

PRESS RELEASE

TELECOM ITALIA GROUP: 2015-2017 STRATEGIC PLAN APPROVED, CUMULATIVE INVESTMENTS PLANNED TALLING AROUND 14.5 BILLION EUROS OVER THE THREE YEAR PERIOD:

- ▶ **APPROXIMATELY 10 BILLION EUROS INVESTMENT IN ITALY AND OVER 14 BILLION REAIS (OVER 4 BILLION EUROS) IN BRAZIL**
- ▶ **IN ITALY APPROXIMATELY 3 BILLION EUROS EARMARKED OVER THE THREE YEAR PERIOD FOR THE DEVELOPMENT OF OPTIC FIBRE, AN INCREASE OF 1.1 BILLION FROM THE FIGURE IN THE PREVIOUS PLAN**
- ▶ **NGN AND LTE COVERAGE TO ACCELERATE MASSIVELY: AT THE END OF 2017, OPTIC FIBRE WILL REACH 75% OF THE POPULATION, AND 95% WILL HAVE ACCESS TO 4G**
- ▶ **DOMESTIC EBITDA STABILISATION TARGET CONFIRMED FOR 2016 AND INCREASED PERFORMANCE EXPECTED IN 2017**
- ▶ **RATIO OF ADJUSTED FINANCIAL DEBT TO EBITDA REPORTED TO BE DECREASING FROM THE CURRENT 3X TO 2.5X BY THE END OF 2017**
- ▶ **THE BOARD WILL DECIDE ON THE 2014 DIVIDEND DISTRIBUTION IN ITS MEETING ON 19 MARCH; IT IS IN FACT MINDED TO PROCEED TO PAY ONLY THE MINIMUM DIVIDEND ON THE SAVINGS SHARES AS SET OUT IN THE BYLAWS**
- ▶ **THE START OF THE PRELIMINARY PROCEDURES FOR THE IPO FOR THE TOWERS COMPANY RESOLVED**

Rome, 20 February 2015

The Board of Directors of Telecom Italia met yesterday, chaired by Giuseppe Recchi, to approve the three year Strategic Plan for 2015-2017 that, building on what has been achieved in the last year, envisages a stepping up of the innovative investment programme in both Italy and Brazil.

In particular, investments in Italy in the three year period 2015-2017 will total approximately 10 billion euros, around 5 billion of which solely for innovative developments (NGN, LTE, Cloud Computing , Data Centres, Sparkle and Transformation). By the end of 2017, Telecom Italia will reach 75% of the population with optic fibre, and over 95% with the 4G mobile network, positioning itself as leader in the infrastructure development of the Country. In Brazil, total investment will be increased to over 14 billion reais (corresponding to over 4 billion euros, at current exchange rate).

Of the roughly 5 billion investment to be made in innovation on the domestic market, almost 3 billion euros, 1.1 billion more than in the previous plan, will be earmarked for the development of optic fibre, with approximately 500 million euros for FttH technology. By 2017 this acceleration of investment in optic fibre is expected to increase the number of active customers by approximately 1 million compared to the targets of the previous plan.

Mobile broadband can count on 900 million in investment to complete the extension plan that is already in an advanced phase of completion; at the same time, geographic coverage in Italy will improve, reaching 90% of the country by the end of 2017.

The five areas of innovative technology development are therefore:

- 2.9 billion euros will be dedicated to the development of fixed ultrabroadband with optic fibre;
- 900 million euros will be allocated to mobile ultrabroadband;
- Approximately 500 million euros planned for the creation of new Data Centres to support Cloud services and to introduce innovation in IT systems for new offer and business models;
- 200 million euros for the development of international connections in fibre (Telecom Italia Sparkle);
- 500 million euros for Transformation activities to simplify and upgrade the infrastructure, to achieve a structural reduction in operating costs.

In Brazil the planned investments over the three year period will total over 14 billion reais (corresponding to over 4 billion euros), and will enable 4G coverage to be extended to over 15,000 sites, and 3G coverage to over 14,000 sites by 2017.

The aim of this acceleration of investments is to create the foundations for growth in turnover based increasingly on the spread of innovative services with digital content.

The new Plan further strengthens the pathway to technological leadership the Group started on last year, and it will also continue to focus on the development of the IT Digital platforms, the Data Centres and Big Data, which contribute to characterise the "core business" of Telecom Italia, with enriched connectivity through innovative and digital services.

In particular, Telecom aims to grasp the opportunities deriving from the so-called Quadruple Play, namely the joint offer of fixed and mobile telephony, broadband/ultrabroadband connectivity and premium content that can be accessed Any Time, AnyWhere on Any Device.

Thanks to this offer of services, Telecom Italia confirms its role as enabler of the new digital life, making available not only forms of entertainment in very high definition even on mobile devices, but also improving the daily lives of their customers (electronic government and healthcare, smart homes, digital identity, electronic payment systems).

As for the business world, with this Plan, Telecom Italia is further consolidating its role as reference partner of Italian companies, thanks to a broad and modular offer of both traditional solutions (based on connectivity), and advanced ones (available through cloud computing), that can promote the growth of enterprises both in Italy and abroad.

No less important is the role of Telecom Italia in promoting the culture of innovation in our Country, in the form of a Public Private Partnership, thanks also to constant research and service innovation. In this

sense, the activities carried out to promote the best Italian digital start-ups by TIM Working Capital, are important, as is the support provided to Italian schools, universities and training through the Joint Open Labs, structures for collaboration between companies and universities.

The acceleration in investments and ultrabroadband infrastructure will therefore be combined with a renewed commercial strategy based on service quality and simplification of the fixed, mobile and internet offer under the single TIM brand.

The 2015-2017 plan envisages cost efficiency activities to achieve savings of around 1 billion over the three year period.

The increase in investment and the creation of new technology infrastructure networks mean that new professional skills must be recruited into the business. The Plan estimates that around 4,000 people will be recruited by the company over the next four years, thanks also to the new legislation drafted by the government (the "Jobs Act"). Despite this, the Telecom Italia Group has set itself the target of reducing labour costs by a total of 100 million euros.

The sharp acceleration in investments together with the possibility of increasing turnover and margins due to the spread of innovative services lead to the definition of the following Group targets:

► **Group EBITDA growing year-on-year in 2017**

- **Domestic EBITDA stabilisation target confirmed for 2016 and increased performance expected in 2017**
- **In Brazil, EBITDA is expected to grow continuously throughout the years of the plan**

► **Cumulative Group capex over the three year period of approximately 14.5 billion euros**

- **Cumulative domestic capex over the three year period of approximately 10 billion euros**
- **Cumulative capex in Brazil over the three year period of more than 14 billion reais**

► **The ratio of adjusted financial debt to EBITDA reported, to be decreasing from the current 3x to 2.5x by the end of 2017**

IPO PROCEDURE FOR THE TOWERS COMPANY (INWIT)

The Board of Directors resolved to start the preliminary activities for the IPO (Initial Public Offering) of Inwit S.p.A. In particular, it approved the transfer to Inwit of the branch of the business composed of around 11,500 sites currently operated by Telecom Italia (Towers) which host the radio transmission equipment for the mobile telephony networks of Telecom Italia itself as well as radio equipment of other operators.

Currently Telecom Italia holds the entire share capital of Inwit, and in any event intends to maintain its majority holding after the IPO.

Any proposal to pay out dividends will only be decided at the meeting to approve the draft financial statements, scheduled for the BOD on 19 March; as it stands, it is likely that payment of a dividend will be limited to savings shares only for the current year.

The 2015-2017 Strategic Plan will be illustrated to the financial community during a conference call scheduled for today at 12.00 p.m. (Italian time). 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 27 February by calling: +39 06 334843 (access code 741222#).

The presentation Slides, with an opportunity to follow the event in audio and video streaming, will be available at: www.telecomitalia.com/fy2014andplan/eng.

Note that this press release contains forward-looking statements about Telecom Italia 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.

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