

TIM GROUP

STRATEGIC PLAN 2021-23

Beyond Connectivity

06 May 2021



Agenda

- **Promised, delivered**
- **What next? A better macro and telco outlook**
- **TIM ready to ride all opportunities in connectivity and beyond - Italy**
- **TIM ready to ride all opportunities in connectivity and beyond - Brazil**
- **ESG initiatives**
- **Q&A**



PROMISED, DELIVERED

Promised, delivered...

Foundations of transformation set in 2019

2019 plan: “Deliver & Delever”

Equity Free Cash Flow generation	<ul style="list-style-type: none"> ▪ € 1.6bn in '20 and € 1.5bn in '19⁽¹⁾ ▪ Reinstated dividends on ordinary shares
Debt reduction	<ul style="list-style-type: none"> ▪ €4.7bn debt reduction⁽¹⁾ in 2 years
Stabilized governance	<ul style="list-style-type: none"> ▪ Positive dynamics in board ▪ Exiting BOD proposed its slate for next 3 years
Developed Brazil	<ul style="list-style-type: none"> ▪ Acquisition of Oi mobile assets with Vivo and Claro⁽²⁾ ▪ Strengthened the core ▪ Network sharing partnership with Vivo
Created optionality for value creation	<ul style="list-style-type: none"> ▪ Inwit-Vodafone towers merger ▪ Co-investing in FiberCop with KKR and Fastweb ▪ Google partnership, cloud/data centers carve out

Customer base stabilization reached in Q4

2020 plan: “Operations TIME”

Stabilized customer base	<ul style="list-style-type: none"> ▪ Fixed CB growing in Q4 '20 for the first time since 2001 ▪ Mobile MNP stabilized
Improving pricing environment	<ul style="list-style-type: none"> ▪ Upper end mobile since Q1 '19, low end since Q1 '21 ▪ Fixed acquisition prices on healthy trend
Cost cutting	<ul style="list-style-type: none"> ▪ OPEX⁽³⁾ -15% in '19-20 ▪ Addressable costs⁽³⁾ -9.5% YoY in '20
TIM Vision	<ul style="list-style-type: none"> ▪ Richest content platform in Italy: partnerships with Netflix, Disney+, DAZN, NowTV
ESG plan executed	<ul style="list-style-type: none"> ▪ Ecoefficiency hikes monetized (white certificates) ▪ Inaugural Sustainability Bond issued

...and created optionality by developing, sharing and monetizing infrastructure

2 years of evolutionary revolution for TIM's key infrastructures...

INWIT

Infrastructure sharing through merger with Vodafone Towers and partial monetization

€2.3bn
proceeds '20



mobile



fixed



€1.8bn
proceeds '21

FiberCop

Creation of the leading Italian fiber company and partial monetization

Google Cloud

Strong partnership with world class public cloud provider



cloud & data centers



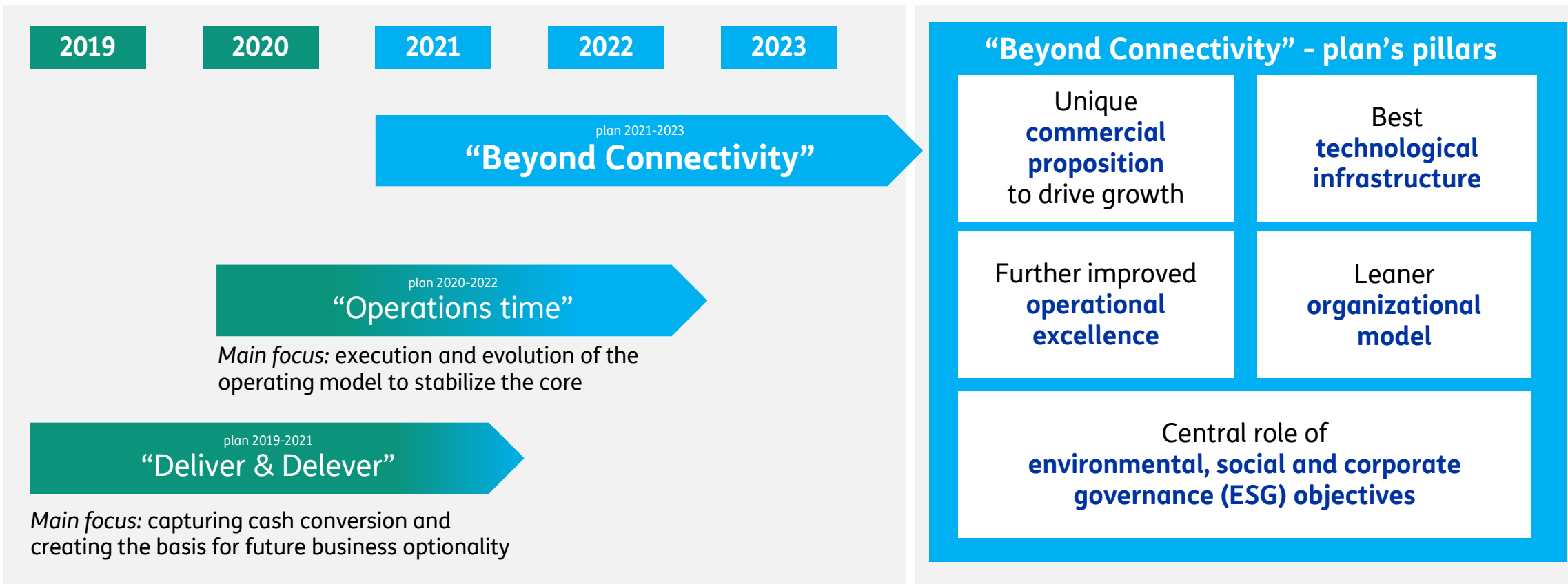
€1bn
Revenues '24 (1)
€0.4bn
EBITDA (1)

noovle

Carve out of the leading Italian Cloud and Data Centers company

...and more specialized "factories" to create optionality are being developed

The new plan raises the bar: “beyond connectivity” towards growth





**WHAT NEXT?
A BETTER MACRO AND TELCO OUTLOOK**

Macro context: 2021 GDP growth swing YoY expected one of the largest in modern history. EU recovery fund set to boost economy and telco sector

**Next Generation EU fueling economic recovery and digitization:
€ 209bn funds allocated to Italy**

Digitalization
€ 46.3bn

Green revolution
€ 69.8bn

Infrastructure
€ 32bn

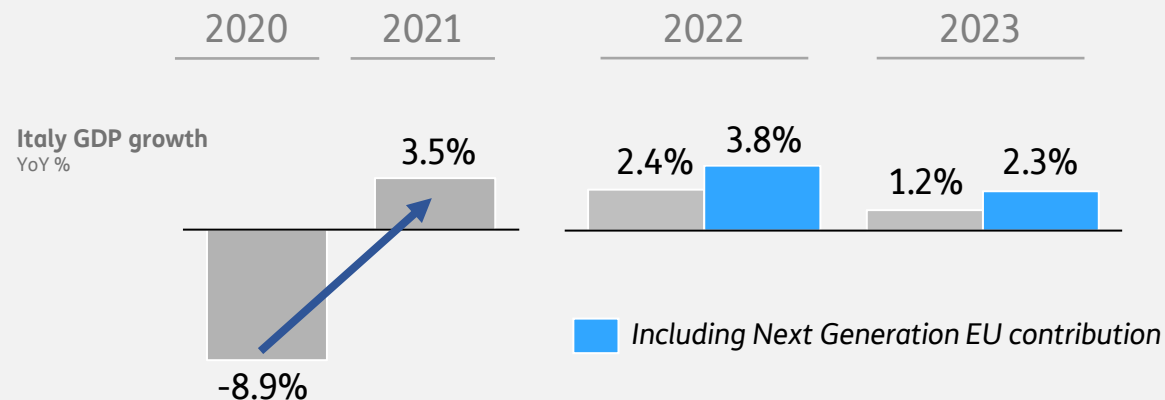
Education
€ 28.5bn

Social
€ 27.6bn

Health
€ 19.7bn



GDP expected to grow in 2021-23 ⁽¹⁾



**+2.5pp expected GDP impact from Next Generation EU
over 2021-23 vs. base scenario**

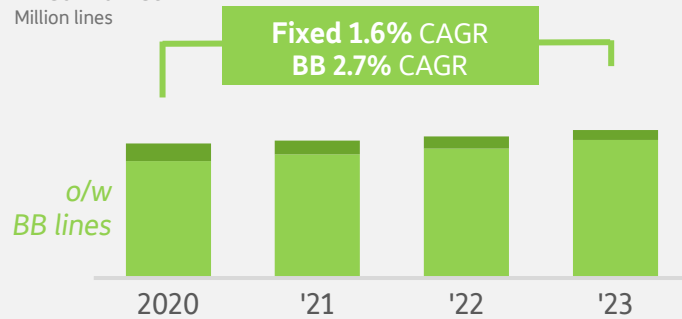
Telco context: new reasons to close the penetration gaps vs. Europe and grow

Fixed market growth expected to become structural

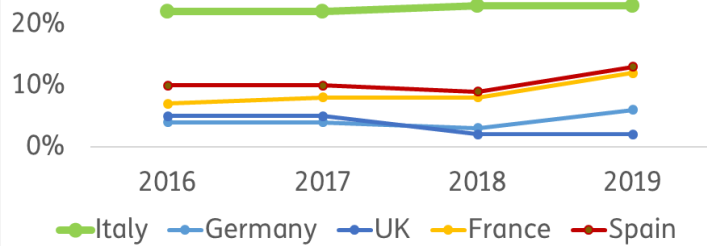
New habits and needs bring mobile-only BB users back to fixed, closing >10pp gap vs. other EU Countries

Growing fixed market...

Fixed market ⁽¹⁾
Million lines



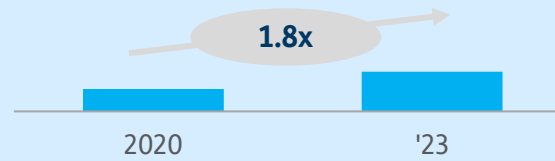
Broadband «Mobile-only» families



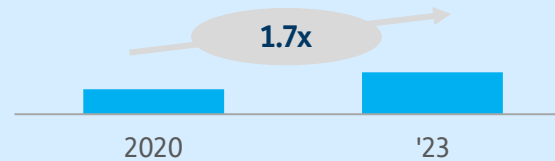
Source: Eurostat

...pushed by B2C...

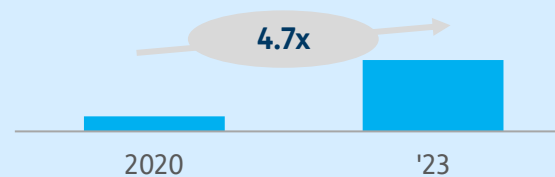
PayTV OTT



Smart Home



Cloud Gaming



Source: Polimi/Statista, Analysis Mason, OMDIA

...and B2B demand

	2019 value pool, € bn	'19-24 CAGR, %
Cloud	3.3	+19.0%
IOT Urban services	4.3	+10.8%
IOT Industrial services	5.7	+7.6%
IOT Merchant services	9.1	+4.5%
Cyber-security	1.6	+8.4% ⁽²⁾

Source: Gartner, IDC, Assintel, PoLiMi



**TIM READY TO RIDE ALL OPPORTUNITIES
IN CONNECTIVITY AND BEYOND**

- ITALY -

plan 2021-23

“Beyond Connectivity”

Unique commercial proposition

*Connectivity quality leader
provider in Italy*

*Integrated platform to develop
new digital services through an
ecosystem of tech partners*

Best technological infrastructure

*Further UBB deployment &
technological upgrading*

Further improve operational excellence

*Improved KPIs and
reduced cost structure*

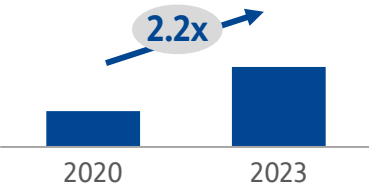





Leaner organizational model

*Superior capabilities
and efficiency*

Central role of ESG objectives



The growth engine: TIM and its specialized “factories” exploiting adjacent markets with tech partners for digital transformation

Service	Company	Ambition	Factories revenue target ⁽²⁾  <ul style="list-style-type: none"> ▪ New specialized offering in most relevant digital services ▪ Integrated commercial approach, product development and resource allocation for TIM and its “factories” ▪ <i>Factories likely recipients of Recovery fund</i>
Cloud		Leading Italian cloud and infrastructure provider	
Cyber security		Reference partner for Enterprise and Government	
Integrated IoT		Leading Italian E2E business services solution provider	
International wholesale		Leading E2E connectivity partner for operators, MNOs, OTTs content providers, enterprises.	
Contents		Easiest, most complete and affordable entertainment hub in the Italian market	



Consumer: best convergent solutions for UBB & content for the household

Key strategic priorities

Quadruple Play TIM Vision enhanced offer	<ul style="list-style-type: none"> ▪ Enlarged 4P (fixed + mobile + contents + smart home) ▪ Improved TIM Vision offering: new services and partnerships with best-in-class players (Netflix, Disney+, DAZN, NowTV, Discovery+)
Digital sales channels and stores redesign	CVM <ul style="list-style-type: none"> ▪ Data-driven Customer Value Management (CVM) for segmented campaigns
	Channel remix <ul style="list-style-type: none"> ▪ From Push to Pull and digital ▪ Increase stores' productivity: convergent products, new compensation
	Sales excellence <ul style="list-style-type: none"> ▪ "Industrialization" across all channels ▪ Dedicated go-to-market to accelerate FTTH take-up
Touchpoints digitization	<ul style="list-style-type: none"> ▪ AI to enhance customer experience and reduce human intervention ▪ Redesigned Customer Journey (e.g. order tracking for fixed and mobile prospects, new booking process)




Business: new offering / new channels for SME and SOHO. End-to-end IoT/Cloud solutions for Enterprise and P.A.

		Key strategic priorities for TOP	Key strategic priorities for SME
Unique one-stop-shop solution		<ul style="list-style-type: none"> Comprehensive cloud solution package and end-to-end IoT solutions 	<ul style="list-style-type: none"> Turnkey ICT offering, jointly developed with “factories” and partners
Evolved distribution model	Sales excellence & CVM	<ul style="list-style-type: none"> Capability building program New Sales & Marketing tools: account planning, CRM, marketing campaigns 	<ul style="list-style-type: none"> Push convergence and ICT products Improve segmentation with dedicated loyalty offerings
	Channel remix	<ul style="list-style-type: none"> Re-engineered salesforce channel to win in ICT 	<ul style="list-style-type: none"> New dedicated SoHo channel New incentives scheme
Improved caring and assistance		<ul style="list-style-type: none"> Dedicated support for high-value accounts with “1-to-1” approach 	<ul style="list-style-type: none"> Redesigned caring processes and systems to sustain premium positioning

Wholesale: UBB/solutions provider in regulated and non regulated markets

Key strategic priorities

National Wholesale	CB protection through UBB expansion and offer breadth	<ul style="list-style-type: none"> ▪ Co-investment: commercial agreements to develop FTTH ▪ “Turn-key” offers (One-Step) to increase customer satisfaction ▪ Increase competitiveness of Bitstream/NGA
	Growth of not regulated services	<ul style="list-style-type: none"> ▪ Strengthen TIM's offering and role as backhaul provider ▪ Review commercial offer of High Quality Connectivity ▪ Expand offering to Data Center Services
 SPARKLE	Growth targeting new segments and geographies	<ul style="list-style-type: none"> ▪ Core Connectivity and E2E Enterprise partner with new integrated portfolio of Security, IoT and Cloud services ▪ Cross segment enablers: e.g. co-building partnerships with Hyperscalers/OTTs and collaboration with TIM Factories



Addressable cost base to be further optimized and organizational transformation to enable plan execution

Main initiatives

Further improve operational excellence

- Optimize **channel mix**
- Increase **self-care and faults prediction** through AI
- **Think out of the box** (e.g. white certificates)
- Keep working on **bad debt**

Leaner organizational model

- **Training and evolution of skills**
- Optimize **real estate** footprint
- Extend adoption of **new operating models** (e.g. Agile)
- **Ongoing generational turnover**

CAPEX: ~€2.9bn p.a. for strong FTTH/5G coverage expansion

Grow & Transform

- **ROI-driven mobile/fixed access development** (4G and 5G, FWA, FTTx) to close digital divide
- FTTH roll out with new model delivery, assurance, deployment
- **Decommissioning** of legacy systems. Getting ready for 3G switch off during 2022
- **Enable B2B use cases with low latency** (e.g. connected cars)

5G coverage

- **2020:** 10 cities (90% Milan)
- **2021:** all major cities, tourist areas and industrial districts
- **2025:** national coverage

FiberCop

Co-investment scheme according to EU Telecommunication Code art.76 (regulation eased)

In Jan 2021 TIM published a **public offer for co-investment:**

- **Scope:** FTTH secondary access network
- **Coverage:** 1,610 municipalities, reaching 76% of technical units (12.9m), in black and grey areas
- **Target:** operators taking volume commitments (pay per use or IRU)
- **Timing:** 2021-25



**TIM READY TO RIDE ALL OPPORTUNITIES
IN CONNECTIVITY AND BEYOND**

- BRAZIL -

Better macro and telecoms outlook



Mobile market consolidation

Moving from 5 to 4 after Nextel acquisition and from 4 to 3 after deal with Oi mobile is completed

Foster more **balanced competitive landscape** (e.g. pairing spectrum gap)



Acceleration in digital consumption

Data demand growth for mobile and fixed, further accelerated by Covid-19

Revenue growth on data monetization
 Increase **pressure** over network **cash costs**
 Geographical expansion of fiber



Wave of asset separation

Increasing **initiatives of network separation** (InfraCo vs. ServCo)

Partnership negotiation to finance **network expansion and modernization**



Monetization of Consumer Platform

Increasing numbers of digital business leveraging Telco's Consumer Platform (e.g. digital wallet, data monetization)

New revenue sources for telco operators leveraging new digital disruptors (e.g. fintech, data provider, OTT content)



Paving the way for 5G

Preparation to launch 5G, with 5G DSS as marketing positioning, auction and vendor analysis

Focus on 5G network rollout with proposed auction framework, **Release 16 as catch up** for the country



IoT and M2M technology

Exponential number of use cases in several industries (e.g. agribusiness, connected cars, utilities, health)

Expand business beyond connectivity (e.g. applications, data monetization, implementation)

Dynamic

Implications and Opportunities

Solid results in 2020 confirm the consistency of our strategic plan



Strategic Paths



Strengthen the core

Enhance and accelerate the transition from **volume to value**, to sustain mobile business growth, focusing on customer experience

Capture **ultrabroadband** market **growth opportunity** with new financial and business models

Fill current **infrastructure gap with M&A**, also fostering inorganic growth and capturing potential synergies

Build the future

Expand **new sources of value** (e.g. IoT, C6, Mobile Advertising, Customer Data Monetization, Health, Education) leveraging the customer base platform through ecosystem and partnerships

Implement **transformational projects** on infrastructure (e.g. 5G, ORAN, M-MIMO, cloudification)



Transformational Enablers

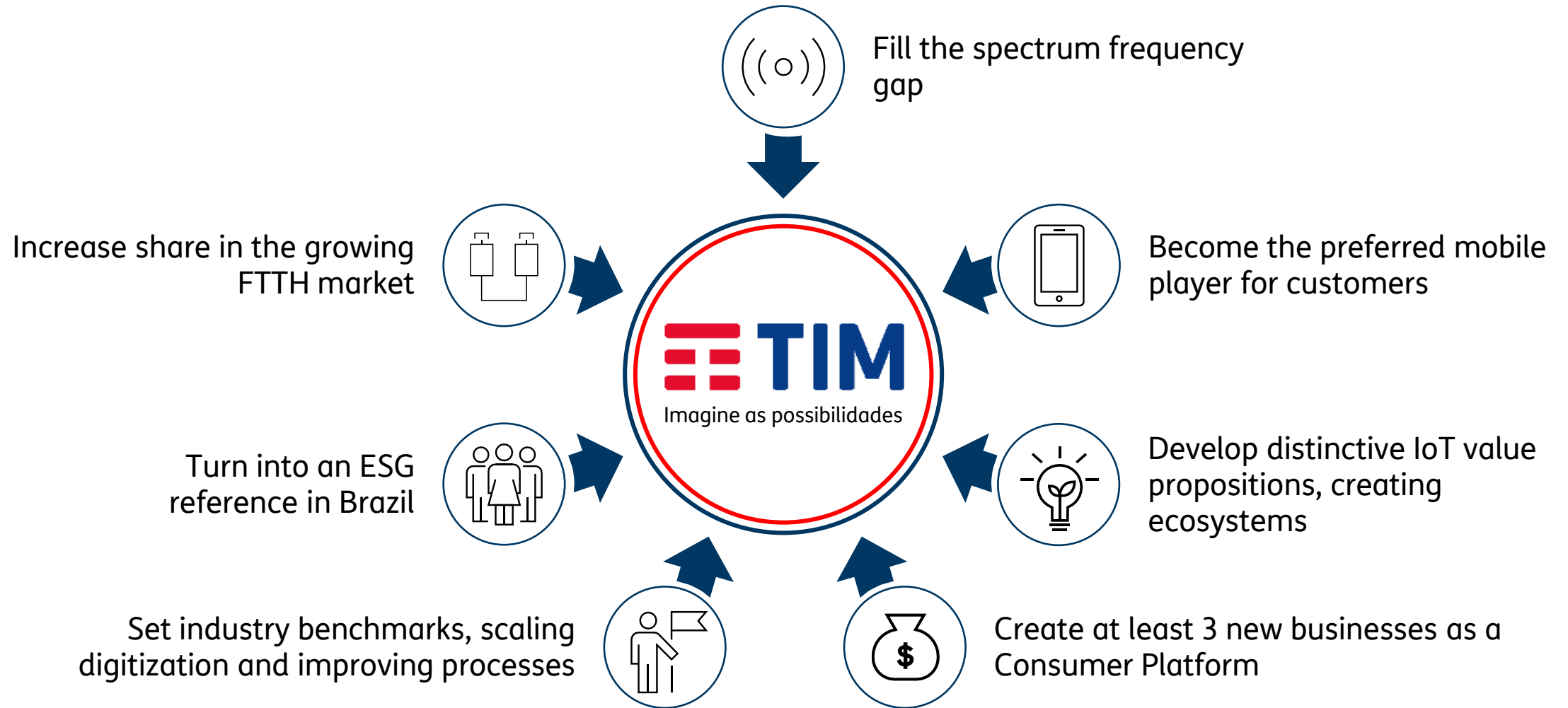
Boost disruptive efficiencies

Boost **disruptive efficiencies** through digitalization, automation and new operating models, leveraging skills and capabilities enhancement

Strengthen sustainability

Strengthen and consolidate **ESG proposition** making a positive transformation

“Imagine as possibilidades”: Our aspirations for 2023 reflect market opportunities and trends





ESG INITIATIVES

ESG directions and related initiatives

- E** Environmental initiative
- S** Social initiative
- G** Governance initiative



Environmental directions

E Climate strategy

Carbon free energy for infrastructures
(data centers, fixed and mobile networks)

Science Based Targets initiative validated goals

Scope 3 calculation

Carbon offsetting
of CO₂ emissions by '23

Renewable energy increase⁽¹⁾

E Circular economy

Carbon calculator tool for business clients

Sustainable supply chain improvement

Circular economy standards for infrastructure and workplaces

Agile and **sustainable** buildings



Social directions

S Digital inclusion

Reduce digital Divide and **social exclusion** through extensive infrastructure

5G development to push adoption **green and social IoT services**

Digital initiatives in response to COVID-19 emergency, on top of “Operazione Risorgimento Digitale”

G Innovation and governance key factors:

Promote sustainability through strategic alliances (Eco-rating, B Lab)
Gender equality and **inclusion targets** in management remuneration
Implement **EU Taxonomy** and **SASB** reporting



Q&A