

TELECOM ITALIA S P A  
Form 20-F  
May 21, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended: December 31, 2009**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from N/A to N/A**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report**

**Commission file number 1-13882**

**Telecom Italia S.p.A.**

(Exact name of Registrant as specified in its charter)

**Italy**

(Jurisdiction of incorporation or organization)

**Piazza degli Affari 2, 20123 Milan, Italy**

(Address of principal executive offices)

**Andrea MANGONI**

**Chief Financial Officer**

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**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
American Depositary Shares, each representing 10 Ordinary Shares of 0.55 euros par value each (the <b>Ordinary Share ADSs</b> )	The New York Stock Exchange
Ordinary Shares of 0.55 euros par value each (the <b>Ordinary Shares</b> )	The New York Stock Exchange*
American Depositary Shares, each representing 10 Savings Shares of 0.55 euros par value each (the <b>Savings Share ADSs</b> )	The New York Stock Exchange
Savings Shares of 0.55 euros par value each (the <b>Savings Shares</b> )	The New York Stock Exchange*

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**None**

**(Title of Class)**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

**(Title of Class)**

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock**

**as of the close of the period covered by the annual report.**

Ordinary Shares 13,218,690,552

Savings Shares 6,026,120,661

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes  No

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statement included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

\* Not for trading, but only in connection with the registration of American Depositary Shares representing such Ordinary Shares or Savings Shares, as the case may be, pursuant to the requirements of the Securities and Exchange Commission.

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**Introduction**

**INTRODUCTION**

Telecom Italia S.p.A. is incorporated as a joint stock company under the laws of Italy. As used in this Annual Report, 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.

Unless otherwise indicated, the financial information contained in this Annual Report has been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (designated as **IFRS**). The designation **IFRS** also includes all effective International Accounting Standards (**IAS**) and all Interpretations issued by the International Financial Reporting Interpretations Committee (**IFRIC**), comprising those previously issued by the Standing Interpretations Committee (**SIC**). Telecom Italia adopted IFRS for the first time in its annual Consolidated Financial Statements for the year ended December 31, 2005. See Item 3. Key Information 3.3 Selected Financial and Statistical Information.

Unless otherwise indicated, any reference in this Annual Report to Consolidated Financial Statements is to the Consolidated Financial Statements for the year ended December 31, 2009 of the Telecom Italia Group (including the notes thereto) included elsewhere herein.

***Restatement of Financial Statements***

In this Annual Report, we are restating our consolidated financial statements for the years ended December 31, 2008 and 2007, as well as certain financial statement line items for the years ended December 31, 2005 and 2006 included in the selected financial and statistical information section contained elsewhere in this Annual Report.

The restatement of prior years financial statements relate to accounting adjustments made primarily to correct errors as defined in IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) (**IAS 8**) which occurred in the financial years 2005, 2006 and 2007. The determination to restate our prior year financial statements was made when further information became available on February 23, 2010 to the Company in relation to the ongoing criminal investigation involving our subsidiary Telecom Italia Sparkle (**Telecom Italia Sparkle case**), along with data acquired as part of an investigation conducted by an independent legal advisor and accounting firm retained to conduct such investigation. Based on this information, we concluded that certain transactions that occurred only during financial years 2005, 2006 and 2007 were without substance resulting in errors as defined under IAS 8. These errors have been corrected, restating the comparative 2008 and 2007 financial statements presented in this Annual Report.

As a result of the restatement of the financial statements relating to the financial years 2005, 2006, 2007 and 2008 our independent registered accounting firm has withdrawn, in accordance with the audit principles applicable in the United States (PCAOB rules), their audit opinions included in Forms 20-F for the corresponding years. Our independent registered accounting firm has issued an unqualified audit opinion on the Telecom Italia consolidated financial statements for the three years ended December 31, 2009, included in this Annual Report, which includes the restated financial statements for 2008 and 2007.

Unless otherwise indicated, all financial data included in this Annual Report gives effect to these restatements. For further details, please see Item 5 *Operating and Financial Review and Prospects* 5.1 *Restatement due to errors* and Notes *Restatement as a result of errors and changes in accounting policies* and *Contingent liabilities, other information, commitments and guarantees* of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

**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. This Annual Report contains certain forward-looking statements.

Forward-looking statements are statements that are not historical facts and can be identified by the use of forward-looking terminology such as believes, may, is expected to, will, will continue, should, seeks or anticipates or similar expressions or the negative thereof or other terminology, or by the forward-looking nature of discussions of strategy, plans or intentions.

The forward-looking statements in this Annual Report include, but are not limited to, the discussion of the changing dynamics of the telecommunications marketplace, including the continuing developments in

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**Introduction**

competition in all aspects of our businesses from new competitors and from new and enhanced technologies, our outlook for growth in the telecommunications industry both within and outside of Italy, including our outlook regarding developments in the telecommunications industry, and certain trends we have identified particularly in our core Italian market, including regulatory measures regarding pricing and access for other local operators.

Such statements include, but are not limited to, statements under the following headings: (i) Item 3. Key Information 3.1 Risk Factors, (ii) Item 4. Information on the Telecom Italia Group 4.1 Business 4.1.7 Updated Strategy, (iii) Item 4. Information on the Telecom Italia Group 4.3 Regulation, (iv) Item 5. Operating and Financial Review and Prospects, (v) Item 8. Financial Information 8.2 Legal Proceedings and (vi) Item 11 Quantitative and Qualitative Disclosures About Market Risks, including statements regarding the likely effect of matters discussed therein.

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 our control, that could significantly affect expected results.

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;
- the impact of regulatory decisions and changes in the regulatory environment in Italy and other countries in which we operate;

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- 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.

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**Key Definitions**

**KEY DEFINITIONS**

The following terms appearing in this Annual Report have the meanings set forth below.

<b>EU</b>	means the European Union.
<b>IASB</b>	means the International Accounting Standards Board.
<b>IFRS</b>	means International Financial Reporting Standards issued by the IASB. IFRS also include all effective International Accounting Standards ( <b>IAS</b> ) and all Interpretations issued by the International Financial Reporting Interpretations Committee ( <b>IFRIC</b> ), comprising those previously issued by the Standing Interpretations Committee ( <b>SIC</b> ).
<b>Merger</b>	means the merger of Old Telecom Italia into Olivetti, which became effective on August 4, 2003.
<b>Old Telecom Italia and Old Telecom Italia Group</b>	means Telecom Italia as well as Telecom Italia and its consolidated subsidiaries, respectively, as they existed immediately prior to the effective date of the Merger.
<b>Olivetti</b>	unless otherwise indicated, means Olivetti S.p.A., the holding company and controlling shareholder of Old Telecom Italia.
<b>Olivetti Group</b>	unless otherwise indicated, means Olivetti and its consolidated subsidiaries, including Old Telecom Italia.
<b>Ordinary Shares</b>	means the Ordinary Shares, 0.55 euros par value each, of Telecom Italia.
<b>Parent</b>	means Telecom Italia S.p.A..
<b>Savings Shares</b>	means the Savings Shares, 0.55 euros par value each, of Telecom Italia.
<b>Telecom Italia</b>	means the entity which resulted from the Merger.
<b>Telecom Italia Group and Group</b>	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.

**TIM**

means Telecom Italia Mobile S.p.A., the Company's subsidiary which operated in the mobile telecommunications business, and merged with and into Telecom Italia, with Telecom Italia as the surviving company, effective as from June 30, 2005.

**Tim Italia**

means the company deriving from the spin-off of TIM's domestic mobile operations, effective as from March 1, 2005. After the merger of TIM with and into Telecom Italia, Tim Italia became a wholly-owned subsidiary of Telecom Italia. Subsequently Tim Italia merged with and into Telecom Italia, with Telecom Italia as the surviving company, effective as from March 1, 2006.

In addition to the foregoing terms, certain technical telecommunication terms relating to our businesses are defined in the glossary of this Annual Report (see Item 4. Information on the Telecom Italia Group - 4.4 Glossary of Selected Telecommunications Terms ).

In addition, due to the changing nature of our business, we now refer to **Accesses** when considering certain statistical and other data. **Access** refers to a connection to any of the telecommunications offered by the

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**Key Definitions**

Group. We present our customer base using this model because the integration of telecommunications services in bundled service packages has changed the way residential and corporate customers contract for our services. Because a single customer may contract for multiple services, we believe it is more accurate to count the number of accesses, or services a customer has contracted for, as opposed to only counting the number of our customers. For example, a customer that has fixed line telephony service and BroadBand service represents two accesses rather than a single customer. In addition, we fully count the accesses attributable to all companies over which we exercise control. The following are the main categories of accesses:

- Fixed Telephony accesses: includes PSTN lines (public switched telephone network), ISDN lines (integrated services digital network) and circuits. For purposes of calculating our number of fixed line accesses, we multiply our lines to service as follows: PSTN (×1); basic ISDN (×2); primary ISDN (× between 20 and 30 as an average);
- Internet and data accesses: includes BroadBand accesses (wholesale ADSL and retail ADSL lines), narrowband accesses (internet service through the PSTN) and other accesses (unbundled local loops, circuits and other business data accesses including WiFi and fiber optic cable);
- IP TV (Internet Protocol TV);
- Mobile accesses (includes mobile telephony);
- Unbundled local loop: includes accesses to both ends of the copper local loop leased to other operators to provide voice and DSL services (fully unbundled loop, fully UL ) or only DSL service (shared unbundled loop, shared UL );
- Wholesale ADSL: means wholesale asymmetrical digital subscriber line; and
- Other: includes other circuits for other operators.

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**Risk Factors**

**Item 2. Offer Statistics and Expected Timetable**

**Item 3. Key Information**

**PART I**

**Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable

**Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable

**Item 3. KEY INFORMATION**

**3.1 RISK FACTORS**

In addition to the other information contained in this Annual Report, investors should carefully consider the risks described below and in particular the risk factor relating to the investigation of Telecom Italia Sparkle before making any investment decision. The risks described below are not the only ones we face. Additional risks not known to us or that we currently deem immaterial may also impair our business and results of operations. Our business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks, and investors could lose all or part of their investment.

**RISKS RELATED TO THE TELECOM ITALIA GROUP**

*Our business will be adversely affected if we are unable to successfully implement our strategic objectives. Factors beyond our control may prevent us from successfully implementing our strategy.*

On April 13, 2010, we set out our strategic priorities for the 2010-2012 period. Our strategy confirms the strategic priorities that the Telecom Italia Group set in December 2008 and in particular:

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- a focus on the strategic Italian and Brazilian markets, with the target of a rapid return to growth in domestic turnover and an acceleration of revenue growth on the Brazilian market;
- boost cash flow generation by focusing on high profit margin revenues, operating efficiency gains, and selective investment;
- an ongoing reduction in Group debt.

Our ability to implement and achieve these strategic objectives may be influenced by certain factors, including factors outside of our control, such as:

- regulatory decisions and change in the regulatory environment in Italy and other countries in which we operate;
- increasing numbers of new competitors in the Italian telecommunications market which could cause us to lose further market share;
- increasing and stronger market competition in our principal markets with a consequent decline in the prices of services;
- our ability to strengthen our competitive position in Italy through our focus on related markets and in international markets, particularly in Brazil for mobile telecommunications;
- our ability to develop and introduce new technologies which are attractive to the market, to manage innovation, to supply value added services and to increase the use of our fixed and mobile networks;
- the success of disruptive new technologies which could cause significant reductions in revenues from fixed and mobile telephony;
- our ability to manage costs;
- the effect of the global credit crisis and recessionary conditions in the major markets in which we operate;
- our ability to refinance existing indebtedness when due in the capital and bank markets;
- our ability to attract and retain highly qualified employees; and
- the effect of exchange rate fluctuations on our operating revenues, margins and financial management.

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### Item 3. Key Information

### Risk Factors

As a result of these uncertainties there can be no assurance that the objectives identified by management can effectively be attained in the manner and within the time-frames described. Furthermore, if we are unable to attain our strategic priorities, our goodwill may be materially impaired.

*The global economic crisis adversely affected our business in 2009 and continuing global economic weakness could further adversely affect our businesses and therefore have a negative impact on our operating results and financial condition.*

The global economic crisis during 2009 included a general contraction in consumer spending, with the impact on consumer spending varying between geographical areas and different markets. Economic weakness, particularly in our domestic market, is expected to continue for at least the whole of 2010.

In Italy, the recession has had the greatest impact on the demand for investments and on the purchase of consumer durable goods and items of mass-consumption, with Gross Domestic Product ( **GDP** ) declining in 2009. In 2010, GDP is expected to remain stable.

Telecommunications has proven to be one of the industrial segments least affected by pro-cyclical trends since our society has an increasing need to communicate. However, recessionary conditions have weighed, and may continue to weigh, heavily on the development prospects of our domestic market, particularly with regard to the penetration of the next phase of value-added services and the volume of business, key elements of the Group's strategic plan. This applies particularly to the business clientele segment (professionals and small and medium-size businesses), where it is more likely that recessionary conditions could have a negative effect on revenues.

With respect to the South American market, and especially Brazil, throughout 2009 and at least through the date hereof, the volatility that has been typical of emerging market economies during international economic crises is much less pronounced than in the past. In this context, the outlook for 2010 is for modest economic growth compared with the rapid growth of the past several years.

The continuing weakness in the global economy, and in particular the expected slow growth in GDP in our domestic market, creates significant uncertainty and will adversely impact consumer spending, including on telecommunication services. If we fail to successfully implement our plans to improve efficiency and optimize expenditures, our results of operations and financial condition could be adversely affected.

*Our leverage is such that deterioration in cash flow generation can change the expectations on the Group's ability to repay its debt and the inability to reduce our debt could have a material adverse effect on our business. Existing and worsening conditions in the international credit markets may limit our ability to refinance our financial debt.*

Our gross financial debt was 44,397 million euros at December 31, 2009 compared with 42,794 million euros at December 31, 2008 (restated) and our net financial debt was 34,747 million euros at December 31, 2009 compared with 34,039 million euros as of December 31, 2008 (restated).

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Due to the competitive environment and the economic conditions in which we operate, there could be deterioration in the separate income statement and statement of financial position measures used by investors and rating agencies. Ratios derived from these same separate income statement and statement of financial position measures are used by the rating agencies, such as Moody's and Standard & Poor's, which base their ratings on our ability to repay our debt.

Although ratings downgrades do not have an immediate impact on outstanding debt, except for outstanding debt instruments that specifically contemplate ratings in order to determine interest expenses, or on its relative cost to us, downgrades could lead to a greater risk with respect to refinancing existing debt or higher refinancing costs.

Factors which are beyond our control such as deterioration in the performance by the telecommunications sector, unfavorable fluctuations in interest rates and/or exchange rates, continuing disruptions in the capital markets, particularly debt capital markets, and, in a broader sense, deterioration in general economic conditions also as a result of the continuing financial crisis, could have a significant effect on our ability to reduce our debt, or the ability of the Telecom Italia Group to refinance existing debt through further access to the financial markets.

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**Item 3. Key Information**

**Risk Factors**

The management and further development of our business will require us to make further investments. We may therefore incur additional debt in order to finance such investment. Our future results of operations may be influenced by our ability to enter into such transactions, which in turn will be determined by market conditions and factors that are outside our control. In addition, if such transactions increase our leverage it could adversely affect our credit ratings.

*System failures could result in reduced user traffic and reduced revenue and could harm our reputation.*

Our technical infrastructure (including our network infrastructure for fixed-line and mobile telecommunications services) is vulnerable to damage or interruption from information and telecommunication technology failures, power loss, floods, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could harm our reputation.

*Our business depends on the upgrading of our existing networks.*

We must continue to upgrade our existing networks in a timely and satisfactory manner in order to retain and expand our customer base in each of our markets, to enhance our financial performance and to satisfy regulatory requirements. Among other things, we could be required to:

- upgrade the functionality of our networks to permit increased customization of services;
- increase coverage in some of our markets;
- expand and maintain customer service, network management and administrative systems; and
-