUT GOODWILL WRITE-DOWN WAS +€122 MILLION, +4.0%)

CONSOLIDATED NET INCOME: -€2,013 MILLION FOLLOWING THE GOODWILL WRITE-DOWN OF €3,182 MILLION. EXCLUDING THE LATTER, PROFIT WOULD AMOUNT TO €1,169 MILLION, IN LINE WITH H1 2010

The preliminary results for the first half of 2011 will be illustrated to the financial community during a conference call scheduled for 10 am (Italian time) on Friday 5 August. Journalists may listen to the conference call, without asking questions, by calling: +39 06 33168.

Those unable to connect live may follow the presentation until Friday 12 August by calling: +39 06 334843 (access code 355290#).

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This press release uses certain alternative performance measures not contemplated under IFRS (EBITDA; EBIT; Organic Difference in Revenues, EBITDA and EBIT; Net Financial Borrowings and Adjusted Net Financial Borrowings), which meaning and content are defined in the Appendix.

The Telecom Italia Group First Half Financial Report at 30 June 2011 was drafted in accordance with art. 154 ter (Financial Reporting) of Leg. Decree 58/1998 (Unified Finance Law - TUF) and subsequent amendments and supplements and prepared in accordance with the international accounting principles issued by the International Accounting Standards Board and approved by the European Union (IFRS), as well as the provisions of art. 9 of Leg. Decree 38/2005.

The accounting and consolidation principles adopted in the preparation of the Interim Consolidated Statements at 30 June 2011 were consistent with those used for the Consolidated Annual Statements at 31 December 2010, with the exception of certain new Principles/Interpretations adopted by the Group from 1 January 2011. These new Principles/Interpretations have had no impact on the Interim Consolidated Statements at 30 June 2011.

Note that the section "Outlook for the 2011 financial year", contains forward-looking statements about the Group's intentions, beliefs and current expectations with regard to its financial results and other aspects of operations and strategies. Readers of this press release should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the statements owing to a number of factors, the majority of which are beyond the Group's control.

Finally, please note that the limited audit work on the Telecom Italia Group Interim Consolidated Financial Statements at 30 June 2011 has not yet been completed.

Milan, 5 August 2011

The Telecom Italia Board of Directors, chaired by Franco Bernabè, yesterday examined and approved the Group's First Half Financial Report at 30 June 2011.

Telecom Italia Chairman and CEO Franco Bernabè stressed that *in an increasingly complex macroeconomic and financial climate, the Group has reported solid cash generation also through improved efficiency especially in the domestic market. The results for the period once again confirm the validity of our strategy of continual reinforcement in Latin America, crowned also by the successful migration of TIM Participações to Novo Mercado.*

Group revenues grew by 10% driven by international performance and by the recovered competitiveness and valorisation of the domestic business.

While the competitive and financial environment remains extremely challenging, these half-yearly results allow us to confirm both our financial targets for FY 2011 as well as our shareholders' remuneration policy.

TELECOM ITALIA GROUP

On 13 October 2010 Sofora - Telecom Argentina entered the consolidation area following the increase from 50% to 58% of Telecom Italia Group's stake in Sofora Telecomunicaciones S.A., the Telecom Argentina holding company. In January 2011 and March 2011 further equity purchases were made raising the Group's economic interest in Telecom Argentina from 16.2% to 21.1%. The Sofora data are presented within Telecom Italia Group under the Business Unit known as "Argentina Business Unit".

In 2010 the following companies left the consolidation area: HanseNet Telekommunikation GmbH (a German broadband carrier) already posted under Discontinued Operations, which was sold on 16 February 2010; Elettra (included in the Domestic Business Unit - International Wholesale), sold on 30 September 2010; BBNet Group (included in Other Operations), sold on 5 October 2010.

Revenues in H1 2011 amounted to **€14,543 million, up 10.0%** from €13,223 million in the first half of 2010 (+€1,320 million). In terms of organic variation, consolidated revenues rose by 1.0% (+€137 million).

In detail, the organic variation in revenues is calculated by:

taking into account the effect of changes to the consolidation area (+€1,104 million, mainly due to the entry of the Argentina BU);

taking into account the effect of exchange rate variations (+€114 million, almost entirely due to exchange rate gains of the Brazil BU amounting to €121 million);

excluding other non organic revenues of €35 million in H1 2010, from the termination, during the period, of the 1001TIM loyalty program which had resulted in an upturn in revenues from bonus-points previously suspended and not used by the customer.

Revenues, broken down by business unit, are as follows:

(Euro mln.)	H1 2011		H1 2010		Change		
		%		%	absolute	%	%
							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	14,543	100.0	13,223	100.0	1,320	10.0	1.0

EBITDA came to **€5,977 million**, up €244 million (+4.3%) on the previous year period, with EBITDA margin of 41.1% (43.4% in H1 2010). In organic terms EBITDA fell by 2.0% with a 1.2 percentage points slide in EBITDA margin (41.4% in H1 2011 compared with 42.6% in H1 2010).

The following table shows a breakdown of EBITDA and EBITDA margin by business unit:

(Euro mln.)	H1 2011		H1 2010		Change		
		%		%	absolute	%	%
							organic
Domestic	4,547	76.1	4,920	85.8	(373)	(7.6)	(6.2)
% of Revenues	48.6		48.8		(0.2) pp		0.3) pp
Brazil	948	15.9	823	14.4	125	15.2	10.6
% of Revenues	27.1		28.6		(1.5) pp		(1.5) pp
Argentina	506	8.5	-	-	506		23.8
% of Revenues	33.5		-				
Media, Olivetti and Other Operations	(24)	(0.5)	(11)	(0.2)	(13)		
Adjustments and eliminations	-		1	-	(1)		

Total Consolidated	5,977	100.0	5,733	100.0	244	4.3	(2.0)
<i>% of Revenues</i>	<i>41.1</i>		<i>43.4</i>		<i>(2.3) pp</i>		<i>(1.2) pp</i>

Write-downs of non current assets amount to **€3,182 million** in H1 2011, following the goodwill write-down of domestic business. The valuation, according to the specific procedure adopted by the Group, was based mainly on the deterioration of the financial markets in terms of trends in interest rates.

EBIT was at -€51 million, down €2,932 million compared with H1 2010. Organic EBIT, calculated excluding in particular the goodwill write-down referred to above, increased by €122 million to €3,174 million (+4.0%), organic EBIT margin rose from 21.2% in H1 2010 to 21.8% in H1 2011.

The net result attributable to shareholders of the parent company was -€2,013 million, down €3,224 million compared with H1 2010 (€1,211 million). Excluding the effect of the goodwill write-down, profit for the period would amount to €1,169 million, broadly in line with the previous-year period.

Capex amounted to **€2,037 million**, substantially unchanged on H1 2010, broken down as follows:

(Euro mln.)	H1 2011		H1 2010		Change
		%		%	
Domestic	1,358	66.7	1,487	73.6	(129)
Brazil	444	21.8	507	25.1	(63)
Argentina	205	10.1	-	-	205
Media, Olivetti and Other Operations	30	1.4	27	1.3	3
<i>Adjustments and eliminations</i>	-	-	-	-	-
Total	2,037	100.0	2,021	100.0	16
<i>% of Revenues</i>	<i>14.0</i>		<i>15.3</i>		<i>(1.3) pp</i>

Operating free cash flow came to **€2,512 million** in the first half of 2011, up **€360 million** compared with the previous-year period, confirming the Group's strong and growing cash generation capability, thanks to the contribution of the Domestic and Brazil markets as well as the entry into the consolidation area of the Argentina Business Unit.

Adjusted net financial position at 30 June 2011 amounts to **€31,119 million**, down €349 million compared with 31 December 2010 (€31,468 million). The improvement in operating free cash flow, together with the receipt of €386 million for the sale of a stake in EtecSA (Cuba), amply covered the payment of dividends (€1,325 million, of which €1,183 million distributed by the parent) and equity purchases that allowed in H1 2011 to increase Telecom Italia Group's economic interest in Argentina Business Unit from 16.2% to 21.1%. Against 30 June 2010 adjusted net financial position is down by around €2.5 billion, demonstrating the progress made in the Group's deleveraging plans for FY 2011 which foresee a reduction in indebtedness of roughly €2 billion compared with year-end 2010. In Q2 2011 adjusted net financial position increased by €497 million from the €30,622 million at 31 March 2011: the distribution of

dividends has absorbed the positive effects of dynamic management.

Accounting net financial position stood at **€31,505 million**, down by €582 million from 31 December 2010 (€32,087 million) and up by €533 million against 31 March 2011 (€30,972 million).

Group **headcount** stood at **84,335 employees**, of whom 57,853 in Italy.

BUSINESS UNIT RESULTS

Figures for Telecom Italia Group included in this press release refer to the following business units:

***Domestic Business Unit:** includes domestic fixed-line and mobile-line voice and data services provided to end users (retail) and other carriers (wholesale), as well as associated support operations;*

***Brazil Business Unit:** refers to telecommunications operations in Brazil;*

***Argentina Business Unit:** includes fixed-line (Telecom Argentina) and mobile (Telecom Personal) telecommunications in Argentina, and mobile (Núcleo) in Paraguay;*

***Media Business Unit:** includes TV network-related activities and operations;*

***Olivetti Business Unit:** focuses on the development and manufacturing of digital printing systems, office products and IT services;*

***Other Operations:** includes financial firms and other smaller operations not strictly related to Telecom Italia Group's core business.*

Figures for Telecom Italia Media at 30 June 2011 can be found in the press release issued on 27 July 2011, following the Board Meeting's approval.

DOMESTIC

Domestic revenues amounted to **€9,356 million**, down 7.3% (€10,091 million in H1 2010) with an organic variation of -6.7%.

Highlights:

Core Domestic Revenues

Core Domestic revenues amounted to **€8,953 million**, down 6.4% (€9,563 million in H1 2010) with an organic variation of -6.0%.

The performance of the individual market segments as compared with the first half of 2010 is as follows:

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Consumer: the segment presents a downturn in revenues of €416 million (-8.4%) compared with

the first half of 2010. In organic terms the cut amounts to €381 million (-7.8%) emphasising a recovering trend in the second quarter (-6.4% compared with -9.2% of Q1 2011). In particular, organic revenues were calculated excluding €35 million from Q2 2010 relating to the termination of the loyalty program “1001TIM” which had resulted in an upturn in revenues from bonus-points previously suspended and not usable by the customer. The organic decline is entirely attributable to revenues from services (-€431 million, -8.9%), mainly due to traditional voice services, both for fixed-line (voice revenues: -€148 million, of which -€77 million traffic and -€54 million access) and mobile (voice revenues: -€271 million, of which -€204 million outgoing voice and -€67 million incoming voice). Such results — though with a progressively softening trend — continue to reflect the significant drop in average voice traffic prices following the thoroughgoing review of the product offering (with the introduction increasingly clearer, more attractive and cheaper tariff plans and solutions) in the previous financial year to oppose competitive dynamics, arrest the loss of customer base and trigger an upward trend in revenues.

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Business: this segment reported a contraction in revenues of €126 million (-7.1%), showing a recovery trend in the second quarter (-6.7% compared with -7.3% in the first quarter 2011). The downturn primarily concerns the Mobile segment and traditional Fixed-line Voice services, the latter attributable to the erosion of the client base (-5% compared with June 2010).

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Top: this segment reported a reduction in revenues of €90 million (-5.3%) compared with H1 2010, with a recovery trend in the second quarter (-4.9% compared with -5.8% in Q1 2011). The downturn relates mainly to revenues from services (-€82 million, -5.4%) recovering in Q2 (-3.8% compared with -7.0% in Q1 2011, in particular in the VAS Mobile and ICT fixed-line segments).

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National Wholesale: the increase in revenues (+€25 million, +2.4%) was driven by growth in OLO (Other Licensed Operators) customers especially in Local Loop Unbundling, Wholesale Line Rental and Bitstream services.

International Wholesale Revenues

In H1 2011 the International Wholesale segment (Telecom Italia Sparkle Group) posted **revenues of €642 million**, down €163 million from the same period of 2010 (-20.2%). This decline was almost entirely attributable to voice services (-€146 million), affected by sharp pricing pressures owing to the competitiveness of the market and by rationalization measures in the area based on a more selective customer portfolio strategy though without significant impact on margins. We also note that the revenues for the first half of 2010 included €20 million generated by the subsidiary Elettra which was sold in September 2010.

Besides the breakdown by market segment given above, the following revenue figures are distinguished by technology (fixed-line/mobile).

Fixed-Line Telecommunications Revenues

In H1 2011 revenues amounted to €6,691 million, down €367 million from the previous-year period (-5.2%, -4.8% in organic terms). The downturn is mainly attributable to the fall in **retail accesses** which as of 30 June 2011 stood at approximately **15 million** (-2.5% compared with 31 December 2010, -4.9% compared with 30 June 2010). In particular, this falling trend slowed in Q2 2011 compared with previous quarters (-183,000 lines as against -206,000 lines in Q1 2011 and -233,000 lines in Q4 2010) thanks to commercial strategies aimed at customer retention and recovery.

BroadBand services saw substantially stable revenues due to a nearly unchanged client portfolio in a highly competitive market environment. The total BroadBand portfolio at 30 June 2011 amounted to approximately 9.1 million accesses (+59,000 accesses compared with 13 December 2010) of which around 1.9 million wholesale (+65,000 on year-end 2010).

Revenue trends in the main business areas are as follows:

(Euro mln.)	H1 2011	H1 2010	Change		
			absolute	%	% organic
Retail Voice	2.863	3.123	(260)	(8,3)	(8,3)
Internet	846	888	(42)	(4,7)	(4,7)
Business Data	763	759	4	0,5	0,5
Wholesale	2.038	2.093	(55)	(2,6)	(2,6)
Others	181	195	(14)	(7,1)	(6,5)
Total Fixed-Line Telecommunications Revenues	6.691	7.058	(367)	(5,2)	(4,8)

Mobile Telecommunications Revenues

Mobile telecommunications revenues in H1 2011 came to **€3,496 million**, down €412 million (-10.5%, -9.7% in organic terms) compared with H1 2010 with a significantly improving trend in Q2 2011 (-7.6% compared with -12% in Q1) and prospects for further improvement in the second half of the year. Revenues from services were down in organic terms by -10.2% compared with the first half of 2010 (-8.7% in Q2 compared with -11.7% in Q1).

At 30 June 2011 Telecom Italia provided around **31.3 million mobile lines**.

Revenue trends in the main business areas are as follows:

(Euro mln.)	H1 2011	H1 2010	Change		
			absolute	%	% organic

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Outgoing voice	1.798	2.048	(250)	(12,2)	(10,7)
Incoming voice	593	715	(122)	(17,1)	(17,1)
VAS	978	1.022	(44)	(4,3)	(4,3)
Handsets	127	123	4	3,3	3,3
Total Mobile Telecommunications Revenues	3.496	3.908	(412)	(10,5)	(9,7)

EBITDA for the Domestic business unit amounted to **€4,547 million**, down €373 million (-7.6%) from the corresponding period of 2010. **EBITDA margin** was 48.6%, substantially in line with the previous-year period (-0.2 percentage points). This result was affected by the contraction in revenues (-€735 million on the corresponding period of 2010), only partially compensated by selective control of fixed costs allowing to contain and reduce costs compared with the corresponding period in 2010 (total costs -€362 million, of which -€128 million net of cost of goods sold and interconnection rates).

Organic EBITDA came to **€4,591 million** (-€304 million, -6.2% compared with the H1 2010), with EBITDA margin at 49.1% of revenues slightly improved on the same period of 2010 (+0.3 percentage points). In particular in Q2 we see a recovery in profits and a significant reduction in the negative trend compared with 2010: -4.8% in Q2 2011 (-€117 million) compared with -7.6% in Q1 2011 (-€187 million).

EBIT amounted to **-€686 million**, down €3,444 million from H1 2010. EBIT felt the impact of the goodwill write-down for the domestic business of €3,182 million. Excluding this impact and other non organic items, organic EBIT would amount to €2,539 million, with a negative variation of €199 million

(-7.3% compared with first half 2010, -6.0% in the second quarter) and an EBIT margin of 27.1% (27.3% in H1 2010).

Capex amounted to **€1,358 million**, down €129 million from H1 2010 mainly due to lower investments on IT and Service Creation. The capex /sales ratio was 14.5% (-0.2 percentage points compared with H1 2010).

The **headcount** came to **56,309 employees**, 221 fewer than on 31 December 2010.

BRAZIL

(average real/euro exchange rate 2.28778)

Revenues of Tim Brasil Group in H1 2011 came to **8,004 million reais**, 1,149 million reais higher (+16.8%) than H1 2010. Revenues from services in the first half of 2011 came to 7,207 million reais, up 10.4% from 6,526 million reais in the previous year period. Revenues from product sales grew strongly to reach 797 million reais, up from 329 million reais in H1 2010 (+142.2%). This result was achieved also due to the higher revenues from the sale of smartphone and webphone products leveraging the increase of data in the customer base.

ARPU (Average Revenue Per User) stood at 21.2 reais in June 2011 compared with 24.1 reais in June 2010. The total number of **lines** at 30 June 2011 was **55.5 million**, 25.0% higher than on 30 June 2010, representing a **25.5% market share** (source: Anatel, July 2011).

EBITDA amounted to **2,169 million reais**, up 208 million reais from H1 2010 (+10.6%); EBITDA margin was 27.1%, down 1.5 percentage points from the previous year period.

EBIT amounted to **1,007 million reais** (+614 million reais on H1 2010). This result can be ascribed to the higher contribution of EBITDA compared with H1 2010 and a reduction in amortisations of 403 million reais (1,160 million reais in H1 2011 against 1,563 million reais in H1 2010).

Capex amounted to **€1,015 million reais**, down €195 million reais compared with H1 2010 due to the lower capitalization of the costs of client acquisition (subsidized handsets) and the lower use of free loans on devices, as well as to delays in the definition of tenders for the supply of network equipment, concluded in March 2011.

The **headcount** came to **10,007 employees**, 107 fewer than on 31 December 2010.

ARGENTINA

(average peso/euro exchange rate 5.67941)

The restated H1 2010 figures are provided for information purposes (illustrative and comparative) and were not included in the consolidated results of Telecom Italia Group, given that the BU was consolidated with effect from 13 October 2010.

First half 2011 **revenues** came to **8,583 million pesos**, an increase of 1,866 million pesos compared with H1 2010 (6,717 million pesos) thanks to growth of the broadband and mobile client base, as well as related ARPU. The principal source of revenues for the Argentina Business Unit was mobile telephony which contributed 70% of consolidated revenues of the BU growing by 34% compared with H1 2010.

Fixed lines in service (**4.1 million** at 30 June 2011) were up slightly from 31 December 2010 largely thanks to bundling with Internet services. Despite the freezing of tariffs imposed by the Economic Emergency Law of January 2002, **ARBU** (Average Revenue Billed per User) grew by more than 6% compared with H1 2010 as a result of sales of packages including minutes of traffic and value added services.

Telecom Argentina's overall **broadband client** portfolio at 30 June 2011 came to **1,457,000 accesses**, 77,000 more than December 2010 growing by around 6%. At the same time ARPU rose thanks to a pricing strategy which also involved fewer promotional discounts designed to win new customers and build loyalty. The Data segment has also seen gains in market share on dedicated Internet and IP VPN, as well as datacenter services.

Telecom Personal lines (mobile telephony in Argentina) grew by 1,059,000 from the end of 2010 to reach a total **17.4 million lines**, 30% of which with post-paid contracts. Meanwhile, thanks to the acquisition of high value customers and our clear leadership in Smartphones, ARPU grew by around 16% to top 48 pesos (42 pesos in H1 2010). Much of this growth is attributable to value added services (including SMS) and Mobile Internet, which together represent around 46% of mobile telephony revenues.

In Paraguay the **Núcleo** client base grew by around 6% from 31 December 2010 to reach **1,983,000 lines** at 30 June 2011. The company has established a reputation for providing the best 3G Internet service (as regards speed), continuing the trend of significant growth in the number of lines.

EBITDA rose by 554 million pesos (+23.9%) to reach **2,876 million pesos**. The EBITDA margin was 33.5%, 1.1 percentage points less than in H1 2010, mainly due to the higher incidence of sales and labour costs.

EBIT amounted to **1,409 million pesos**, a fall of 106 million pesos (-7%). The reduction is entirely attributable to the adoption of the purchase price method resulting in costs totalling 509 million pesos, which were absent in H1 2010, mainly due to higher amortisations. Excluding such charges EBIT would have shown an increase of 403 million pesos (+26.6% on H1 2010). The EBITDA margin was 16.4%, down 6.2 percentage points from H1 2010; without the effects of the purchase price method, the incidence on revenues would have been 22.3%, essentially in line with the previous-year period.

Capex amounted to **€1,167 million pesos**, up 16.1% from the same period of last year.

Headcount at 30 June 2011 amounted to **16,090 employees**, 440 higher than at 31 December 2010 (+2.8%).

OLIVETTI

Revenues in H1 2011 were **€161 million**, down €15 million compared with the first six months of 2010. In a market that was negative for the third year running, the downturn is due to the Telecom Italia channel and to falling foreign sales. The other distribution channels meanwhile report substantially resilient sales.

EBITDA was **-€24 million**, €8 million lower than in H1 2010. The fall was linked to lower margins on some proprietary products (especially inkjet products) in part offset by the positive results of new products and services.

EBIT was **-€27 million**, €9 million lower than in H1 2010.

Capex amounted to **€3 million**, unchanged on the previous year period.

Headcount at 30 June 2011 came to **1,088 employees** (998 in Italy and 90 overseas), 2 fewer than 31 December 2010 (1,090 of which 1,001 in Italy and 89 overseas).

OUTLOOK FOR THE 2011 FINANCIAL YEAR

As regards Telecom Italia Group's outlook for the ongoing financial year, the goals linked to the main economic indicators, as described in the 2011-2013 Industrial Plan, foresee the following outcomes for the whole of 2011:

Organic revenues and EBITDA largely stable compared with 2010 (considering 12-months' consolidation of the Argentina Business Unit);

Capex of around €4.8 billion, excluding the effects of the outcome of the bid to use LTE mobile frequencies in the domestic market;

Adjusted net financial debt of around €29.5 billion by year-end 2011, excluding the outcome of the above bid.

EVENTS SUBSEQUENT TO 30 JUNE 2011

Migration of TIM PARTICIPAÇÕES to *NOVO MERCADO*

The migration of shares in the subsidiary TIM Participações to the Novo Mercado became operational from 3 August 2011. The Novo Mercado is a segment of the Brazilian stock exchange listing companies with a higher level of corporate governance whose capital consists exclusively of ordinary shares. The move was approved by meetings of both categories of TIM Participações shareholders and entailed the conversion of the preferred shares into ordinary shares at a ratio of 0.8406 ordinary shares to each privileged share.

Acquisition of AES Atimus (Brazil)

On 8 June 2011 TIM Participações S.A. signed an agreement for the acquisition of AES Atimus Group from Companhia Brasileira de Energia. The group is a telecommunications infrastructure operator in the states of San Paulo and Rio de Janeiro, the most densely populated and wealthiest regions of the country which generate 27% of Brazil's GDP. In particular, AES Atimus is the owner of a 5,500 km fibre optic network covering all 21 towns that make up the urban conglomeration of San Paulo and Rio de Janeiro. The group reported revenues in 2010 of 211 million reais with an EBITDA margin of 63%, and represents a vital asset enabling Tim Brasil to reinforce its competitive position. The deal has an enterprise value of 1.6 billion reais, and is expected to close by Q4 2011 once

the company and the competent authorities have given their approval.

4GH

On 27 July Telecom Italia completed its acquisition of a 71% stake in the company 4G Holding S.p.A., for an outlay of around 8.4 million euro.

The deal was conducted through the wholly owned subsidiary TLC Commercial Services S.p.A..

The remaining 29% stake will continue to be held by GIR S.r.l., controlled by the current CEO of 4G Holding, Claudio Gottero, who will remain in post to guarantee the operational continuity of the company under a governance agreement with TLC Commercial Services.

Auction of frequencies

Telecom Italia has been admitted by the Ministry of Economic Development to the bidding for the use of the frequencies 800, 1800, 2000 and 2600 Mhz. The companies admitted to the auction must present their economic bids by 29 August, to be opened at a public meeting scheduled for 30 August.

Director Appointment

The Board of Directors also co-opted Lucia Calvosa to replace director Ferdinando Beccalli-Falco, who retired on 6 June 2011.

Director Lucia Calvosa (whose profile is available from the company web site www.telecomitalia.com, Governance page, or from the company head offices and attached) qualifies as a non executive and independent.

Merger by incorporation of Telecom Italia Audit and Compliance Services

The Board of Directors has approved the merger by incorporation of Telecom Italia Audit and Compliance Services S.c.a r.l..

The merger comes as part of a review of the Group's control governance assets and will concentrate internal control tasks and expertise within the parent. The merger will be achieved through the acquisition of 100% of the capital of TI Audit, whose 18.18% stakes is currently held by Telecom Italia Media S.p.A..

As foreseen by the Bylaws, the operation (which does not entail any changes in the capital of Telecom Italia) will be decided by the Telecom Italia Board of Directors under the terms and conditions of article 2505 of the Civil Code. The operation is expected to be completed within the current year.

The Manager designate for the preparation of accounting and corporate documents, Andrea Mangoni, hereby declares, pursuant to paragraph 2, Art.154-bis of Italy's Financial Law, that the accounting information contained herein corresponds to the company's documentation, accounting books and records.

ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES

In this press release in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the trend of operations and the financial condition related to the Telecom Italia Group. Such measures, which are also presented in other periodical financial reports (annual and interim), should, however, not be construed as a substitute for those required by IFRS.

The non-IFRS alternative performance measures used are described below:

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EBITDA: this financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) in addition to **EBIT**. These measures are calculated as follows:

Profit (loss) before tax from continuing operations

+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method

EBIT - Operating profit (loss)

+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization

EBITDA - Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets

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Organic change in Revenues, EBITDA and EBIT: these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, 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.

Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level).

The organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors.

Details of the economic amounts used to arrive at the organic change are provided in this press release as well as an analysis of the major non-organic components for the first half 2011 and 2010.

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Net Financial Debt: Telecom Italia believes that Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. In this press release is included a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.

In order to better represent the actual change in net financial debt, starting with the Half- Year Financial Report at June 30, 2009, in addition to the usual measure (renamed Net financial debt carrying amount) a new measure has been introduced denominated Adjusted net financial debt , which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Net financial debt is calculated as follows:

- +Non-current financial liabilities
- +Current financial liabilities
- +Financial liabilities directly associated with Discontinued operations/ Non-current assets held for sale

A)Gross Financial Debt

- +Non-current financial assets
- +Current financial assets
- +Financial assets included in Discontinued operations/ Non-current assets held for sale

B)Financial Assets

C = (A - B)Net Financial Debt carrying amount

D)Reversal of fair value measurement of derivatives and related financial liabilities/assets

E = (C + D)Adjusted Net Financial Debt

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The reclassified Separate Consolidated Income Statements, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows as well as the Consolidated Net Financial Debt of the Telecom Italia Group, herewith presented, are the same as those included in the Interim Management Report included in the Half-year Financial Report to June 30, 2011 and are unaudited .

Such statements, as well as the Consolidated Net Financial Debt of the Telecom Italia Group, are however consistent with those included in the Telecom Italia Group Half-year Condensed Consolidated Financial Statements at June 30, 2011.

Please note that the limited audit work by our independent auditors on the Telecom Italia Group Half-year Condensed Consolidated Financial Statements at June 30, 2011 has not yet been completed.

TELECOM ITALIA GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Half	1st Half	Change	
	2011	2010	(a - b)	
	(a)	(b)	amount	%
Revenues	14,543	13,223	1,320	10.0
Other income	108	104	4	3.8
Total operating revenues and other income	14,651	13,327	1,324	9.9
Acquisition of goods and services	(6,232)	(5,368)	(864)	(16.1)
Employee benefits expenses	(1,964)	(1,845)	(119)	(6.4)
Other operating expenses	(844)	(570)	(274)	(48.1)
Changes in inventories	81	(125)	206	°
Internally generated assets	285	314	(29)	(9.2)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	5,977	5,733	244	4.3
Depreciation and amortization	(2,843)	(2,845)	2	0.1
Gains (losses) on disposals of non-current assets	(3)	(2)	(1)	°
Impairment reversals (losses) on non-current assets	(3,182)	(5)	(3,177)	°
. of which impairment loss on Core Domestic goodwill	(3,182)	-	(3,182)	
Operating profit (loss) (EBIT)	(51)	2,881	(2,932)	°

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Share of profits (losses) of associates and joint ventures accounted for using the equity method	(12)	39	(51)	°
Other income (expenses) from investments	15	2	13	°
Finance income	1,685	3,464	(1,779)	(51.4)
Finance expenses	(2,646)	(4,462)	1,816	40.7
Profit (loss) before tax from continuing operations	(1,009)	1,924	(2,933)	°
Income tax expense	(777)	(682)	(95)	(13.9)
Profit (loss) from continuing operations	(1,786)	1,242	(3,028)	°
Profit (loss) from Discontinued operations/Non-current assets held for sale	(11)	(2)	(9)	°
Profit (loss) for the period	(1,797)	1,240	(3,037)	°
Attributable to:				
Owners of the Parent	(2,013)	1,211	(3,224)	°
Non-controlling interests	216	29	187	°

TELECOM ITALIA GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In accordance with IAS 1 (*Presentation of Financial Statements*) here below are presented the Consolidated Statements of Comprehensive Income, including the Profit (loss) for the period, as shown in the Separate Consolidated Income Statements, and all non-owner changes in equity.

(millions of euros)		1st Half 2011	1st Half 2010
Profit (loss) for the period	(a)	(1,797)	1,240
Other components of the Statements of Comprehensive Income:			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		5	15
Loss (profit) transferred to the Separate Consolidated Income Statement		1	5
Income tax expense		(1)	(7)
	(b)	5	13
Hedging instruments:			
Profit (loss) from fair value adjustments		(346)	1,394
Loss (profit) transferred to the Separate Consolidated Income Statement		634	(1,111)
Income tax expense		(80)	(76)
	(c)	208	207
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(360)	589
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		75	-
Income tax expense		-	-
	(d)	(285)	589
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		1	54
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		-	-
	(e)	1	54
Total	(f=b+c+d+e)	(71)	863
Total Profit (loss) for the period	(a+f)	(1,868)	2,103

Attributable to:

Owners of the Parent

(1,851)

1,928

Non-controlling interests

(17)

175

TELECOM ITALIA GROUP CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	6/30/2011 (a)	12/31/2010 (b)	Change (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	40,691	43,912	(3,221)
Other Intangible assets	7,459	7,903	(444)
	48,150	51,815	(3,665)
Tangible assets			
Property, plant and equipment owned	14,588	15,373	(785)
Assets held under finance leases	1,124	1,177	(53)
	15,712	16,550	(838)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	73	85	(12)
Other investments	44	43	1
Securities, financial receivables and other non-current financial assets	1,542	1,863	(321)
Miscellaneous receivables and other non-current assets	1,131	934	197
Deferred tax assets	1,141	1,863	(722)
	3,931	4,788	(857)
Total non-current assets	(a) 67,793	73,153	(5,360)
Current assets			
Inventories	460	387	73
Trade and miscellaneous receivables and other current assets	8,474	7,790	684
Current income tax receivables	131	132	(1)
Securities other than investments	1,301	1,316	(15)
Financial receivables and other current financial assets	386	438	(52)
Cash and cash equivalents	3,760	5,526	(1,766)
Current assets sub-total	14,512	15,589	(1,077)
Discontinued operations/Non-current assets held for sale			

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of a financial nature		-	-	-
of a non-financial nature		-	389	(389)
		-	389	(389)
Total current assets	(b)	14,512	15,978	(1,466)
Total assets	(a+b)	82,305	89,131	(6,826)

(millions of euros)