



Paris, April 17, 2018

VIVENDI AND TELECOM ITALIA

- **Telecom Italia was a serial underperformer with a history of underinvestment and poor management.**
- **Vivendi has made a 4-billion-euro investment and brings a long-term perspective, industrial mindset and strategic plan.**
- **Under the guidance of Chairman Arnaud de Puyfontaine (appointed June 2017) and CEO Amos Genish (appointed September 2017), Telecom Italia reported record results for Q4 2017, reflecting the growing confidence in the company and Management Team.**
- **Vivendi has catalyzed a recovery in Telecom Italia share price compared to other Telecoms operators, outperforming peers by as much as 17% (Stoxx Europ 600/Telcos index) since June 2017.**
- **The Telecom Italia Strategic Plan 2018-2020 was approved unanimously in the March Board meeting.**
- **The Team is now focused on developing revenues, reducing costs through eliminating inefficiencies and managing investments cost more effectively.**
- **Elliott says it supports the Amos Genish strategy but actually wants to impose a new, different course focused on dismantling the Group.**
- **Telecom Italia is a strategic Italian asset which needs a strong management team, a clear strategic long-term plan, the backing of a united board and a supportive shareholder base led by a main shareholder committed to focusing on delivery.**

Vivendi's contribution to Telecom Italia

When Vivendi first began investing in the company three years ago, Telecom Italia was in an extremely weak position. It was a serial underperformer, with a history of underinvestment and bad management decisions. Vivendi saw the hidden potential. Telecom Italia had lost more than 70% of its market value in the previous ten years before Vivendi came on board. 95% of its shareholders were non-Italian.

Vivendi has invested 4 billion euros in Telecom Italia and has a vested interest in the industrial and financial success of the business. Vivendi's interests are aligned with the vast majority of Telecom Italia's shareholders. Vivendi has taken an industrial approach to Telecom Italia which is bringing a real competitive advantage.

Under Italian law and governance principles, as the main shareholder of Telecom Italia Vivendi has acted in the interests of the company as a whole and has ensured the Board and governance structures of the business are in full compliance with law.

As a global successful content, media and communications group in its own right, Vivendi brings a long-term perspective, as well as valuable industrial knowledge and access to potential strategic partners.

This is a different governance model compared to markets such as the US and UK, where the dominant listed company model is one of disparate financial institutional ownership. However, many investors increasingly feel that the model encourages excessive short-termism and persistent underinvestment with damaging consequences for returns over the long term.

As the main shareholder in Telecom Italia, Vivendi can provide stability and expertise while enabling other shareholders to invest and participate in the any future upside. We are also committed to preserve Telecom Italia as an Italian company with Italian governance and representation, full transparency and accountability. In short, the best of both worlds.

Vivendi has catalyzed a recovery in Telecom Italia's share price at a time when telecoms operators in Europe and globally have suffered a savage derating. The really serious underperformance pre-dates Vivendi's investment. The recovery started in earnest when Vivendi took on the role of reference shareholder in May 2017, the Chairmanship in June 2017 and accelerated in March 2018 when the company reported record 2017 results. Telecom Italia stock has outperformed peers by 17% since June 2017 (Stoxx Europ 600/Telcos index). This reflects the growing confidence in the CEO Amos Genish and his team.

It is that recovery which is now at risk.

Management and Strategy

The management team put in place at Vivendi's initiative has already demonstrated its calibre. The DigiTIM strategy, already showing results, has been widely hailed as the right way forward to deliver sustainable improvements in performance in a competitive market. Elliott Advisors admitted in a recent document: *"Since 2016, TIM has started to consistently deliver growing revenue and EBITDA"*.

Amos Genish and his team are focusing on driving revenue growth through being smarter, and closer to the customer, by reducing cost through eliminating inefficiencies and managing investment more effectively. These elements should enable the company to reduce leverage and increase cash flow, and resume paying dividends to shareholders without compromising financial stability or stinting on customer service. Amos Genish has a long history of fruitful cooperation with Vivendi. That is now at risk.

Elliott says it supports the plan and the management of Telecom Italia. Yet it does not explain how that plan can be implemented with a divided Board, nor does Elliott explain how it can help matters to impose a new strategy on Amos Genish and his team without the support of the company's largest shareholder.

It is also hard to square Elliott's assertion that it supports the DigiTIM Business plan with a list of other proposals, many of which have already been considered and rejected as unworkable, or potentially undermining the financial stability of the company at a crucial time. To give one example, the deconsolidation of the network business which has proven a failure in the few countries where it has been tried.

Vivendi's commitment to Italy

Perhaps Vivendi in the past underestimated some of Italy's uniqueness. However, the current management team has been working actively to develop relationships with all stakeholders and its work is starting to bear fruit. There is now real momentum which can be seen in recent financial performance and in the share price – that is now being put at risk.

We recognize that the Italian government and regulators have an important stake in ensuring that Telecom Italia is well run and able to fulfil its role as the backbone of Italian communications infrastructure.

Elliott looks to be more comfortable with the Italy of the past, than the open, dynamic and internationally minded Italy of the future. Over time the conflict between certain investors' demands for quick fixes and the true interest of the Italian nation which lies in a strong, independent Telecom Italia will become more apparent.

Conclusion

Telecom Italia is a strategic asset which plays a vital role in the communications and information infrastructure in Italy and Europe generally.

In order to meet the challenges it faces Telecom Italia needs a strong management team, able to draw on the best available technical competence, industry expertise and experience, a clear strategic plan for the business, financial solidity and the backing of a united Board. Led by a main shareholder with a long-term industrial vision and the necessary commitment, the management can focus on delivering that strategy.

Vivendi has, we believe, demonstrated that commitment, and has been a positive catalyst for change. Thanks to Vivendi's intervention, and support, Telecom Italia has had an expert Board and an extremely capable and dynamic management team under the leadership of CEO Amos Genish, who are already delivering on their three-year strategy.

We have proposed a slate of candidates for the Board who are fully supportive of the management team and their approach. The slate is headed by Amos Genish who has established an excellent working relationship with the Board and with Vivendi as main shareholder and includes many of those who were deeply involved in creating that strategy and ensuring Amos Genish has the resources and team to deliver on that plan.

In drawing up that slate we have listened attentively to the views of others. We included two new high-profile independent directors and Arnaud de Puyfontaine will now be non-executive rather than executive Chairman of the Board, ensuring the current CEO has the latitude he needs to exercise his judgement effectively.

This is not just our view, as proved by recent analysis from brokers, including this one published last week and headlined *"Be Careful What You Wish For": "TI shareholders face the risk of the known of Vivendi control being replaced by the unknown of new special interest groups and yet another change of CEO. There is risk that the €9bn undervaluation we see in TI shares gets frittered away to Enel, CDP and politicians' objectives. Full network separation has not resulted in value creation in New Zealand, the Czech Republic or the US."*