

Press Release

TIM GROUP: 2017-2019 STRATEGIC PLAN APPROVED

- ▶ A SUBSTANTIAL TRANSFORMATION OF THE COMPANY IS ONGOING, AIMING AT CONFIRMING TIM AS MARKET'S POINT OF REFERENCE FOR TOTAL QUALITY IN BOTH FIXED AND MOBILE SERVICES
- ▶ THE TURNOVER AND DOMESTIC EBITDA ARE EXPECTED TO GROW FOR THE FULL DURATION OF THE PLAN. IN BRAZIL THE RECOVERY TREND CONTINUES
- ▶ LINE LOSSES ARE EXPECTED TO STOP IN 2018
- ▶ FOCUS ON CONTENT, CONVERGENCE AND ICT
- ▶ INVESTMENTS IN ITALY AMOUNT TO AROUND 11 BILLION EUROS OVER THE PLAN, WITH AROUND 5 BILLION GOING TO SPEED UP WORK ON THE ULTRABROADBAND NETWORKS
- ▶ NGN AND LTE COVERAGE TARGETS HAVE BEEN ACCELERATED: BY THE END OF 2019, 95% OF THE POPULATION WILL HAVE ACCESS TO OPTIC FIBRE AND MORE THAN 99% TO 4G
- ▶ RATIO OF DEBT TO REPORTED EBITDA CONFIRMED BELOW 2.7x BY THE END OF 2018

Milan, 03 February 2017

The Board of Directors of Telecom Italia, which met today chaired by Giuseppe Recchi, has approved the **2017-2019 three-year Strategic Plan** presented by Chief Executive Officer Flavio Cattaneo. The Plan, named "**A Transforming Company**", envisages a **fundamental change** with the previous one aiming to continue along the path of the **significant transformation** of the Company. The Integrated Plan combines growing revenues and EBITDA with financial discipline and efficiency focusing on maximizing the return on investments, with the aim of establishing TIM as a market reference point in terms of quality in Fixed and Mobile services through an approach based on content, convergence, ICT services, innovation and customer proximity.

The strategy is based on an **excellent network infrastructure**, the creation of which will be further accelerated over the Plan period. In particular, **the investments planned in Italy will amount to around 11 billion euros, around 5 billion of which will go to speeding up the development of the ultra-broadband networks.**

By the end of 2019, TIM plans to have increased Italy's coverage with new generation networks reaching **over 99% of the population with the LTE mobile network (4G) and 95% of the population with optic fibre**; in particular, by the end of the Plan **50 major towns and cities will have connection speeds of up to 1GB**. TIM is therefore

Telecom Italia S.p.A.

Registered Office: Via Gaetano Negri, 1 - 20123 Milan

Tax Code / VAT no. and registration with the Milan Business Register: 00488410010 - Registration in the A.E.E. Register (index of Manufacturers of Electrical and Electronic Equipment) IT0802000000799

Share Capital €11,677,002,855.10 fully paid up Certified e-mail address [Casella PEC]: telecomitalia@pec.telecomitalia.it



confirmed as the undisputed leader in infrastructural development and in the digitization of the country, completing the ultra-broadband coverage of Italy autonomously and in a short time.

Particular focus will be placed on **convergence and content**, also thanks to the launch of national and international co-productions through TIMvision. This will strengthen the business model based on the best infrastructure and excellent customer services with an **increased focus on the dissemination of premium digital services and content, also on an exclusive basis**.

In the **Domestic Mobile** segment, in a competitive context which will be increasingly polarised and characterised by data consumption that will continue to grow, TIM will focus on speeding up the penetration of mobile ultra-broadband, strengthened by the extensive reach of its 4G network and the dissemination of quality content.

LTE customers are therefore expected to account for around 90% of Mobile Broadband customers by 2019, thanks to **almost blanket coverage of the country at 75 Mbps, with peaks of 500 Mbps** – the first operator in Europe - in the main cities thanks to the use of carrier aggregation technologies.

In the **Fixed Domestic** segment the Group plans to stop losses by 2018 through the acceleration in the spread and consequent adoption of optic fibre. The commercial strategy will play a key role, aimed at maintaining current customers through, for example, **the supply of technologically evolved home devices connected to the domestic network – Internet of Things – which can be paid for directly in the bill**.

The Plan will be characterised by firm financial discipline and strong cash-flow generation, which will enable the Group to reduce the ratio of adjusted net financial debt to reported EBITDA to below 2.7x in 2018. This is also thanks to the planned efficiency recovery actions.

The efficiencies expected by 2019 on the Opex and Capex **amount to 1.9 billion euros**, through three levers also aimed at increasing the cash-flow generation: cost optimization, streamlined organisation and process transformation.

Finally, the Plan provides for the relaunch of the main subsidiaries of the Group: synergies with Inwit will be maximised, for example by connecting all of the Company's towers with optic fibre; Olivetti will be able to leverage the value of its brand to offer products with a cutting-edge design and ICT services. Sparkle will continue its growth phase identifying synergies with the Business department of TIM for the management of international customers, and it will assess inorganic growth options too.

In Brazil the Plan envisages **continuing the relaunch of TIM Brazil**, repositioning the subsidiary **based on the quality of the offer and of the networks and convergence**, to allow the Company to compete successfully in the post-paid segment at the same time returning to solid profitability. In particular, a further boost will be given to the creation of the UBB mobile infrastructure – **by the end of the Plan 95% of the population will have access to 4G with coverage in approximately 3,600 cities** - and to the development of convergent offers also thanks to agreements with the main producers of premium content.

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The Plan strategy, focused on significant infrastructure investments aimed at increasing the dissemination of innovative services, leads to the following Group targets being defined:

- The turnover and domestic EBITDA (the latter with a “low-single digit” YoY increase) are confirmed as increasing YoY for the entire duration of the Plan
- Capex / Group turnover ratio at the end of the three-year period below 20%
- Ratio of adjusted net financial debt to reported EBITDA below 2.7x in 2018

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

TIM Press Office

+39 06 3688 2610

www.telecomitalia.com/media

Twitter: @TIMnewsroom

TIM Investor Relations

+39 02 8595 4131

www.telecomitalia.com/investorrelations

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