

TELECOM ITALIA S P A
Form 6-K
October 12, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under the
Securities Exchange Act of 1934

Telecom Italia S.p.A.

Piazza degli Affari 2,

20123 Milan, Italy

(Address of principal executive offices)

FOR THE MONTH OF OCTOBER, 2010

Commission File Number 001-13882

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

Form 20-F Form 40-F

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Indicate by check mark if the registrant is submitting the Form 6-K in paper

as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper

as permitted by Regulation S-T Rule 101(b)(7):

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No. 333-156476-01) and to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

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2010 Half-Yearly Financial Report

Introduction

INTRODUCTION

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

€ Presentation of Certain Financial and Other Information

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

Furthermore, pursuant to SEC Release No. 33-8879, *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP*, Telecom Italia includes Selected Financial Data prepared in compliance with IFRS, without reconciliation to U.S. GAAP.

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

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

References to "BRL" are to the Brazilian Reais.

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

€ Restatement of Financial Statements

The statement of financial position and separate income statement figures for the first half of 2009 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 Telecom Italia's Annual Report on Form 20-F Amended for the year ended December 31, 2009 (the "2009 Annual Report").

In addition, starting with the Unaudited Interim 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 Tim Brasil group, some taxes paid in Brazil have been reclassified from "Other operating expenses" to "Revenues and Other income" as deductions. Other minor alignments, in terms of classification, have also been made. The periods presented for purposes of comparison have been duly reclassified.

Additional details on the principal impacts of the restatement and reclassifications are disclosed in the Note "Restatement for errors" and in the Note "Form, content and other general information" of the Unaudited Interim Consolidated Financial Statements at June 30, 2010 included elsewhere in this Telecom Italia's 2010 Half-Yearly Financial Report on Form 6-K.

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

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

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

our ability to successfully implement our strategy over the 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;

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;

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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 of this report. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date of this report, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

When evaluating forward-looking statements, you should also consider the risk factors set forth in the 2009 Annual Report and subsequent annual reports on Form 20-F and other documents Telecom Italia files with the SEC.

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Key Definitions

KEY DEFINITIONS

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

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

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Description Of Telecom Italia

DESCRIPTION OF TELECOM ITALIA

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

¶ Overview of the Telecom Italia Group's Major Business Areas

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

Following the sale in the first half of 2010 of 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 European BroadBand Business Unit is no longer presented. The other companies of that Business Unit are now included in Other Operations (financial companies and other minor companies not associated with the core business of the Telecom Italia Group).

Beginning January 1, 2010, the companies Shared Service Center and HR Services, previously consolidated under Other Operations, are now consolidated in the Domestic Business Unit. For purposes of comparison, the disclosure by operating segment for the periods under comparison has been appropriately restated.

Telecom Italia Group's Business Units as of June 30, 2010 were as follows:

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

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2010 Half-Yearly Financial Report

Summary Selected Financial And Statistical Information

SUMMARY SELECTED FINANCIAL AND STATISTICAL INFORMATION

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

with respect to the separate consolidated income statement information, the unaudited financial data for the six-month periods ended June 30, 2010 and 2009 (restated data); and

with respect to the statement of financial position information, the unaudited financial data as of June 30, 2010 and the audited financial data as of December 31, 2009.

In the opinion of the management of Telecom Italia, the unaudited interim consolidated financial data of the Telecom Italia Group reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Telecom Italia Group's consolidated results of operations for the unaudited interim periods. Results for the six-month period ended June 30, 2010, are not necessarily indicative of results that may be expected for the entire year.

Furthermore in the six months ended June 30, 2010 there were no material events or transactions (e.g. business combinations, disposals, significant transactions with related parties, including intragroup transactions) which would have required a specific disclosure in this report.

This financial information was prepared applying the same accounting policies and methods of computation as compared with our Consolidated Financial Statements as of December 31, 2009 included in the Telecom Italia S.p.A.'s 2009 Annual Report, to which reference should be made, except for the new standards and interpretations adopted by the Group since January 1, 2010 that did not have any impact on the Unaudited Interim Consolidated Financial Statements at June 30, 2010.

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

Table of Contents**2010 Half-Yearly Financial Report****Summary Selected Financial And Statistical Information**

Separate Consolidated Income Statement Data:	Six months ended June 30,	
	2010	2009 (Restated) (Unaudited)
	(millions of euros, except percentages, ratios, employees and per share amounts)	
Revenues	13,223	13,321
Operating profit	2,881	2,685
Profit before tax from continuing operations	1,924	1,602
Profit from continuing operations	1,242	955
Profit (loss) from Discontinued operations/Non-current assets held for sale	(2)	(19)
Profit for the period	1,240	936
<i>Of which:</i>		
<i>Profit attributable to owners of the Parent⁽¹⁾</i>	<i>1,211</i>	<i>959</i>
Investments		
<i>Capital expenditures</i>	<i>2,021</i>	<i>1,922</i>
<i>Financial</i>		<i>4</i>
Financial Ratios		
Operating profit/Revenues (ROS)(%)	21.8	20.2
Ratio of earnings to fixed charges ⁽²⁾	2.73	2.43
Employees, average number in the Group, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (average number)	67,130	71,110
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)		2,258
Basic and Diluted earnings per Share (EPS)⁽³⁾:		
Ordinary Share	<i>0.06</i>	<i>0.05</i>
Savings Share	<i>0.07</i>	<i>0.06</i>
<i>Of which:</i>		
<i>From continuing operations:</i>		
<i>Ordinary Share</i>	<i>0.06</i>	<i>0.05</i>
<i>Savings Share</i>	<i>0.07</i>	<i>0.06</i>
<i>From Discontinued operations/Non-current assets held for sale:</i>		
<i>Ordinary Share</i>		
<i>Savings Share</i>		

Table of Contents**2010 Half-Yearly Financial Report****Summary Selected Financial And Statistical Information**

	As of June 30, 2010 (Unaudited) (millions of euros, except employees)	As of December 31, 2009
Consolidated Statement of Financial Position Data:		
Total Assets	84,063	86,181
Equity:		
Equity attributable to owners of the Parent	26,870	25,952
Non-controlling interests	1,364	1,168
Total Equity	28,234	27,120
Total liabilities	55,829	59,061
Total equity and liabilities	84,063	86,181
Share capital⁽⁴⁾	10,585	10,585
Net Financial Debt⁽⁵⁾	34,029	34,747
Employees, number in the Group at period-end, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at period-end)	70,590	71,384
Employees relating to the consolidated companies considered a Discontinued operations/Non-current assets held for sale (number at period-end)		2,205
	Six months ended June 30, 2010	2009 (Restated) (Unaudited)
	(millions of euros)	
Cash Flows from (used in) Operating Activities	2,974	3,073
Cash Flows from (used in) Investing Activities	(2,614)	(2,153)
Cash Flows from (used in) Financing Activities	(2,601)	691
Cash Flows from (used in) Discontinued operations/Non-current assets held for sale		22
Aggregate Cash Flows	(2,241)	1,633

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	As of and for the period ended		
	June 30, 2010	December 31, 2009	June 30, 2009
Statistical Data:			
Domestic fixed:			
Fixed-line network connections in Italy at period-end (thousands)	18,062	18,525	19,170
Physical accesses (Consumer and Business) at period-end (thousands)	15,741	16,097	16,621
Voice pricing plans (thousands)	5,721	5,417	5,461
Broadband accesses in Italy at period-end (thousands)	8,958	8,741	8,443
<i>Of which retail (thousands)</i>	<i>7,134</i>	<i>7,000</i>	<i>6,859</i>
Virgilio average daily page views during the period (millions)	45.4	44.7	47.0
Virgilio average daily single visitors (millions)	3.6	3.2	3.1
Network infrastructure in Italy:			
access network in copper (millions of km pair)	110.5	110.5	109.3
access and carrier network in optical fiber (millions of km fiber)	4.1	4.1	3.9
Network infrastructure abroad:			
European backbone (km of fiber)	55,000	55,000	55,000
Mediterranean (km of submarine cable)	7,000	7,000	7,000
South America (km of fiber)	30,000	30,000	30,000
Total Traffic:			
Minutes of traffic on the fixed-line network (billions)	63.9	134.4	70.2
Domestic traffic	54.6	115.6	60.7
International traffic	9.3	18.8	9.5
Domestic Mobile:			
Number of mobile lines at period-end (thousands)	30,545	30,856	32,630
<i>Of which prepaid lines (thousands)⁽⁶⁾</i>	<i>23,833</i>	<i>24,398</i>	<i>26,347</i>
Change in mobile lines (%)	(1.0)	(11.3)	(6.2)
Churn rate ⁽⁷⁾	11.5	29.4	14.5
Total mobile outgoing traffic per month (millions of minutes)	3,109	2,982	2,970
Total average mobile outgoing and incoming traffic per month (millions of minutes)	4,405	4,260	4,206
Average monthly mobile service revenues per line ⁽⁸⁾	20.1	20.0	19.5
Brazil:			
Number of mobile lines at period-end (thousands)	44,413	41,102	37,826
Media:			
La7 audience share Free to Air (analog mode) (average during period, in %)	2.8	3.0	3.0
La7 audience share Free to Air (analog mode) (last month of period, in %)	3.1		