



TIM GROUP

FiberCop

leading Italian Fiber Company

TIM – CDP Equity LoI

for the Italian Single Network



31 August 2020

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FiberCop: Leading Italian Fiber Company

Creating FiberCop, the leading passive FTTH/FTTC infrastructure wholesaler in Italy

FiberCop is the carve out of TIM's passive secondary network

- **The largest infrastructure wholesaler in Italy**, with key customers such as TIM and Fastweb and all main OLOs
- **FTTH connecting c. 20%** of technical units ⁽¹⁾, **56% by 2025** ⁽²⁾, corresponding to **76%** of Black and Grey areas
- **FTTC connecting c. 85% of technical units** ⁽³⁾ (>100Mbps speed for c. 50%, >50Mbps speed for c. 85%)

...allowing TIM to complete fiber roll out while deleveraging...

- **€4.7bn equity value and €1.8bn cash proceeds for TIM** through the sale of 37.5% to KKR
- **TIM is the exclusive builder and technical supplier** for FiberCop's network roll out & maintenance

...and sharing benefits and risks with strong partners

- **TIM at 58%**
- **KKR Infrastructure at 37.5%** paid in cash
- **Fastweb at 4.5%** through contribution of 20% of Flash Fiber
- **FiberCop €7.7bn enterprise value** at start



Carve out and valuation of FiberCop key step towards:

- › **Co-investment with OLOs**
- › **Multiples rerating**
- › **Creation of Italy's single network**

Unlocking hidden value and rerating path through FTTH/UBB adoption/deployment

Business rationale

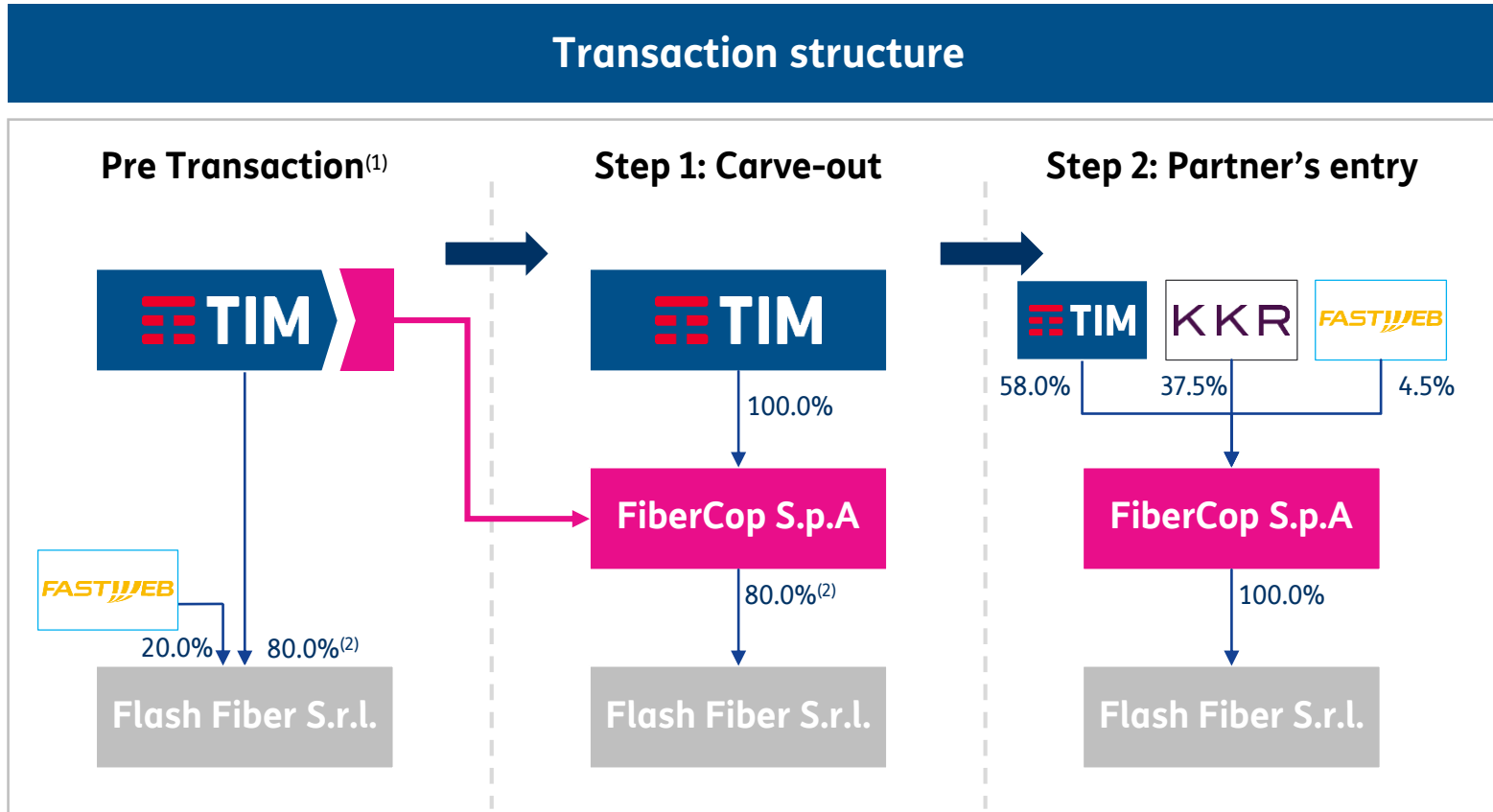
- **Lead Italy's accelerated adoption and deployment of top-quality UBB networks**
 - ✓ Accelerate migration of TIM's customer base from copper to fiber
 - ✓ Equity finance the FTTH roll-out
- **Co-invest with Fastweb** according to EU Telecommunication Code art. 76 (**regulation eased**): FiberCop supplier to Fastweb for secondary network. **Tiscali co-investing as well**
- **Close digital divide**, rolling out fiber in grey areas and FTTC in white areas
- **Consolidate TIM's position in the creation of the National Fiber Network**

Key benefits for TIM



- **Unlock hidden value**
 - ✓ **Multiple accretive transaction**
 - ✓ **Path to rerating** for secondary network from shift to fiber from copper whilst **retaining strong control**
- **Set-up a partnership with one of the world's most reputable financial investors**, with relevant experience in the infrastructure and TLC space
- **Strongly enhance cash generation profile** after the roll-out period (2025), with CAPEX on sales <10% at regime
- **Accelerate deleverage**

Overview of the Transaction structure



Unlocking rating opportunity whilst retaining strong control

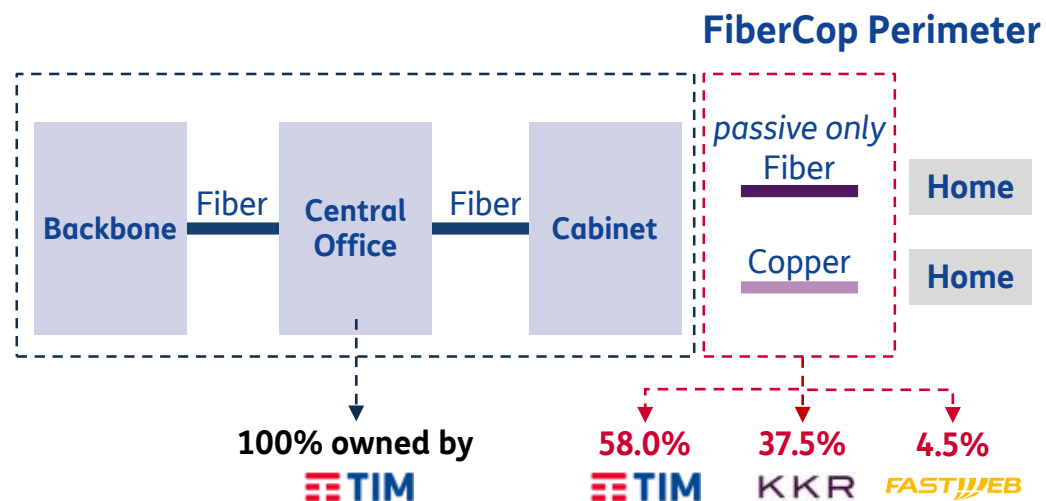
Key terms of KKR entry

FiberCop Enterprise Value	€ 7.7bn
Debt allocated to FiberCop (TIM intercompany loan)	€ 3bn
FiberCop Equity Value	€ 4.7bn
Stake acquired by KKR	37.5%
Cash-in for TIM	€ 1.8bn
FiberCop EBITDA - CAPEX	Positive from 2025

FiberCop at a glance

Simplified FiberCop perimeter

Including all of TIM's passive secondary network infrastructure, both copper and fiber, from the cabinet to the home, (ducts, secondary network, sockets, etc. with cabinet excluded)



FiberCop operating model very lean

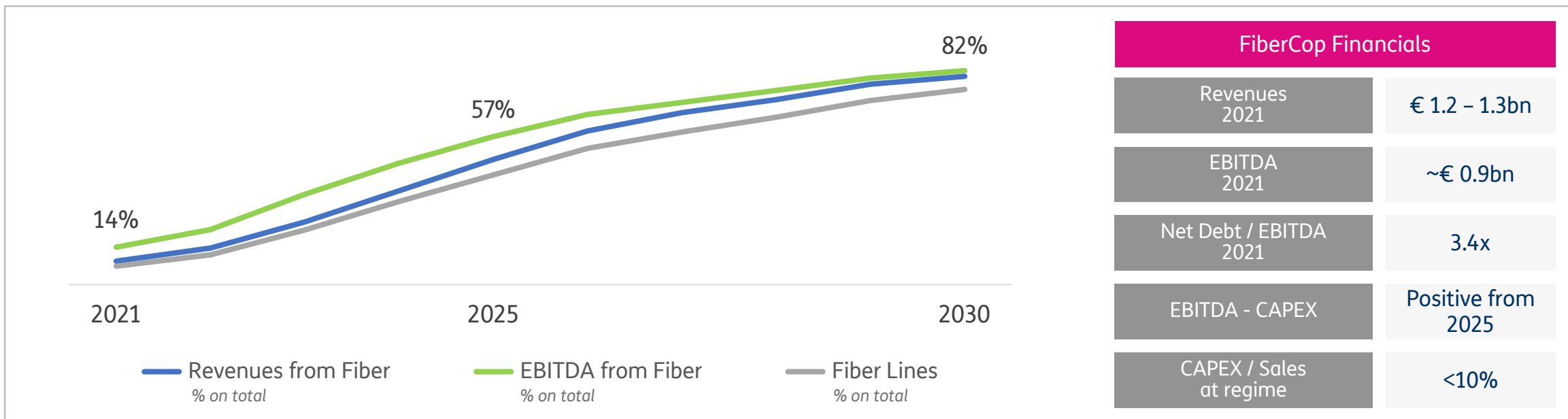
- **FiberCop** will own TIM's secondary network infrastructure
- Complete fiber secondary network roll out in Black & Grey areas
- Provide passive access services to TIM and other OLOs
- Number of employees <100



- **TIM** will execute all operational activities for FiberCop, from design to network construction, maintenance and assurance
- Perform general services, from corporate affairs to treasury and procurement
- Be customer of FiberCop on equal terms vs. Fastweb and other OLOs

FiberCop Financials

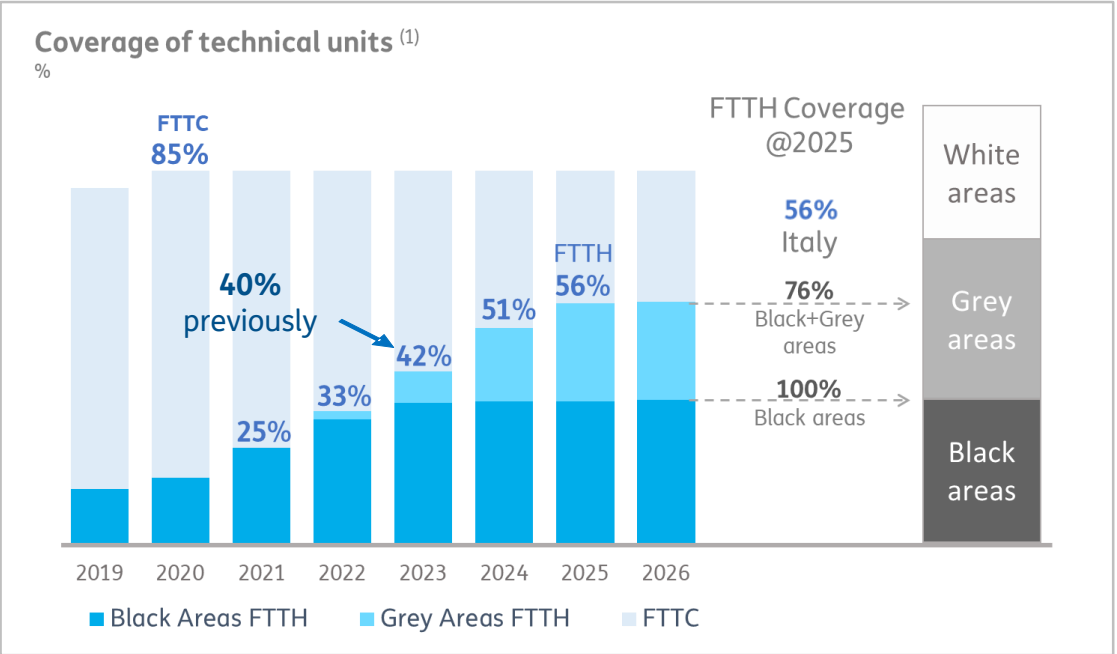
EBITDA to evolve to FTTH in time...



FiberCop value to grow over time
thanks to switch in the mix from copper towards fiber

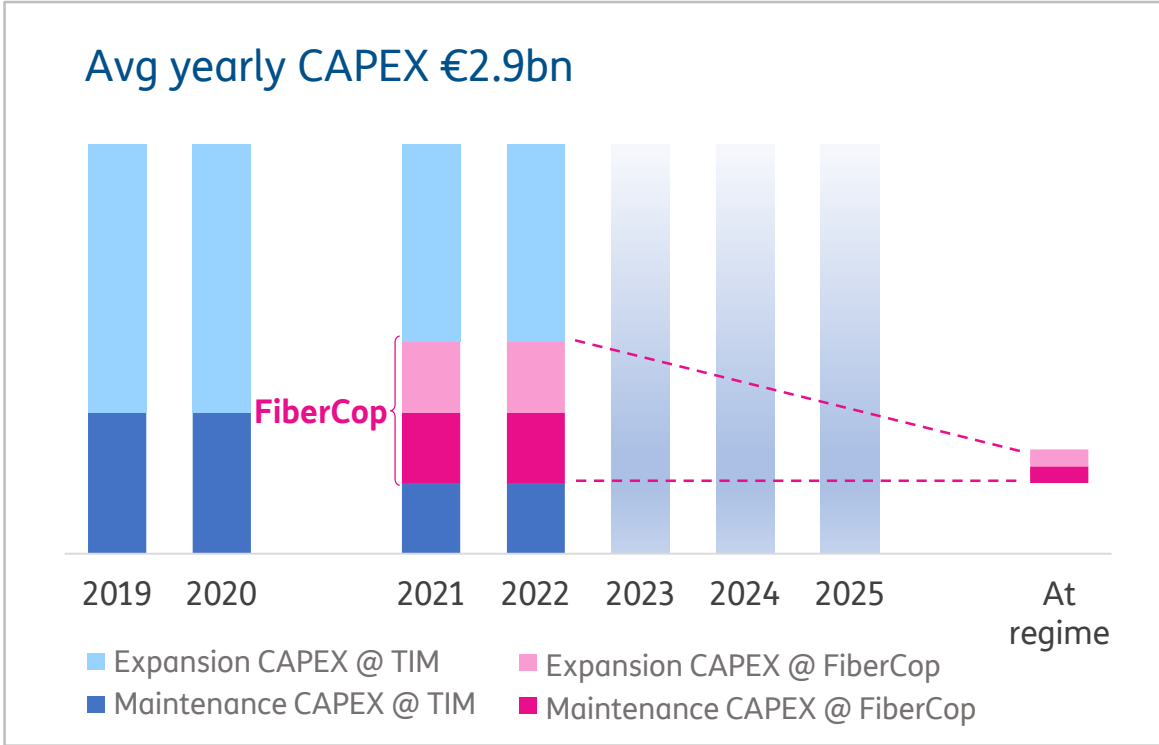
FTTH roll-out plan

FiberCop FTTH & FTTC coverage



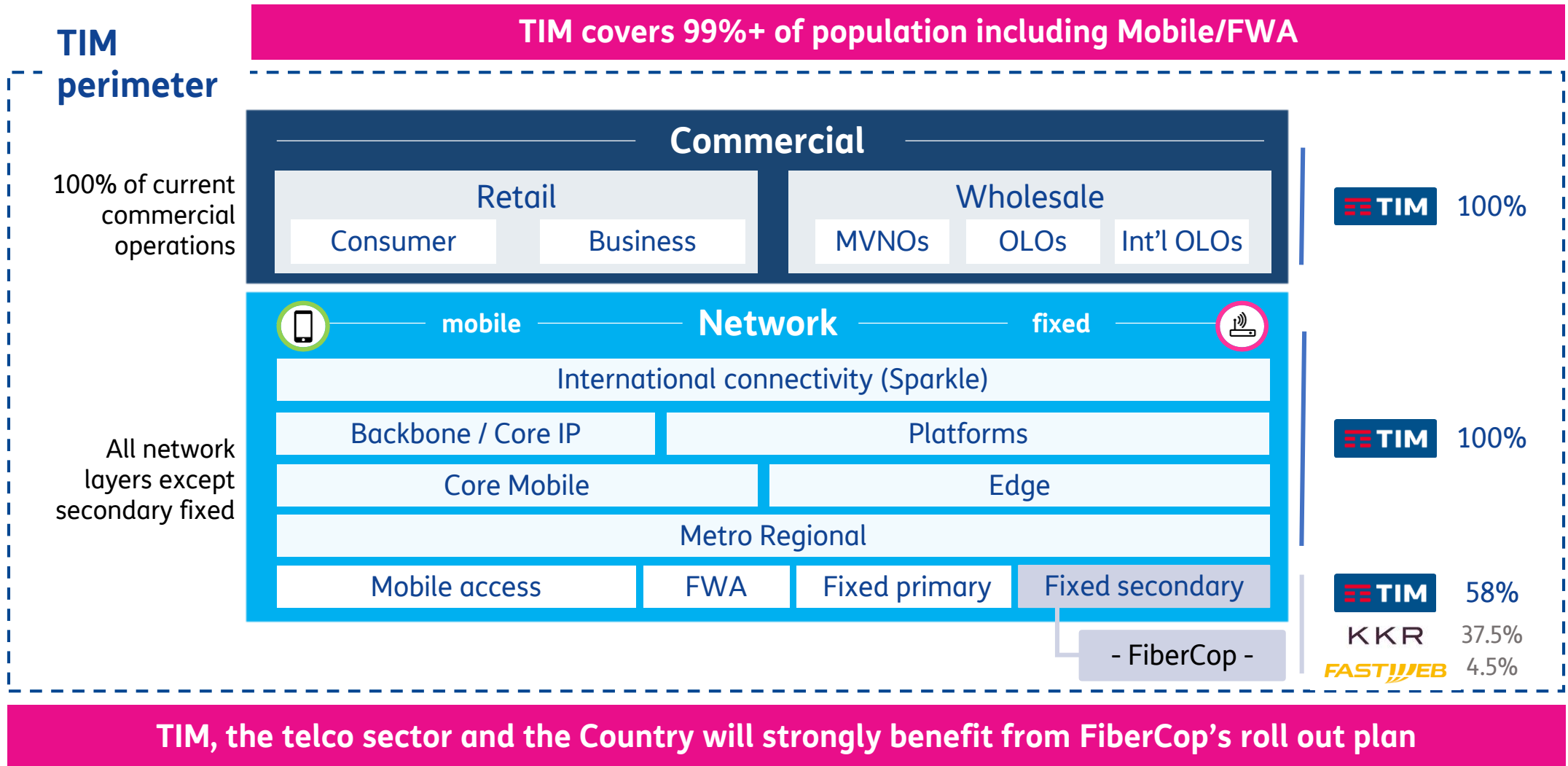
TIM's expansion and maintenance CAPEX for both copper and fiber are in FiberCop
Efficiencies to offset roll out acceleration vs. previous plan

TIM+FiberCop yearly domestic CAPEX to remain stable



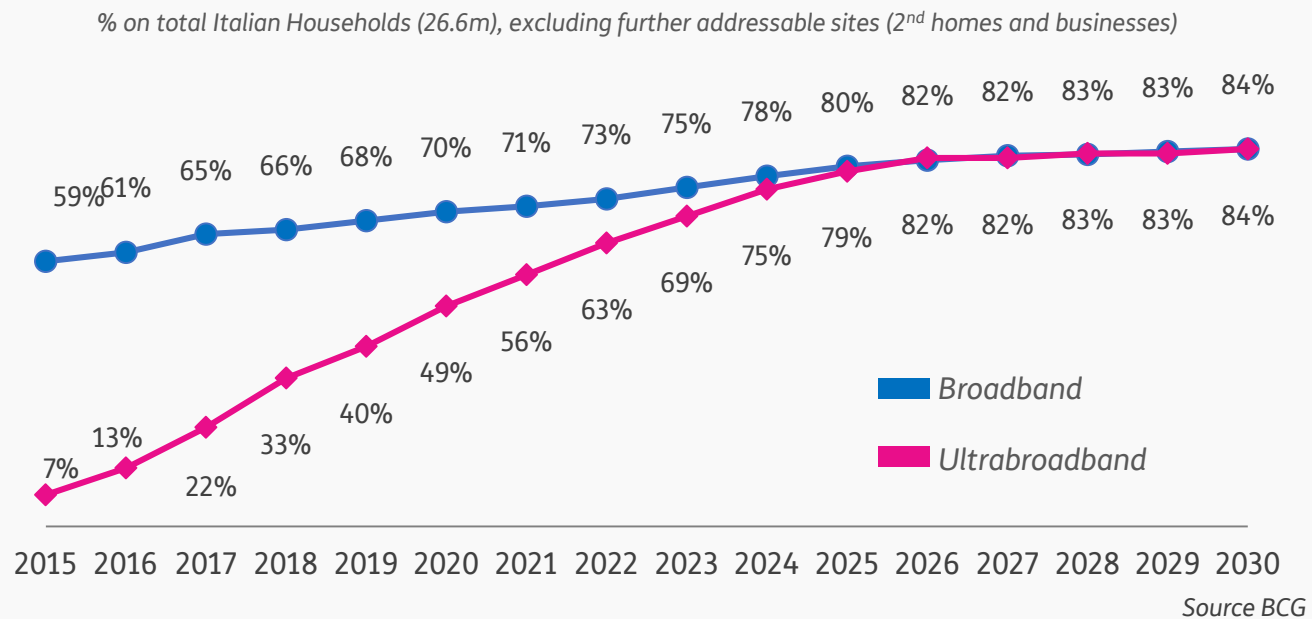
Potential € 1.1bn public funding for roll out in grey areas.
Additional potential benefits from "Recovery Fund"

TIM ex FiberCop at a glance

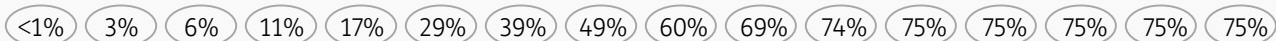


Italian fixed line market – Main trends expected

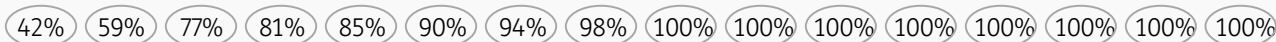
Fixed line penetration on HHs



Market FTTH coverage ⁽¹⁾



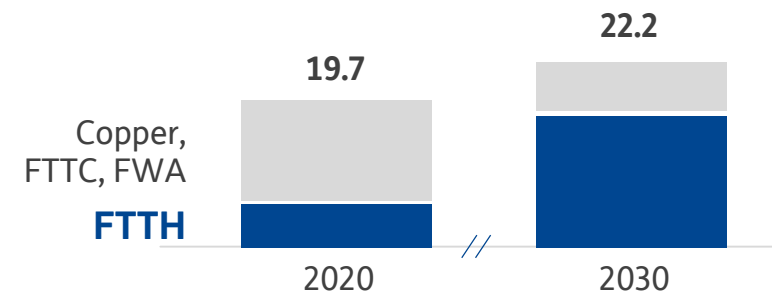
Market UBB coverage ⁽²⁾



(1) Number of sellable HHs FTTH over total nr of HHs
 (2) Number of sellable HHs UBB (FTTH/FTTC/FWA) over total HHs

Active fixed lines by technology

Million lines



Source: BCG

Push on fiber roll-out is expected to drive UBB take up to **84%** of households

€ 1,1bn vouchers to stimulate UBB take up (as part of €2.7bn public funding plan for telcos)
Additional potential benefits from "Recovery Fund"

Governance and expected closing

Shareholding	<ul style="list-style-type: none">▪ TIM will continue to consolidate FiberCop as majority shareholder▪ KKR and Fastweb to be entitled with customary minority protection right
#9 board members	<ul style="list-style-type: none">▪ BoD made up of 9 members, of which 5 appointed by TIM, 3 by KKR and 1 by Fastweb<ul style="list-style-type: none">– Chairman will be jointly appointed by KKR and TIM– TIM shall have the right to appoint the CEO and the CTO, KKR shall have the right to appoint the CFO
Shareholders' agreements	<ul style="list-style-type: none">▪ Lock-up period of 5 years
Closing	<ul style="list-style-type: none">▪ Expected closing by Q1 '21▪ Customary authorizations for this type of transactions (AGCOM, AGCM, Golden Power)
Future steps	<ul style="list-style-type: none">▪ FiberCop and additional TIM wireline assets to be potentially consolidated with Open Fiber for the creation of a National Single Fiber Network following the signing of TIM-CDP Equity Lol on 31st August

TIM – CDP Equity Lol signed: AccessCo the Italian Single Network

TIM-CDP Equity Lol signed and greenlighted by Government for the National Fiber Single Network creation (AccessCo) through the merger of FiberCop and OF

TIM-CDP Equity Letter of Intents key points

- TIM carves out its secondary network in FiberCop. KKR buys 37.5% of FiberCop from TIM and Fastweb gets 4.5% through contribution of 20% of Flash Fiber
- Merger between FiberCop and Open Fiber creates the National Fiber Single Network (AccessCo) following:
 - ✓ contribution by TIM to FiberCop of an additional business unit consisting of the primary network functional to FiberCop's operational activities
 - ✓ definition of FiberCop value (secondary and primary network) and of Open Fiber value by third party valuers appointed by the parties and, accordingly, of the financial terms of the transaction including the number of shares in AccessCo attributed to its shareholders
 - ✓ Customary authorizations for this type of transactions (AGCOM, AGCM, Golden Power)
- TIM will own at least 50.1% of AccessCo
- AccessCo independence and third-party status will be guaranteed by a shared governance mechanism with CDPE. Qualified majority mechanisms and prior checking rules will be applied for this purpose

Timing of the transaction

TIM-CDP Equity Lol signed for the creation of AccessCo (Fiber Single Network)

August 31st

Definition of FiberCop and Open Fiber values

By Q4

Merger Signing

By Q1 2021

Key take aways

FiberCop kick off by the Summer as promised. More delivered: a Lol with CDP Equity

FiberCop creates value for TIM and its stakeholders through deleverage, expected multiples rerating for migration from copper to fiber and the implied cash flow boost at regime

FiberCop creates value for the Country: 76% of black and grey areas covered in FTTH by 2025 and >90% of population with FTTC, available for all OLOs. UBB to 99% through FWA

AccessCo (FiberCop merged with Open Fiber) would create additional value from multiple rerating for TIM's primary network business and through important synergies

Government has unanimously endorsed the Lol with CDP Equity for the **Single Network** creation

"Recovery Fund" and CAPEX incentives potentially benefitting the Single Network business plan over and above the €2.7bn funding already set aside by the Italian Government so far

For further questions please contact the IR team



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