

## Press Release

### **TIM'S BOARD OF DIRECTORS APPROVED THE 2019-2021 STRATEGIC PLAN "TIME to deliver and delever"**

- ▶ **Delevering the business**
- ▶ **Delivering a sustainable return on capital invested, strengthening cash flow generation through top line stabilization, leaner cost structure and working capital optimization**
- ▶ **Optimizing invested capital through network sharing, key to enhance ROIC**
- ▶ **Revamping Domestic business focusing on quality, TIM's scale and its technical competences**
- ▶ **Enhancing Brasil riding growth waves and continuing towards postpaid migration**

**Action has already been taken to unlock value from strategic inorganic initiatives:**

- ▶ **Active sharing in mobile, through an agreement with Vodafone on 5G in Italy**
- ▶ **Passive sharing (business combination of INWIT and Vodafone Italia's passive infrastructure) potentially leading to the creation of a single entity**
- ▶ **Started negotiations with Open Fiber to evaluate all possible options including a full business combination on fixed network. NDA signed and financial advisors appointed**
- ▶ **Persidera: received an additional non binding offer, started exclusive negotiations**

Rome, 21 February 2019

TIM's Board of Directors chaired by Fulvio Conti met today in Rome and approved, with two abstentions, the 2019-2021 Strategic Plan presented by CEO Luigi Gubitosi. The strategy marks a discontinuity with the past and focuses on execution as a key element for the organic transformation of TIM, while taking action on strategic options to unlock value.

This strong focus on **Execution** is a key pillar of the plan requiring new processes, organization and corporate culture.

**TIM S.p.A.**

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All TIM Business Units will play a major role in supporting 2019-2021 main goals:

- **Consumer:** restart from competitive advantages (quality, scale and technical competences) to bring rationality to both fixed and mobile market. Shift from “number of Giga” to “quality of Giga” and strong push on upselling rather than re-pricing will allow to reduce fixed line losses while putting Average Revenue per User (ARPU) on an upward trend. Ultrabroadband penetration is targeted to grow to 80% of TIM’s broadband client base by 2021 (from 45% in 2018).
- **Content:** revamp offer as a media aggregation platform with differentiating value proposition versus competitors; establish new partnerships to enrich content catalogue
- **Business:** become “one stop shop”, top quality ICT partner for SMEs and a proper ICT solution provider for the largest clients. IT services revenues will increase significantly, reaching 48% of Large Business total revenues by 2021
- **Wholesale:** defend access market share and maintain ultrabroadband coverage leadership. Fiber accesses are expected to double, reaching around 4.1M in 2021
- **TIM Brasil:** strongly expand its mobile post-paid customers from 36% to about 50% of the customer base and grow its B2B revenues by 25% over the plan. The fixed residential UBB is targeted to reach 1.2 million fibre customers
- **INWIT:** strengthen its leadership with more customers, new towers and next generation (5G) infrastructure; now leveraging on the potential business combination with Vodafone (ref press release issued today)
- **Partnership with Vodafone:** TIM and Vodafone Italia have signed a MoU and agreed to enter into exclusive discussions for a new network sharing partnership. Both companies intend to enter into an active network sharing partnership for 5G, to consider active sharing for 4G and to expand their existing passive sharing agreement (ref press release issued today).
- **Sparkle:** Relaunch of the company under a new leadership scaling up infrastructure presence and growing in Enterprise networking and cloud; evaluate partnerships to accelerate growth and to unlock strategic optionality.

A dedicated delivery unit will ensure implementation of already identified **cost cutting initiatives** leading to 8% fall in addressable cost base.

On the **Technological** front, TIM’s new plan sets modernization, simplification and artificial intelligence at the core of future investments. TIM will build a brand new and fully automated 5G network while continuing to dismiss and consolidate legacy assets (e.g. data centers and exchanges).

**Network:** TIM believes in the value creation opportunity that a single network presents hence started discussions with Open Fiber to explore all possible options, including a full business combination. The Company continues to work with its financial advisors on exploring the single network opportunity and on maximizing the value of TIM’s fixed network. Convergence of the two networks would carry advantages for all stakeholders: the companies involved, the market, shareholders and the country as a whole, which would benefit from faster and cutting-edge infrastructure.

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2019-2021 plan financial targets (pre IFRS 9/15 and IFRS 16):

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- Organic group service revenues are expected to post low single digit decrease for 2019, while low single digit growth is targeted for both 2020 and 2021
- Organic group EBITDA is expected to decrease low single digit in 2019, while low single digit growth is targeted for both 2020 and 2021
- Domestic service revenues are expected to decrease low single digit over the period of the plan, with the aim of stabilizing from 2020
- Organic domestic EBITDA is expected to decrease low to mid single digit in 2019, with low single digit growth targeted for both 2020 and 2021
- Brazilian service revenues up by 3-5% in local currency in 2019, growing mid single digit in both 2020 and 2021
- Brazilian EBITDA is expected to grow mid/high single digit in 2019 with 40% margin target for 2020 confirmed
- Domestic CAPEX is targeted at around 3 billion euro per year
- Brazilian CAPEX about 12.5 billion Reais cumulated in the 3-year period
- The group is expected to generate around 3.5 billion euros Equity Free Cash Flow Cumulative over the period, to be enhanced through inorganic actions presently not included
- Group's adjusted net debt is targeted to fall to around 22 billion euros by 2021 before inorganic actions

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