

# FY '21 RESULTS AND 2022-'24 PLAN

3 MARCH 2022

# Disclaimer

This presentation contains statements that constitute forward looking statements regarding the intent, belief or current expectations of future growth in the different business lines and the global business, financial results and other aspects of the activities and situation relating to the TIM Group. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected or implied in the forward looking statements as a result of various factors.

The financial results of the TIM Group are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the EU (designated as “IFRS”).

The accounting policies and consolidation principles adopted in the preparation of the financial results for FY '21, Q4 '21 and for 2022-'24 Plan of the TIM Group are the same as those adopted in the TIM Group Annual Audited Consolidated Financial Statements as of 31 December 2020, to which reference can be made, except for the amendments to the standards issued by IASB and adopted starting from 1 January, 2021.

Please note that as of today, the audit work by our independent auditors (E&Y) on the FY '21 results have not yet been completed.

## Alternative Performance Measures

The TIM Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures for the purposes of enabling a better understanding of the performance of operations and the financial position of the TIM Group. In particular, such alternative performance measures include: EBITDA, EBIT, Organic change and impact of non-recurring items on revenue, EBITDA and EBIT; EBITDA margin and EBIT margin; net financial debt (carrying and adjusted amount) and Equity Free Cash Flow. Moreover, following the adoption of IFRS 16, the TIM Group uses the following additional alternative performance indicators:

- \* **EBITDA adjusted After Lease ("EBITDA-AL")**, calculated by adjusting the Organic EBITDA, net of non-recurring items, of the amounts related to the accounting treatment of lease contracts according to IFRS 16;
- \* **Adjusted Net Financial Debt After Lease**, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts according to IFRS 16;
- \* **Equity Free Cash Flow After Lease**, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments.

Such alternative performance measures are unaudited.

# Agenda

**Q4 AND FY '21 RESULTS**

**FOCUS ON TIM BRASIL**

**2022-2024 GROUP STRATEGIC PLAN**

**CLOSING REMARKS**

**Q4 AND FY '21 RESULTS**

**FOCUS ON TIM BRASIL**

**2022-2024 GROUP STRATEGIC PLAN**

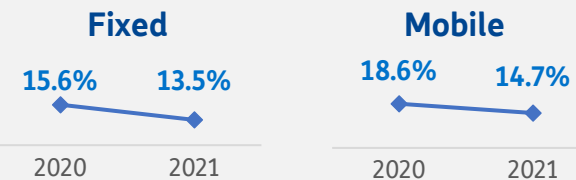
**CLOSING REMARKS**

# 2021 a very good year in Brazil and several achievements in Italy as well

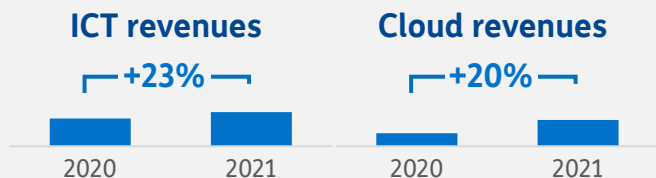
New tiered offer  
**portfolio**  
launched

**Premium price,  
segmented offer**

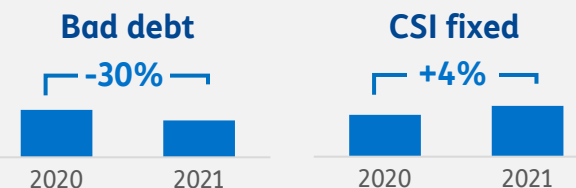
**Churn**  
reduced in  
fixed and mobile



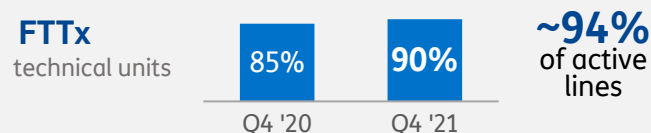
**Cloud and ICT**  
growing  
double-digit



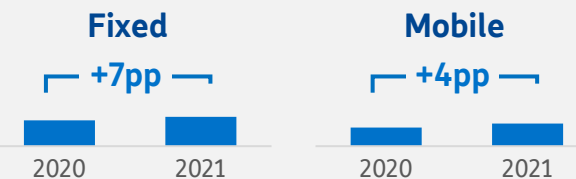
Bad debt **reduced**  
Quality **improved**



Ultrabroadband  
**coverage** largely  
**improved**



Increased  
**digital payments**



Created  
**FiberCop**

**1st EU telco**  
to adopt  
**co-investment**  
model <sup>(1)</sup>

**FTTH** roll-out  
2021 **3.8x** 2020  
FTTH lines  
**+108%** YoY

Achieved targets  
and strategic  
goals in **Brazil**

- All financial targets achieved
- Successful 5G tender
- Created FiberCo
- Oi deal approved

**Group: net debt reduced by €1bn, €5.7bn in 3 years <sup>(2)</sup>**

# 2021 ESG achievements fully on track with guidance. Ambitions raised

## Transforming processes to be green

- Reached **100% of renewable energy** for Data Centers
- Decarbonized CO<sub>2</sub> emissions** of TIM Group websites
- Submitted to SBTi** scope 1, 2 and 3 emission targets
- Developed **circular economy initiatives** on furnishing, PCs and devices
- Started the **Eco rating project** to measure the environmental impact of smartphones
- Purchases of goods and services** increasingly based on sustainability criteria

## Innovating through sustainability

- Noovle** became the first **Benefit Company** of TIM Group
- Launched “**TIM Challenge for Circular economy**” for startups & scaleups
- B2B portfolio** dedicated to sustainability

## Rising the level of employees' motivation

- Overperformance on employees' engagement** thanks to caring actions during pandemic, improved work-life balance, agile organization and effective corporate networking via internal communication and collaboration tools
- Employees' engagement on sustainability through **gamification projects**

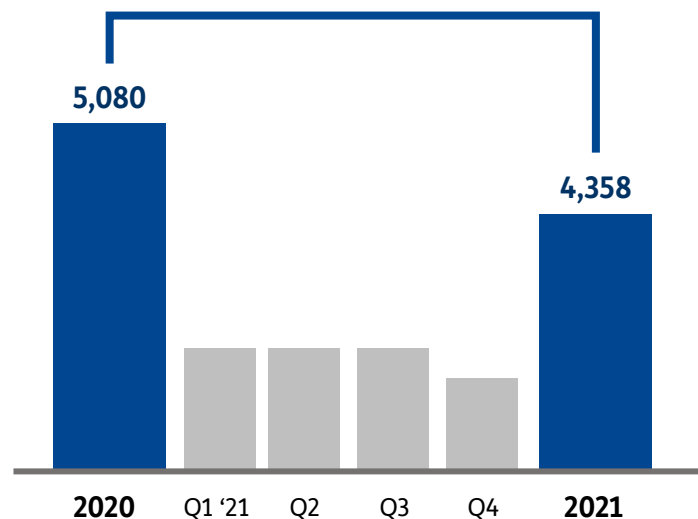
## 2021 targets all achieved

ESG Plan Targets	Target '21-'23 <sup>(1)</sup>		Closing '21
Carbon neutrality (Scope 1+2)	2030		On track ✓
Indirect emissions	0	2025	-32% ✓
Eco-efficiency	+50%		+90% ✓ ✓
Renewable energy <sup>(2)</sup> % on total energy	100%		33% ✓
Employee engagement	+19pp	2023	+20pp ✓ ✓
Hours of training for reskilling and upskilling	6.4m hrs		4.9m ✓
Churn of young employees	<15%		3.2% ✓
New VC fund size	€ 60m	2024	Allocated ✓
IoT and Security service revenues	+20% CAGR		+33% ✓ ✓
Green smartphone	>15%		2.9% ✓

✓ Achieved    ✓ ✓ Over achieved

# A few things played out differently vs expectations, particularly in Q4...

## Domestic Organic EBITDA AL (€m)



**Reported EBITDA** impacted by multimedia provision (€0.5bn), personnel, settlements and litigations (€0.5bn) and other impacts (COVID included)

### Revenues related items

#### DAZN

DAZN agreement not fueling the expected ARPU and subscribers' uplift

- Concurrency not stopped
- Piracy still high
- Lower fiber net adds and ARPU
- Renegotiation ongoing
- Stop-loss mechanism in place

#### Vouchers

Vouchers and NRRP delays brought more competition and price pressure

- 2nd phase consumer vouchers delayed to '22
- PNRR delays
- ARPU pressure from vouchers delay

### Costs related items

#### New Law impact on retail contracts

Provision for risks on retail contracts related to installment payments on equipment

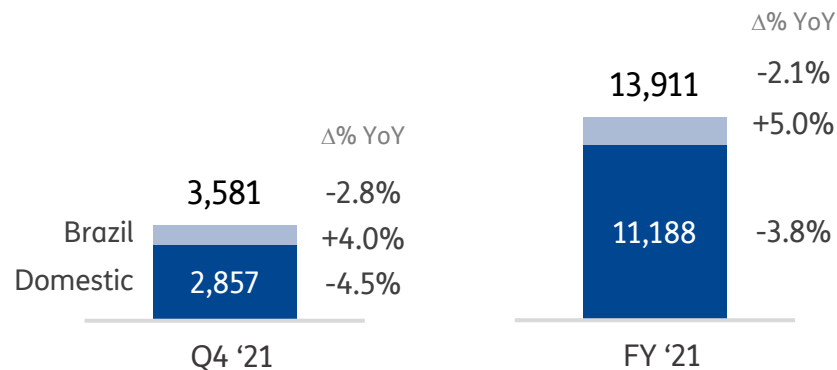
#### Digital companies and Football

Higher costs to fuel football launch and digital companies start ups, not fully compensated by higher revenues

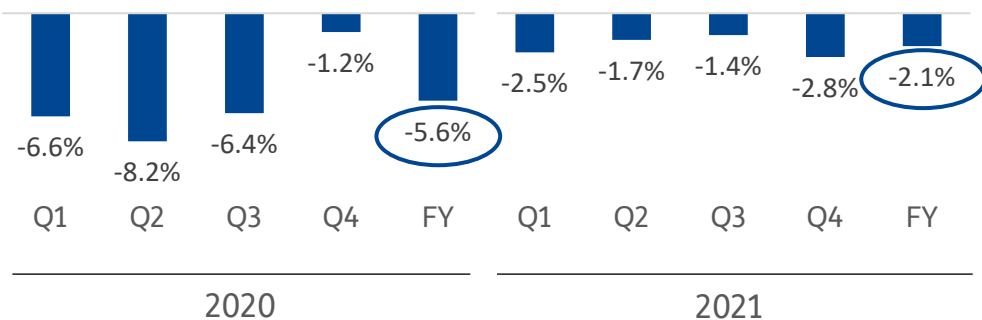
# ...and cost cutting not enough to offset shift towards lower margins revenue mix

Organic data <sup>(1)</sup>, IFRS 16, € m

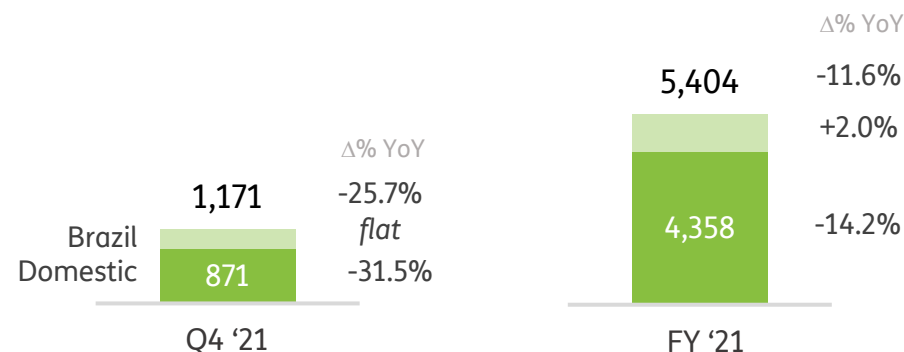
## Service Revenues



## Service revenues change YoY



## EBITDA After Lease



**Q4 domestic service revenues** affected by Q4 2020 tough comps in wholesale; retail not improving enough to offset

**Q4 domestic EBITDA** decline further explained by:

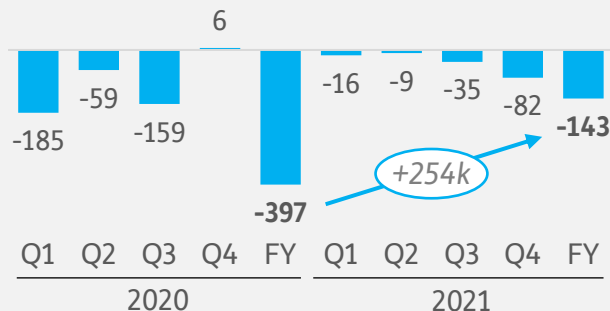
- Impact of new law with provisions of risks on retail contracts related to installment payments (3pp)
- Football and Digital Companies startup costs (7pp)
- Lower equipment sales with the related positive margin (3pp)
- Interconnection costs (1pp)
- Labour & G&A up for indirect personnel costs, covid rebound, energy (4pp)



# Fixed lines stabilized despite fading help from vouchers (none from Q3), CSI strongly improved, UBB net adds remained healthy despite “COVID indigestion”

## Retail net adds improved trend YoY

Line losses  
k lines



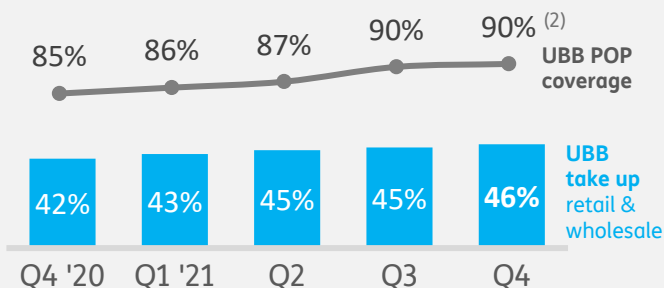
## Overall UBB net adds kept growing

UBB Customer Base  
k lines



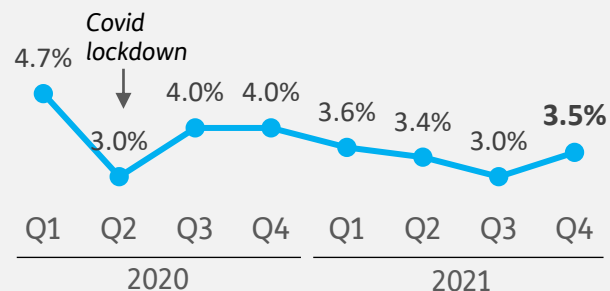
## UBB coverage and take up increased YoY

UBB coverage and take up <sup>(1)</sup>



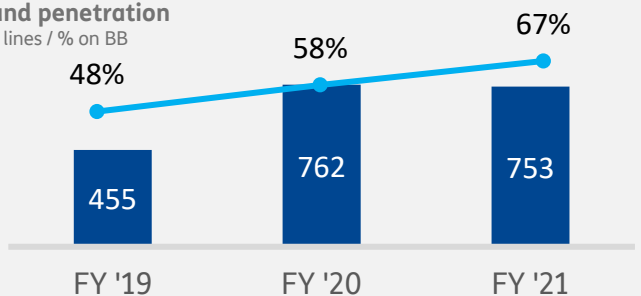
## Churn lower YoY

Churn rate  
%



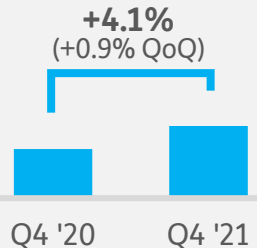
## Retail UBB net adds in line YoY

Retail UBB net adds  
and penetration  
k lines / % on BB

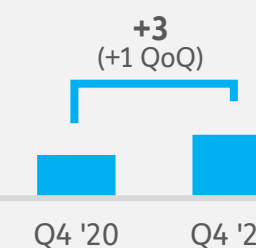


## Quality improved, CSI and NPS higher

CSI



NPS

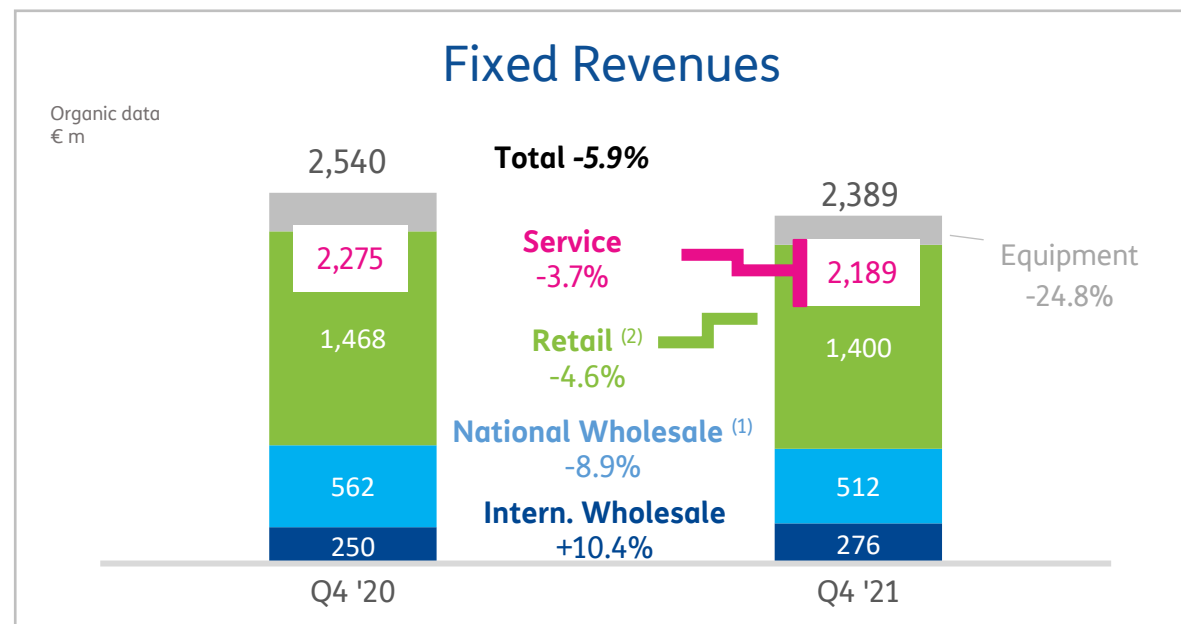


# Retail FSR improvement not enough to offset Q4 '20 tough comps in wholesale

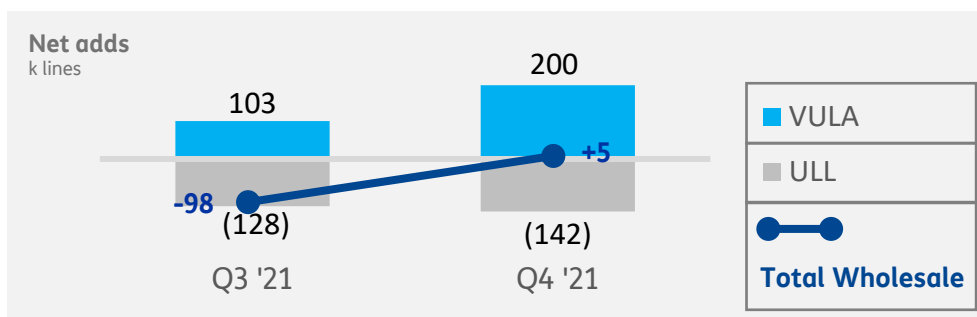
**Fixed Service Revenues** -3.7% YoY, -1.2pp QoQ

- **International Wholesale:** +10.4% YoY (vs. 11.3% Q3)
- **National Wholesale**<sup>(1)</sup> -8.9% YoY (vs. -2.8% in Q3) despite very strong KPIs and regulated revenues, due to comparison with very strong Q4 '20 non-regulated revenues
- **Retail**<sup>(2)</sup> -4.6% YoY, +0.4pp QoQ helped by:
  - **Customer base** stabilization: -0.8pp drag, +0.4pp QoQ
  - **ICT revenues growth: 3.1pp tailwind**, +1.4pp QoQ (+21% YoY vs +13% in Q3)
  - **Consumer ARPU** affected by market dynamics; business ARPU growth not enough to offset

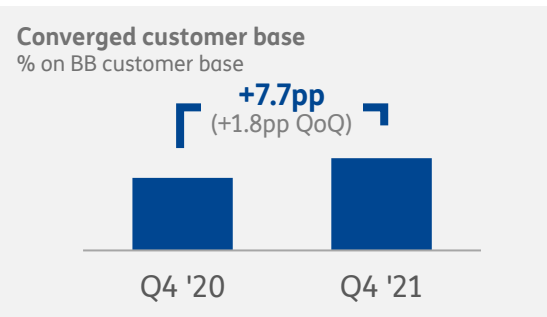
**Equipment sales** -24.8% YoY as Q4 2020 benefited from equipment sold with vouchers and strong sell in of modems



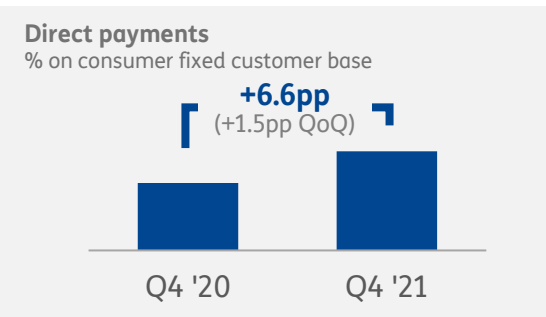
## Wholesale: VULA net adds peak



## Convergence accelerating



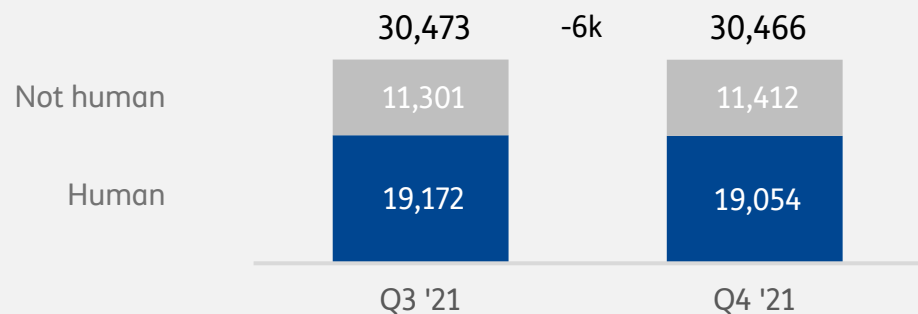
## Direct payments increased



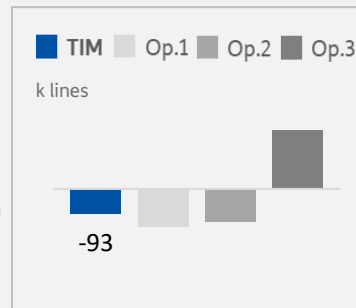
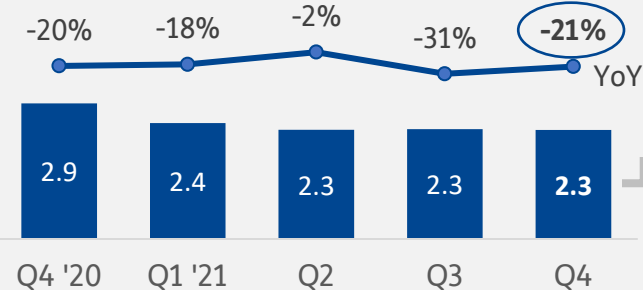
# Mobile net adds improved QoQ, churn remained record low, coolest Q4 MNP market in the last 11 years thanks to TIM's rational behaviour

## Mobile Customer Base

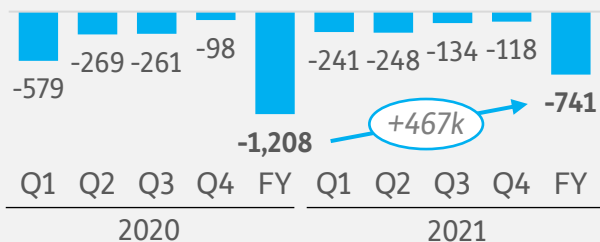
k lines



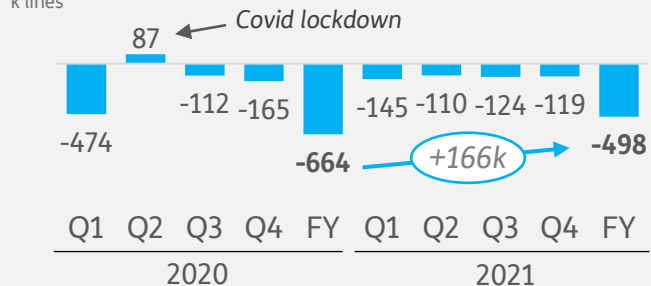
## Market MNP reduced significantly YoY

Market MNP  
million lines

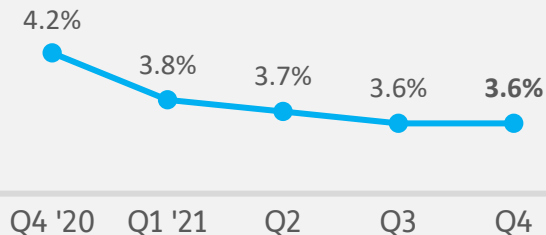
## Human net adds improved trend YoY

Human net adds  
k lines

## Calling human net adds better YoY

Calling Human net adds  
k lines

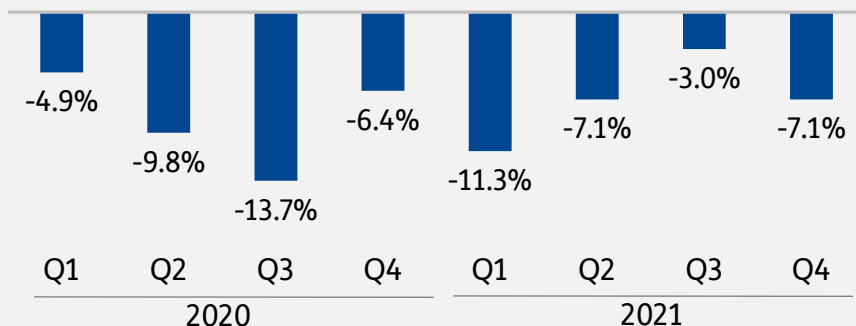
## Churn rate down YoY, flat QoQ

Churn rate  
%

# MSR on an improving path however Q4 affected by tough comps in wholesale, 2020 COVID-led pay per use and lower help from roaming vs. Q3

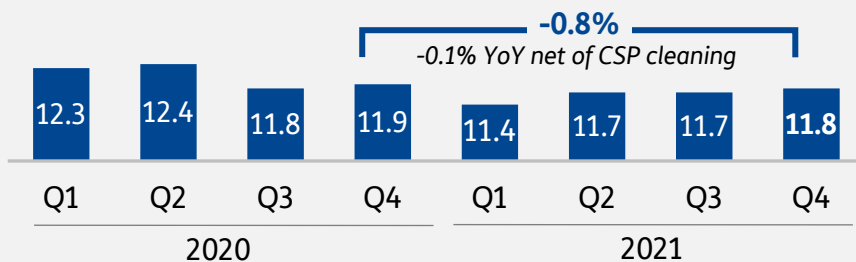
## Mobile Service Revenues

Organic – YoY change %

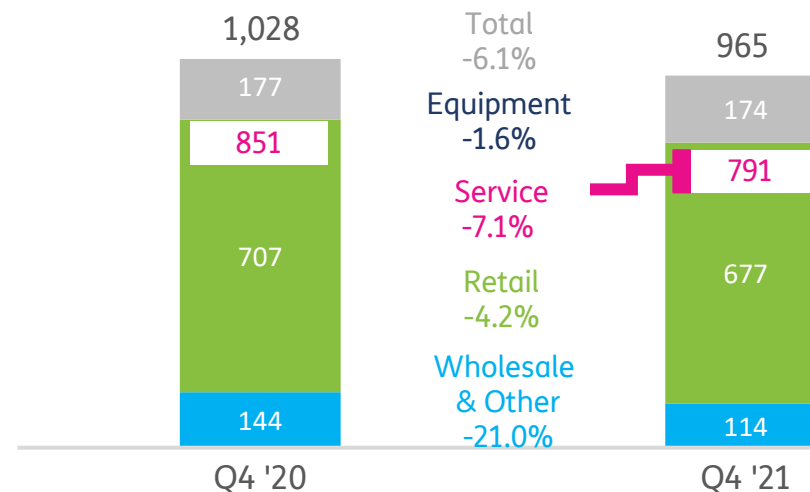


## ARPU Human

€/month



## Mobile Revenues

Organic data  
€ m

**MSR** -7.1% YoY (-4.1pp QoQ) due to:

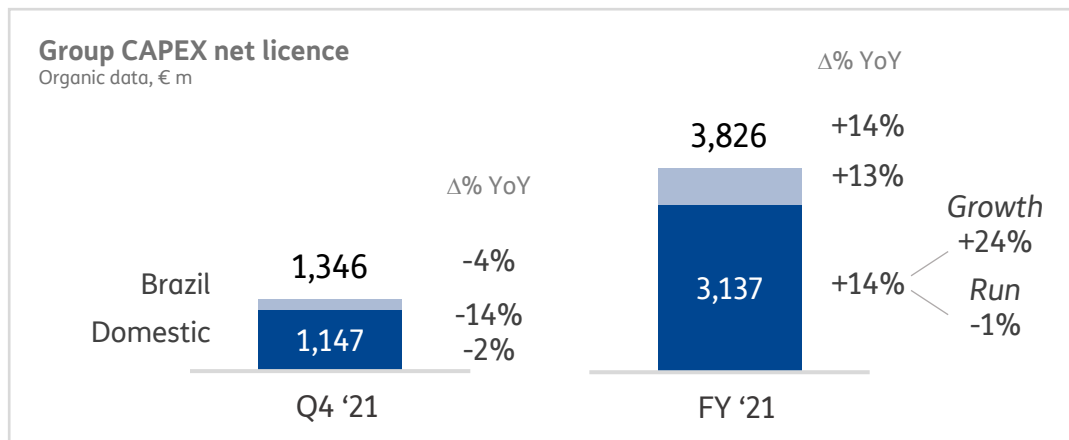
- lower contribution from roaming, (0.5pp YoY tailwind vs. 1.8pp in Q3)
- drag from 2020 COVID-led pay per use (-1pp drag vs. 0pp)
- tough wholesale comps (-3.5pp drag vs. +0.4pp)

Customer base explaining -1.3pp YoY (+0.5pp QoQ), MTR -0.9pp (unchanged), CSP cleaning -0.5pp (+0.4pp QoQ)

**Equipment** -1.6% YoY vs. -12.2% in Q3

# CAPEX for growth increased, NWC in line YoY

## CAPEX



**Q4 CAPEX** lower YoY for different phasing during the year

FY CAPEX up exclusively for higher growth CAPEX: FTTH, Cloud and football in Italy; preparation costs for Oi integration in Brazil

**2021 FTTH homes passed +36% YoY. Roll out effort 3.8x 2020**

**Q4 Working Capital** (+€0.8bn YoY) benefiting from deferred payment of 5G license in Brazil (€0.4bn) and domestic provisioning related to multimedia (€0.5bn). Net of non-recurring items, NWC in line with Q4 '20

**EFCF** down mainly for lower EBITDA and higher cash-taxes (Q4 '20 benefiting from the patent box)<sup>(1)</sup>

## Group Operating Working Capital

**Change in Net Working Capital**  
IFRS 16, € m

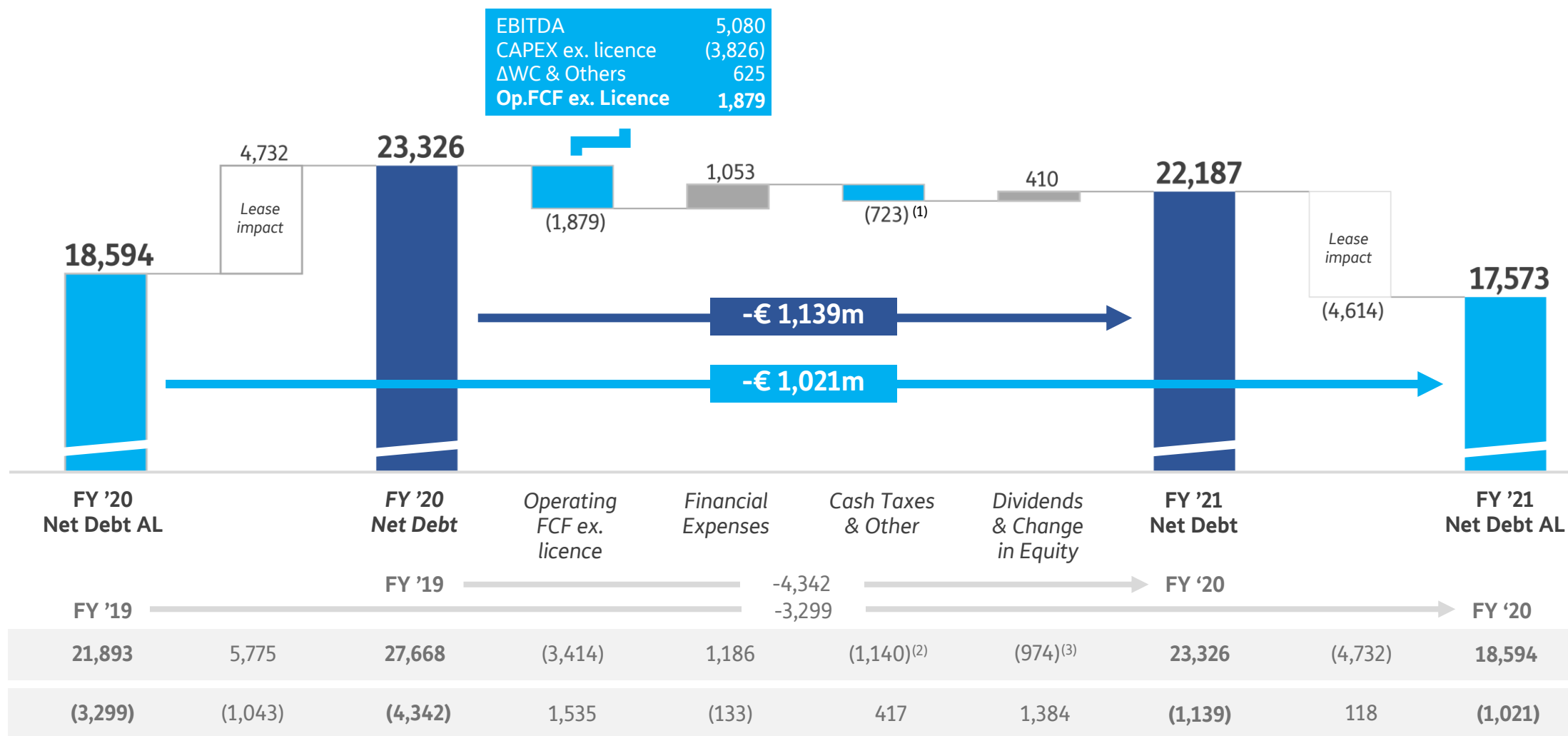
	Q4 '20	Q4 '21	Δ YoY
Change in NWC	712	1,523	+811
Non-recurring items	19	-836	
<b>Change in NWC net of non-recurring items</b>	<b>731</b>	<b>687</b>	<b>-44</b>

## Equity Free Cash Flow After Lease



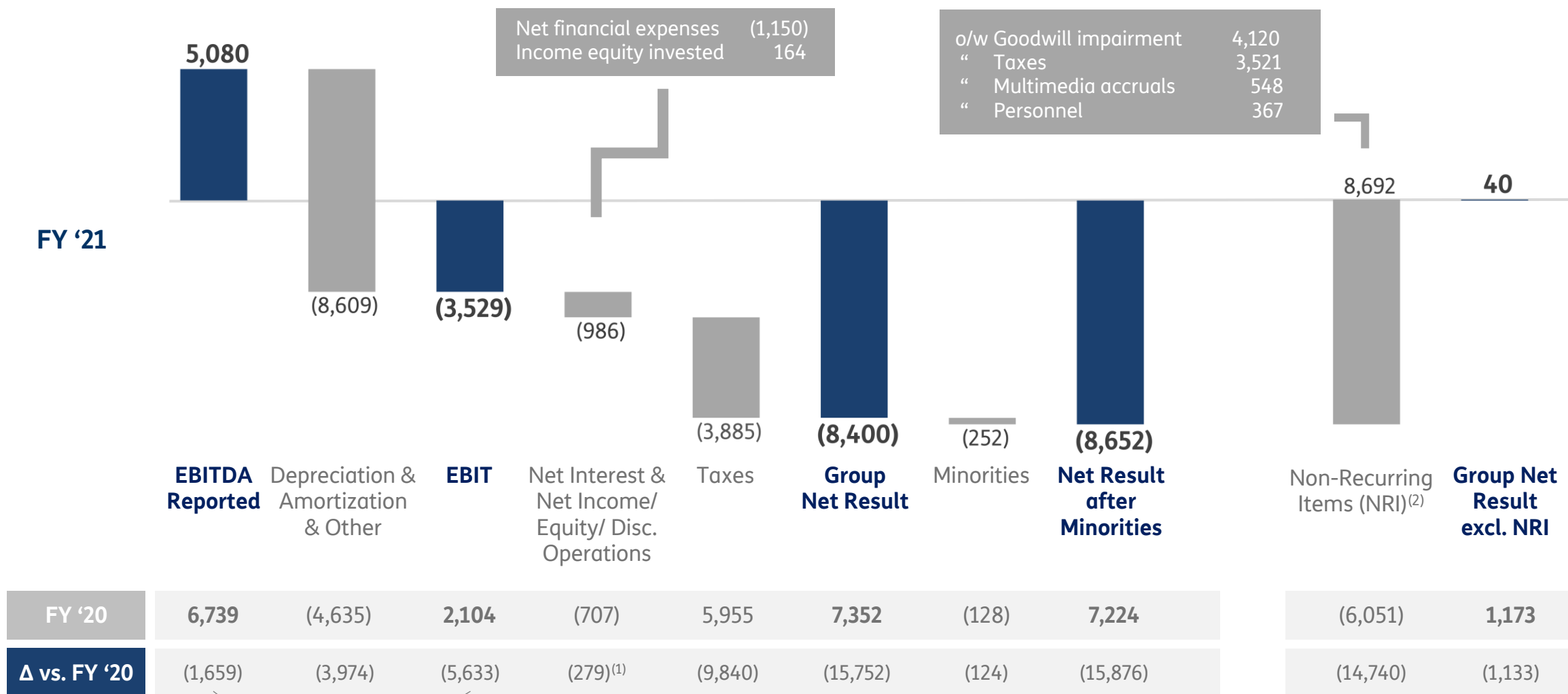
# Net debt reduced by € 1.1bn in 2021 (-€ 1.0bn After Lease view)

€ m; (-) = Cash generated, (+) = Cash absorbed, excluding call-outs



# P&L affected by devaluation of tax asset due to law change and goodwill impairment

Reported data, € m, Rounded numbers



(1) Of which +€25m equity share from Inwit, -€ 333m gain from disposal

(2) Non-recurring items include personnel provisions (2021-26 layoffs ex art.4 Fornero Law), Multimedia accruals, settlement and COVID related costs

**Q4 AND FY '21 RESULTS**

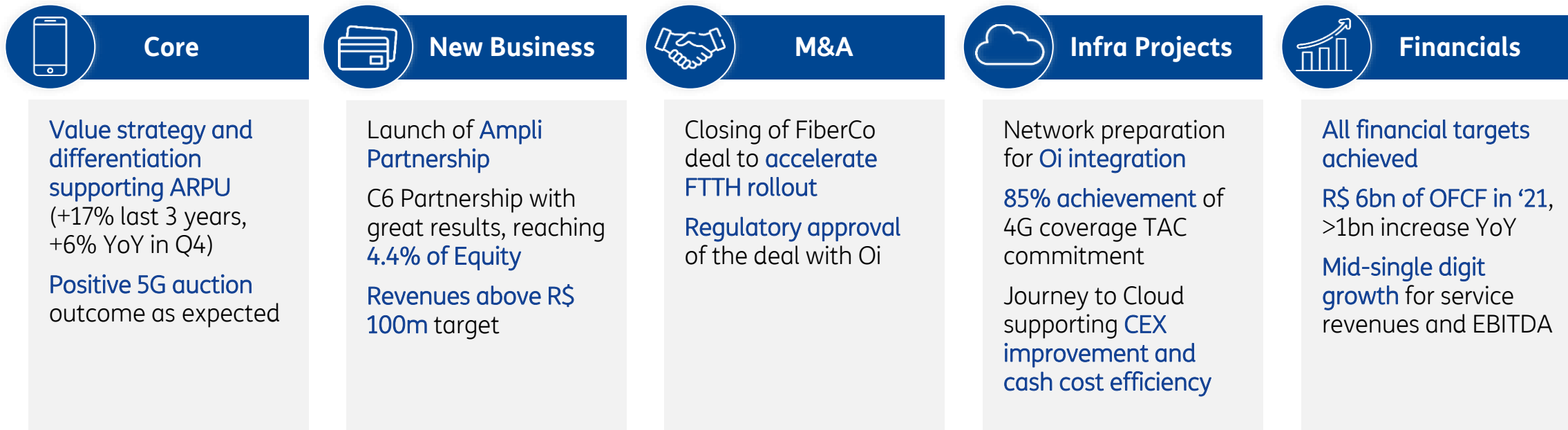
**FOCUS ON TIM BRASIL**

**2022-2024 GROUP STRATEGIC PLAN**

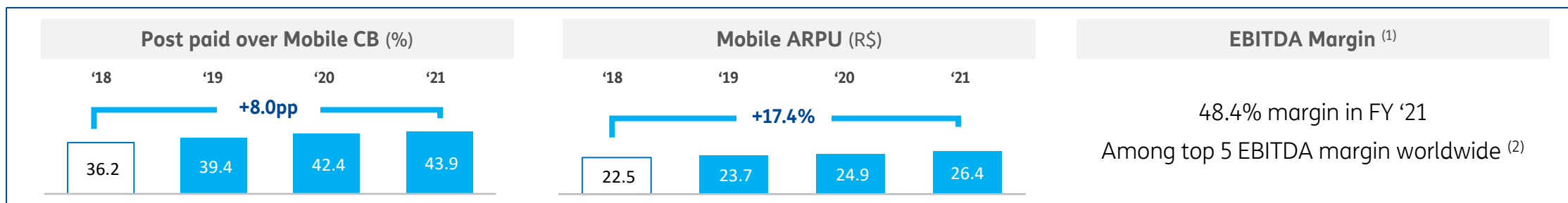
**CLOSING REMARKS**



# Strong execution delivers solid results and sustainable growth



## Delivering on the promises made and building sustainable growth

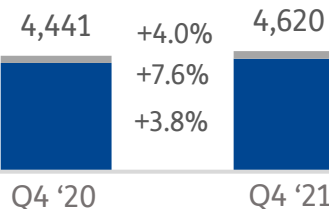


# Q4 revenues growth on track driven by postpaid, beyond the core and TIM Live

## Solid Revenues growth thanks to mobile postpaid and fixed

Reported, R\$ m

**Services**  
o/w Fixed  
o/w Mobile



**Tot. revenues** +2.6% YoY

**Services** +4.0% YoY:

- **MSR** +3.8% YoY, with postpaid +3.7% YoY and prepaid -3.4% YoY
- **FSR** +7.6% YoY driven by TIM Live

### Mobile

ARPU +2.6% YoY to 27.7 R\$/month  
24<sup>th</sup> consecutive quarterly growth

### TIM Live

ARPU +0.5% YoY to 91.1 R\$/month  
CB +6.1% YoY to 685k

E

**-94%** scope 1 and scope 2 GHG, **Zero** indirect emissions (scope 2)  
**100%** of avg consumption from renewables, **>1,7k** Active Biosites

S

1<sup>st</sup> TLC worldwide in **Refinitiv Diversity & Inclusion Index** and **Bloomberg Gender Equality Index**

G

14<sup>th</sup> year listed in the **B3 Corporate Sustainability Index**  
**R\$ 1.6bn in SLB Issuance:** generating +ve impact while reducing funding costs

## Robust EBITDA growth with continuous margin expansion

EBITDA net non-recurring items, R\$ m

Margin

50.5%

+0.4pp

50.9%

2,363

+3.4%

2,444

Q4 '20

Q4 '21

22<sup>nd</sup> quarter of positive EBITDA growth

## Infrastructure evolution

### Coverage expansion

- **4G:** 4.7k cities covered (+22% YoY, +7% QoQ), o/w 1.7k 4.5G
- **Sky Coverage:** 0.4k new sites QoQ to 0.9k
- **FTTH:** ~4.2m HHs passed (+29% YoY, +6% QoQ)

### Capacity and modernization

- **M-MIMO:** 0.3k new sites QoQ to 2.3k
- **Site modernization:** +1.4k sites QoQ

# Revenues and EBITDA set to accelerate growth with the acquisition of Oi mobile assets and consolidation from 4 to 3 players

Ready to successfully integrate Oi's assets in TIM's operations...

...to materially improve TIM Brasil's growth profile

Anatel/Cade approval 

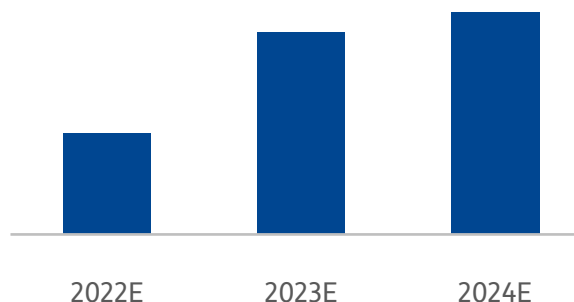
Expected closing before May

Network migration 30 days after closing<sup>(1)</sup>

IT systems migration 60 days after closing<sup>(2)</sup>

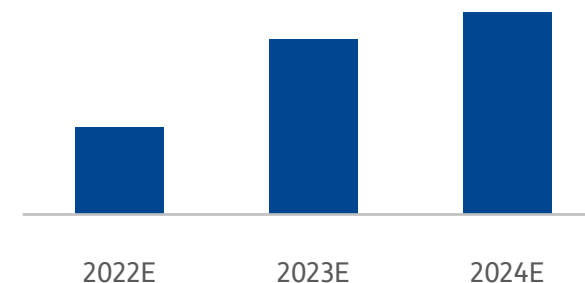
Migration completion March '23

Service revenues –  
Migrated Clients contribution (R\$ bln)



>15% of TIM's NSR  
from migrated clients in '24

EBITDA –  
Migrated Clients contribution (R\$ bln)



>20% of TIM's EBITDA  
from migrated clients in '24  
  
+3pp EBITDA margin contribution  
in '24 from migrated customers

# New company, new targets: 2022-'24 guidance

GOALS	SHORT TERM TARGETS (2022)	LONG TERM TARGETS (2022-'24)
<b>Revenue Sustainability</b>	Service Revenues Growth: <b>+ Double digit YoY</b>	Service Revenues Growth: <b>+ Double digit CAGR '21-'24</b>
<b>Profitability</b>	EBITDA Growth: <b>+ Double digit YoY</b>	EBITDA Growth: <b>+ Double digit CAGR '21-'24</b>
<b>Infrastructure Development</b>	Capex: <b>~R\$ 4.8bn</b>	Capex: <b>~R\$ 14.0bn <math>\Sigma</math> '22-'24</b> Capex on Revenues: <b>&lt;20% @2024</b>
<b>Cash Generation</b>	EBITDA-Capex on Revenues: <b>&gt;24%</b>	EBITDA-Capex on Revenues: <b><math>\geq</math>29% @2024</b>

## Guidance excludes:

- Any additional M&A activity
- New spectrum auctions
- ICMS taxation changes (ruled to be effective in Q1 '24)
- Any other taxation or Regulatory reform
- Upside from Customer Platform partnerships (e.g. value created by equity stakes)

**On like-for-like comparison, all metrics would be on track versus the old plan**

**Q4 AND FY '21 RESULTS**

**FOCUS ON TIM BRASIL**

**2022-2024 GROUP STRATEGIC PLAN**

**CLOSING REMARKS**

## Setting the scene

**TIM has very valuable assets...**  
**... however, it is facing tough competition and regulatory constraints...**

- **Wireline market** is growing, however regulatory hurdles and risk of competitive pressure remain intense also due to new competitor
- **Mobile** is progressively improving and showing signs of stabilization
- **Digital businesses** are growing healthily, however with lower margins compared to core telco services
- **Wholesale:** ARPU is improving, however facing tough regulatory environment and infrastructure competition

Besides, **incremental CAPEX** is needed to support growth of new businesses and build future cash-flows

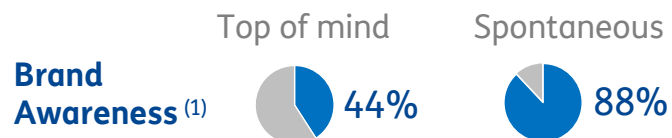


**Extraordinary actions** are required to improve TIM's value beyond its inertial path

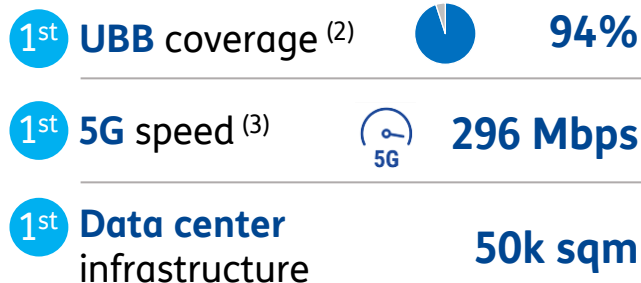
# TIM has a valuable set of assets in an improving Country environment

## Top brand

### 1<sup>st</sup> telecom brand in Italy



## Unique Telco & IT infrastructures



## Strongest B2B positioning

TIM's share in Enterprise segment <sup>(4)</sup>

Private 45%

Public Administration >50%

2<sup>nd</sup> player in the cloud market

## Best in class technologies & know-how

Full convergent player in B2B and B2C connectivity and service platforms layers

4G	4G	FWA	Edge	IoT	TV	Games
...	FTTC	FTTH	Cloud	Security	AI	Music

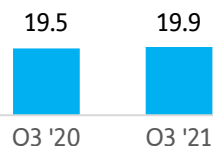
## Best suited to exploit NRRP funds

Participating in tenders worth ~€5bn of NRRP funds <sup>(5)</sup>

## Fixed market back to growth

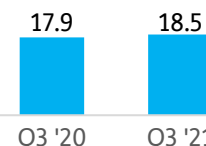
### Fixed lines

+0.4m YoY



### Broadband lines

+0.7m YoY



Source: AGCOM

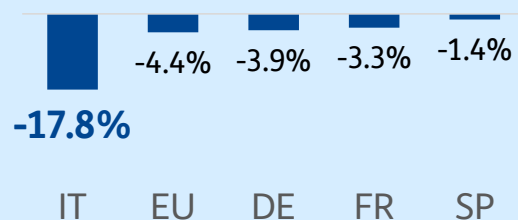
# ...but also material challenges...

## Italy is the most competitive EU market following Antitrust decisions...

### Telecom sector prices in EU

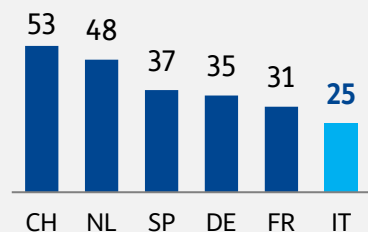
#### 5-year price variation

Fixed + Mobile, Q3 '21 vs. Q3 '16 <sup>(1)</sup>



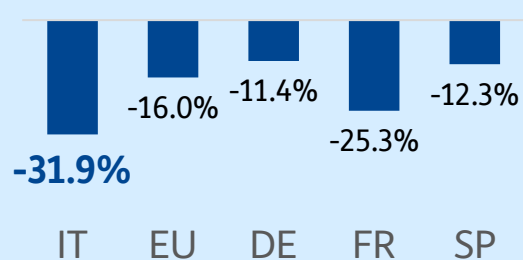
#### Fixed Prices avg.

€/month, Q3 '21 <sup>(2)</sup>



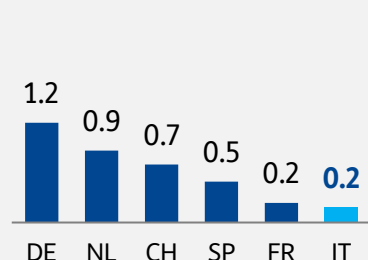
#### 10-year price variation

Fixed + Mobile, Q3 '21 vs. Q3 '11 <sup>(1)</sup>

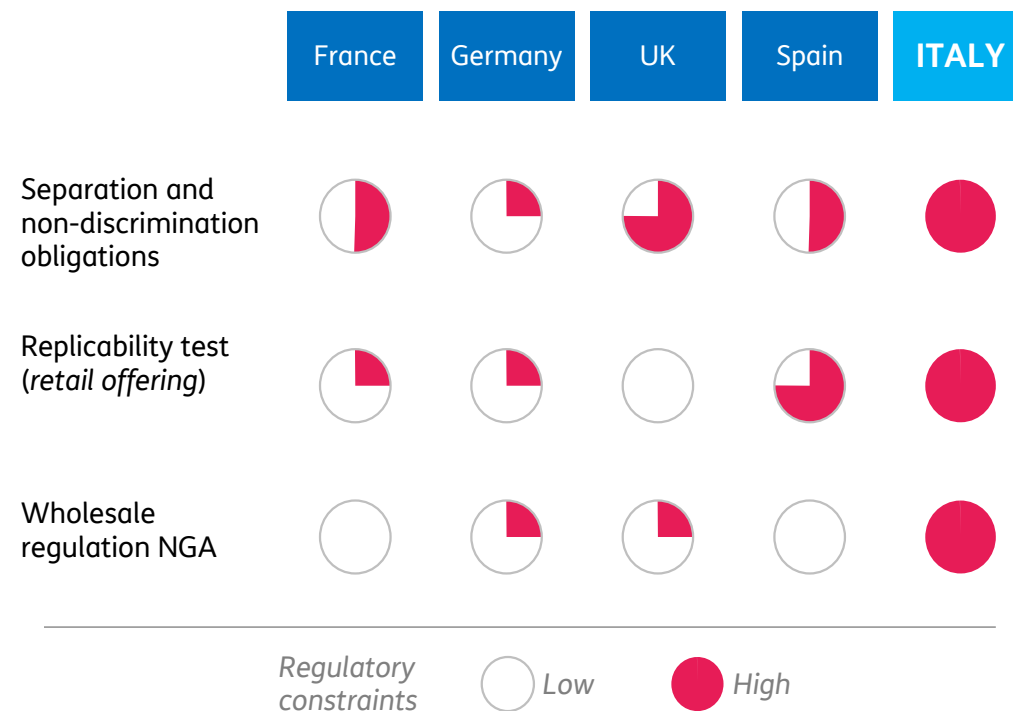


#### Mobile prices avg.

€/GB, Q3 '21 <sup>(2)</sup>



## ...and has the toughest Regulation in Europe



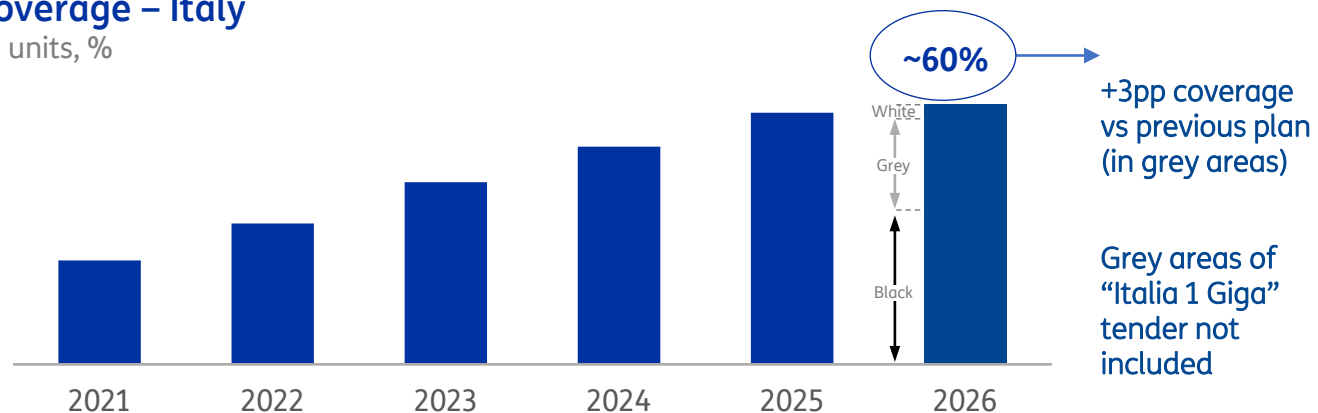


# ...and opportunities that need to be financed: accelerating FTTH/5G and Digital Companies' investments to shorten path to sustainable cash flow generation

**FTTH  
roll-out  
completed  
by 2026**

## FTTH coverage – Italy

Technical units, %

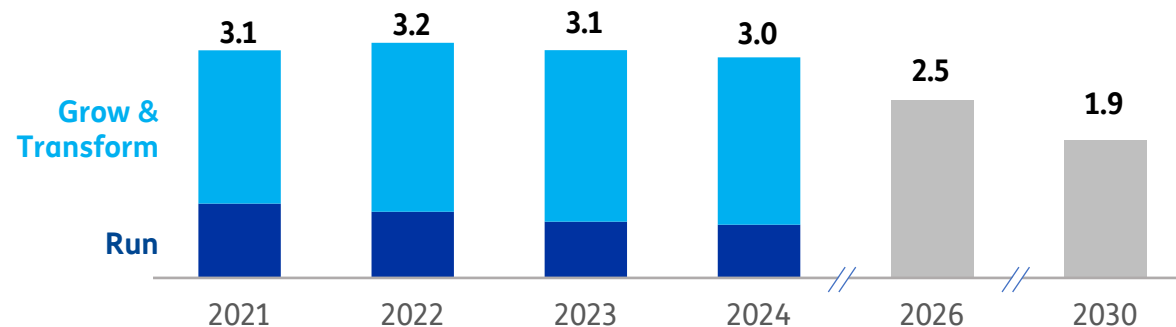


**FTTH roll-out  
accelerated**  
leveraging on  
95% FTTC coverage

**CAPEX  
for growth**

## CAPEX

€bn, excl. licences



**Peak CAPEX in '22  
trending to <15% M/T**

**S/T CAPEX**  
caters for FTTH roll out, data centers enhancement, 3G switch-off, new routes for international wholesale and ICT tenders won <sup>(1)</sup>

# The way forward

## The new Vision

From vertical integration to 4 separate entities with different industrial focus and financial metrics

NetCo

Wholesale

ServCo



Enterprise



Consumer



TIM Brasil

### Key benefits

1

#### Business & strategic

- Stronger **focus**
- **Strategic options** for the 4 entities
- Network company **dedicated infra perimeter** makes partnerships/aggregations easier

2

#### Regulatory

- Network company could be freed from cost-orientation if it becomes “wholesale-only” <sup>(1)</sup>
- Retail would enjoy regulatory relief

3

#### Financial

- Better **capital allocation**
- Better **allocation of debt** relative to cash-flows
- Better **visibility** on group assets and **attractiveness** for private money
- Allow **full valorization potential**
- A path towards **higher distribution to shareholders**

Retail to own mobile infrastructure and compete in fixed line on the same basis as OLOs  
Execution to require 12/18-months

# Strategic rationale: 4 very different entities, 3 in good shape



## NETWORK

building strong  
future cash flow

Wholesale ARPU uplift  
and margin stabilizing  
through accelerated shift  
from copper to fiber



## ENTERPRISE

strong growth  
ahead

Consolidating its  
leadership and growing  
thanks to Cloud, IoT,  
Cybersecurity and NNRP



## CONSUMER

fighting in crowded  
fixed and mobile

Most impacted by  
regulation and hyper-  
competitive market  
dynamics

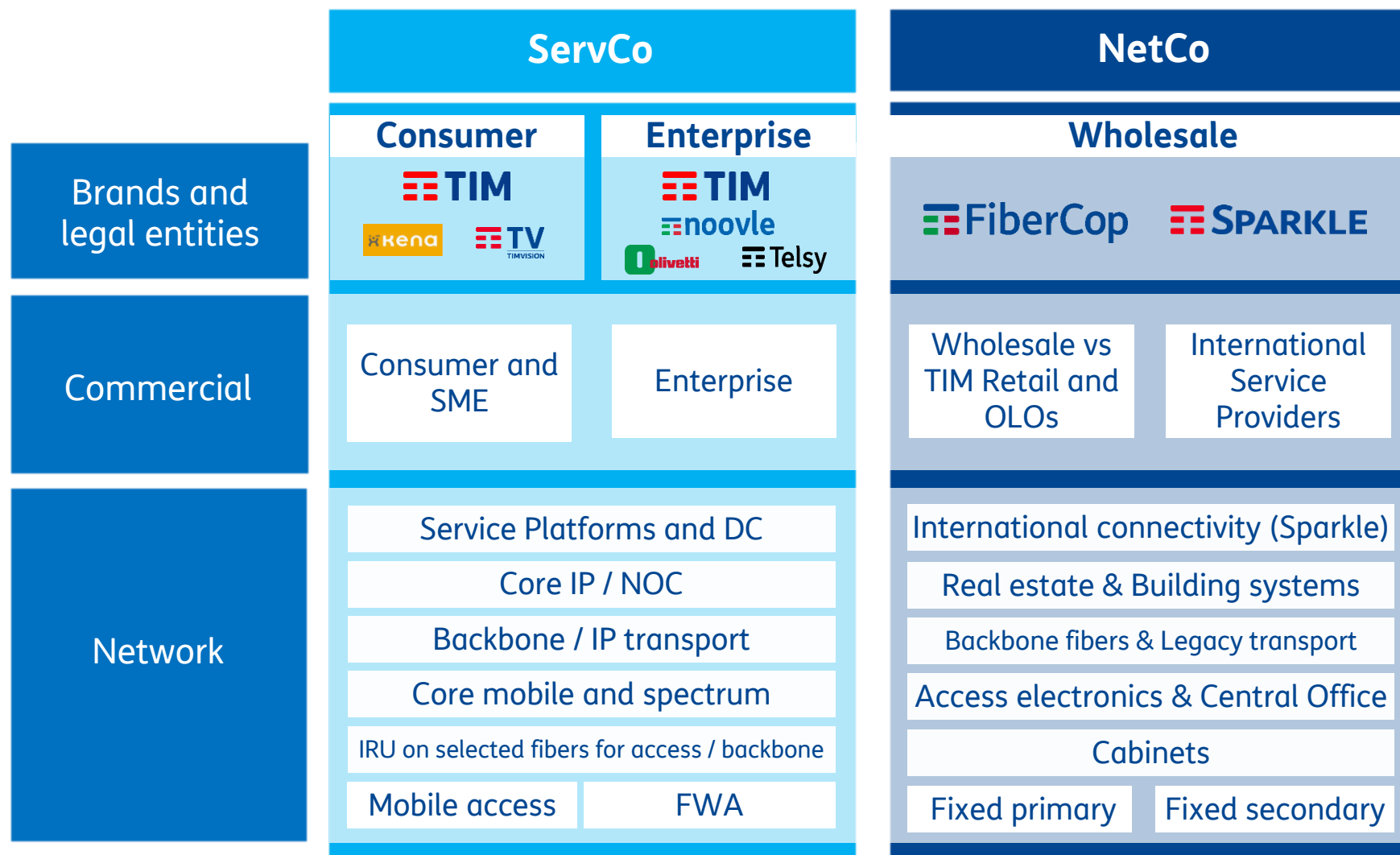


## TIM BRASIL

top performance  
and growth

Delivering on mid single-  
digit growth targets ready  
to benefit from market  
consolidation

# Potential domestic perimeter



# Beyond vertical integration towards expected regulatory relief

TIM today is subject to the most stringent fiber regulation in EU<sup>(1)</sup>

	IT	FR	DE	ES	UK	PT	SE
Fiber Bitstream	CO	-	ERT	ERT	-	-	-
Fiber VULA	CO	-	CO	ERT	NCO	-	-
Fiber ULL	CO	-	NCO	-	-	-	ERT
SLU	CO	CO	CO	-	CO	-	CO
Ducts	CO	CO	CO	CO	CO	CO	-
Dark Fiber	CO	-	CO	NCO	-	CO	CO

**CO** Cost orientation  
**NCO** No cost orientation  
**-** Obligation not imposed  
**ERT** Economic Replicability Test

Structural separation would provide regulatory relief



Expected Regulatory relief

## Retail

Elimination of current replicability rules (price test)

## Wholesale

Regulation promoting fiber investment and take up: elimination of cost-orientation and incentives for migration and decommissioning <sup>(2)</sup>



Option value vs potential combinations

# 2021 indicative financials

## Shareholders to get exposure to all entities

Indicative Financials  
2021 - €bn  
Organic figures

	ServCo		NetCo	Domestic	Preliminary
	Consumer	Enterprise	Wholesale <sup>(3)</sup>		Limited dis-synergies
Revenues <sup>(1)</sup>	~73% Consumer <sup>(2)</sup>	9.9	~27% Enterprise <sup>(2)</sup>	5.3	12.5
EBITDA AL	2.2 23% on revenues		2.2 41% on revenues	4.4	<p>The bulk of separation costs have already been paid in the past:</p> <ul style="list-style-type: none"> <li>- “Equivalence of Input” and “Equivalence of Output” required IT systems upgrades</li> <li>- FiberCop already separated</li> </ul>
CAPEX	1.7 17% on revenues		1.5 27% on revenues	3.1	
CAPEX / Sales % M/L TERM <sup>(4)</sup>	12-13%		14-15%		

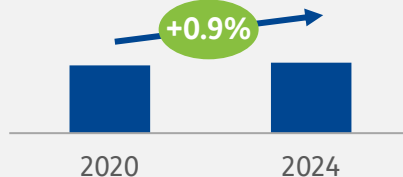
- (1) Including intercompany  
(2) Net revenues contribution  
(3) Including Sparkle  
(4) CAPEX net of license. Network CAPEX / Sales excluding Sparkle

# Wholesale: national to ride migration to FTTH, international to grow strongly

## Market context

- **Fixed lines** market expected **growing** supported by FTTH
- **Competition** from FTTH overbuild
- **NRRP** opportunities in grey areas

Wireline market growth  
%, CAGR



**SPARKLE**

## Market context

- Core connectivity: volumes doubling every 2 years
- Networking: value shifting towards solution vs. connectivity only

## Opportunities

- Strengthen leadership in the Core Connectivity business, with selective expansion in growing areas
- Exploit SD-WAN potential, blended by add-on security solutions and co-management capabilities

## Strategic priorities

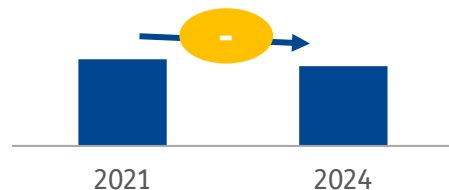
- **CB protection and UBB growth**
- **Co-investment agreements**
- **FTTx migration and technology upgrade**
- **Reinforce role as a backhaul provider**
- **Wholesale as a new channel for factories (Noovle, Olivetti, Telsy)**

Upsides not  
factored in plan

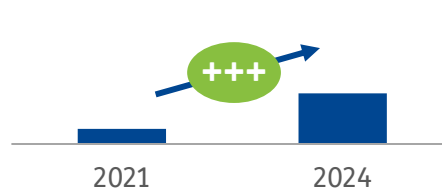
Extension of  
**FWA** wholesale  
to OAOs <sup>(1)</sup>

## KPIs

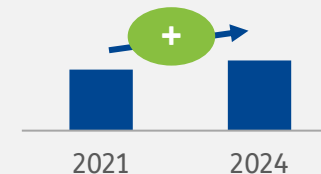
TIM lines (Retail + Wholesale)



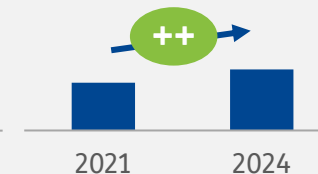
TIM FTTH



Revenues



EBITDA

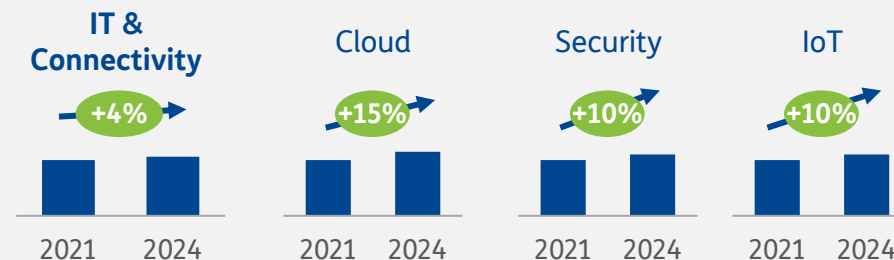


# Enterprise: evolving towards Tech-company operating model in a growing market

## Market context

- Market **growing at 4% p.a.** fueled by IT
- Evolving customer demand** towards integrated, convergent, e2e ICT solutions
- Increased **focus on data sovereignty** and security
- Significant **growth from PA**, with cloud-first strategy adoption and **NRRP / NSH<sup>(1)</sup>** as additional catalyst

### Market trends - spending



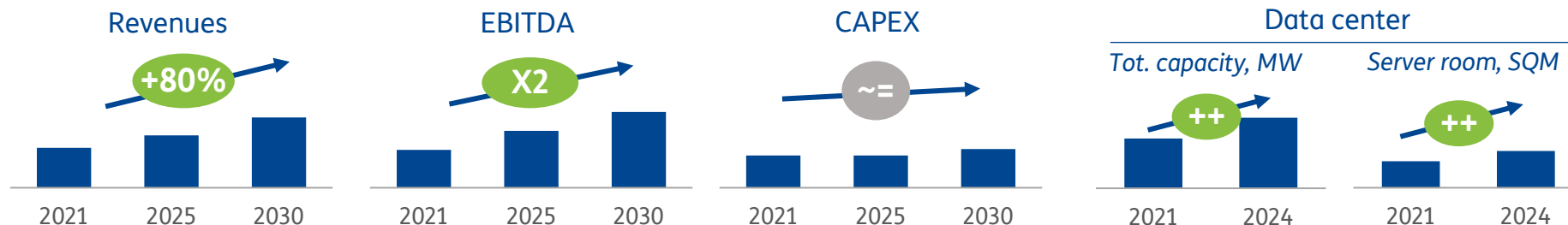
## Strategic priorities

- Drive shift from traditional to advanced connectivity solutions
- Strengthen integrated ICT offerings leveraging on Digital Companies' capabilities
- Evolve towards integrated unit to accelerate commercial traction
- Develop proprietary ICT products/solutions to sustain/improve marginality
- Prioritize focus on large corporates and PA to capture NRRP / NSH<sup>(1)</sup> opportunities

Upsides not factored in plan

Synergies from more integrated operating model  
PNRR boost

## Financials





# Enterprise: set to grow market share thanks to a unique value proposition: Secured MultiCloud and Advanced ICT made simple

## Clear transformation path



## Enterprise to grow even faster vs. market thanks to unique value proposition

### "One-stop-shop" approach

### End-to-end tailored offering

### Unparallel capabilities

- Complete and diversified product portfolio, integrated Go-to-market approach
- Capabilities to integrate and orchestrate different ICT solutions, offering simplicity
- Strong competences and track record to meet large corporate/PA's complex needs
- Opportunity to develop off-the-shelf ICT products for Consumer/SMB segments
- TIM already the leader in ICT market, able to guide further market consolidation
- Simple replication of the model abroad in the future

noovle

Olivetti

Telsy

### Cloud offering

Cloud transformation

Modern workplace

Security

DC services

Customer experience

AI &amp; Analytics

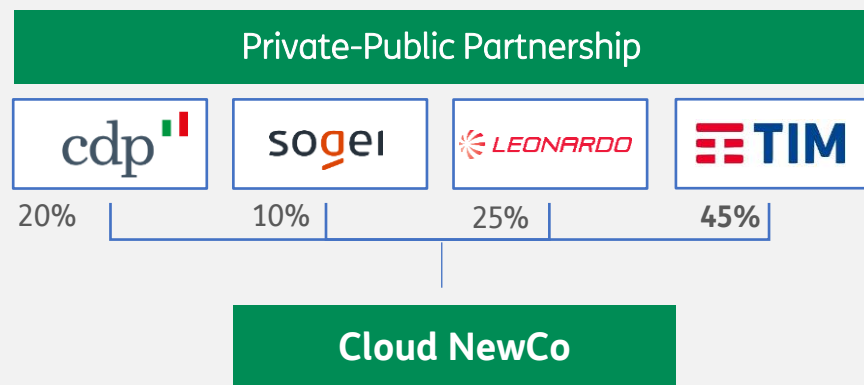
### Data Centers



16 sites  
50k sqm

# Enterprise: Strong cloud growth expected in PA segment, thanks to the NSH initiative and more to come from the NRRP

TIM-led consortium project selected as the most suitable for the creation of the **National Strategic Hub (NSH)** <sup>(1)</sup>



## Cloud NewCo business model

NewCo buys services and infrastructure mainly from industrial partners and sells to PA:

- **Cloud migration / set-up** (supported by respectively €1bn / €0.9bn<sup>(2)</sup> Recovery and Resilience Facility)
- **Infrastructure and services** (recurring revenues)

## Cloud NewCo Financials <sup>(1)</sup>

-TIM-led consortium proposal -  
(cumulated values, 13 years)

Revenues	€ 4.4bn
Operating costs	€ 3.2bn
EBITDA	€ 1.2bn
CAPEX	€ 0.7bn

## National Recovery & Resilience Plan - €235bn & other public funding initiatives <sup>(3)</sup>

**Short-list of main public funding initiatives**  
with telco component (total digital €50bn)

M1 Industry 4.0	18.5	Ongoing	M1 NSH & PA cloud migration	1.9	Tender phase <sup>(2)</sup>
M1 Italia 5G	2.0	Pre-tender	M1 Italia 1 Giga	3.7	Tender phase
O Vouchers Phase 1	0.2	Closed	O Vouchers Phase 2	0.9	SMB approved
O Connected Schools Phase1	0.3	Ongoing	M1 Connected Schools Phase 2	0.2	Tender phase
M4 Schools cabling	0.5	Ongoing	M1 Connected health care	0.4	Tender phase
M3 Green Ports	0.3	Call for expression	M4 Open RAN & Cloud Edge	1.5	Awaiting approval

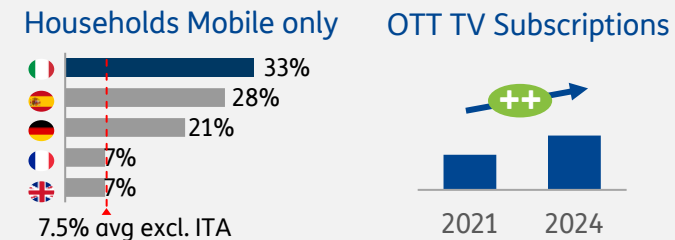
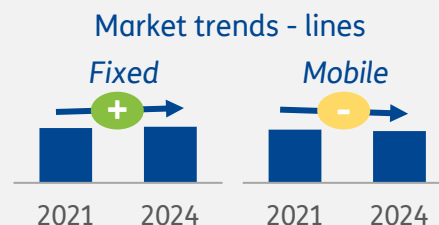
M1-6 NRRP mission  
"O"= other funds

€bn Resources allocated <sup>(4)</sup>

# Consumer: value strategy and focus on retaining existing client base

## Market context

- **Fixed** market growing, competition expected to remain intense
- **Mobile** shows signs of stabilization
- Migration towards **FTTH** and **5G**



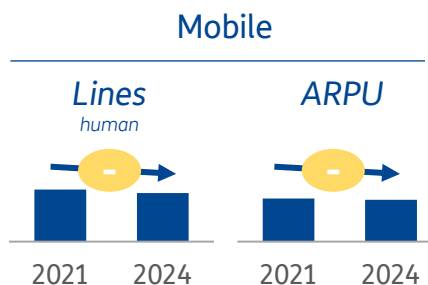
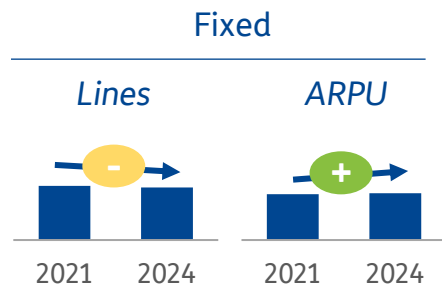
## Strategic priorities

- **Brand:** revamp tiered premium positioning, “high-tech made in Italy” and handset financing through TIMFin
- **Shift from acquisition to CB caring and retention**
- **Leverage new wave of vouchers**
- **Improve channel performance on core**
- **Targeted upselling actions**
- **Further push on convergence**
- **Content:** improve marginality and develop options for transforming business model

Upsides not factored in plan

Leveraging unique combination of 5G, devices and unlimited plan  
Mobile only specifically targeted  
More help from Vouchers

## KPIs



# SME: opportunity to leverage TIM's unique selling proposition

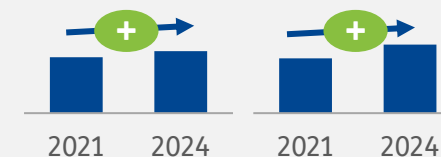
## Market context

- SMB is an heterogenous segment, where TIM must defend Medium/Small and has **room to grow in mobile and convergence**
- TIM is **the only integrated player in the market**, offering traditional and advanced connectivity solutions plus IT/ digital products and services

### Market trends - lines

Fixed

Mobile



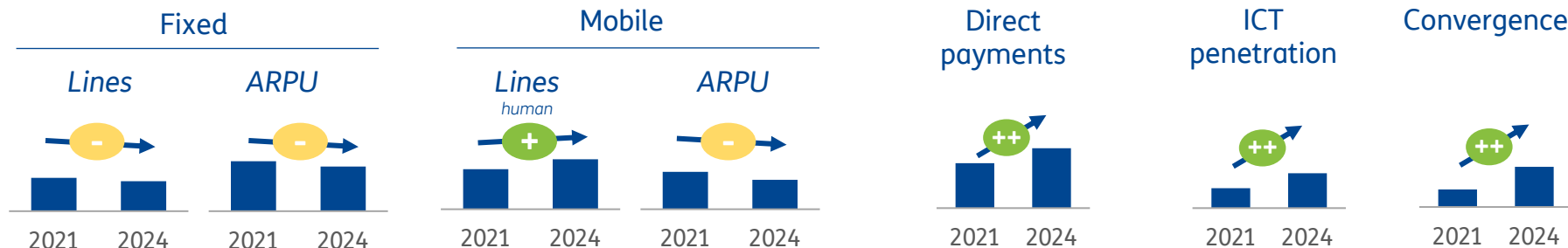
## Strategic priorities

- Sustain premium positioning
- Protect existing CB and ARPU
- Data driven management for CB micro-cluster
- Strengthen caring and customer experience
- Push ICT as a "reason why" for choosing TIM
- "More for more" strategy
- Technology upgrade through vouchers

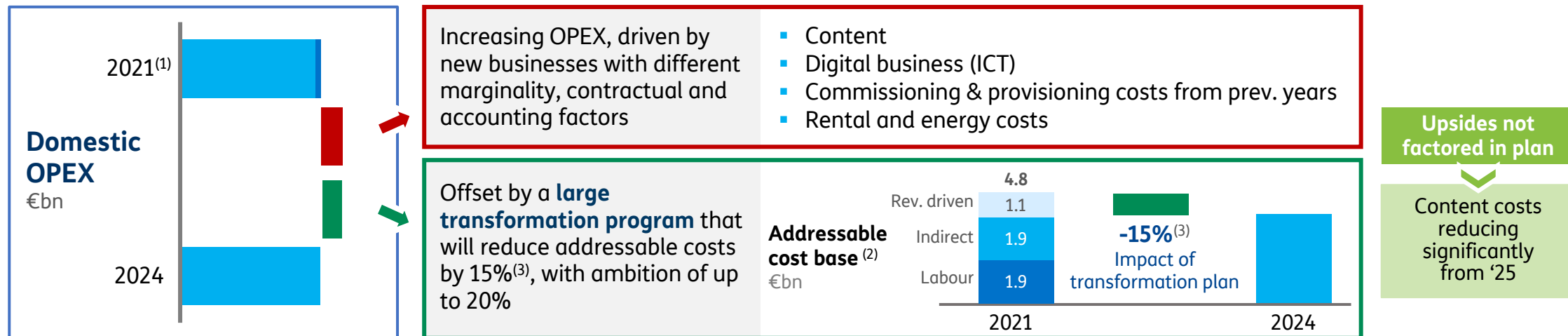
Upsides not factored in plan

More help from Vouchers

## KPIs



# Transformation plan to cut addressable costs by 15%, with ambition to cut >20%



## Transformation plan initiatives

Non exhaustive

### Revenue driven

- Equipment: margin to improve 3pp over the plan period

### Other costs

- Rationalize fixed and mobile offers (lower #)
- Decommissioning and layering IT, stop 3G
- Move to digital and automatization
- Offshore part of IT in Brazil
- Consolidate suppliers
- Centralize procurement
- Make or buy approach

### Labour

- Reduce working hours
- Early-retire ex. Art.4
- Incentivize exits, delayer organization
- Scale up Agile way of working

**Q4 AND FY '21 RESULTS**

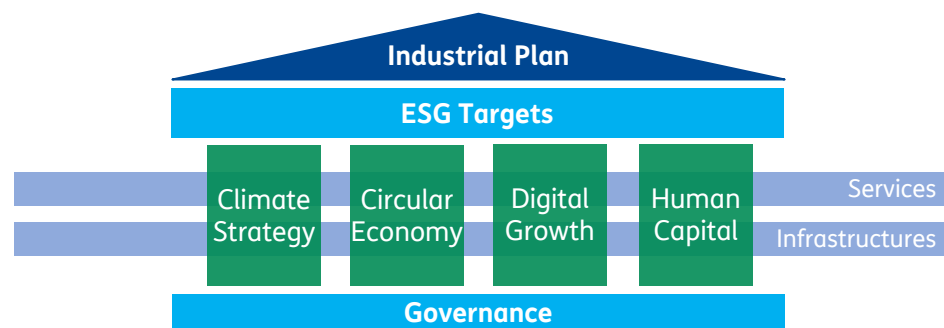
**FOCUS ON TIM BRASIL**

**2022-2024 GROUP STRATEGIC PLAN**

**CLOSING REMARKS**

# The ESG plan in a nutshell. Raising ambitions

The ESG plan is focused on relevant and impacting projects



## ESG Governance levers

- Adapt processes to the environmental criteria provided by NRRP to be eligible (e.g. certifications, purchases criteria)
- Implement **sustainable supply chain** deploying ESG KPIs through the procurement process

## ESG pillars

- Strengthen **Climate Strategy** with a Net Zero goal thanks to new projects on Scope 3
- Digital growth**, according to Digital Compass, focused on coverage and disseminating digital services and tools
- Spread **Circular Economy** model reducing waste and reusing materials according to the Green Deal
- Strengthen **Gender equality** by increasing the number of women managers

## Group targets

NEW	E Net Zero (Scope 1+2+3)	2040
	E Carbon Neutrality (Scope 1+2)	2030
NEW	E Scope 3 Reduction <sup>(1)</sup>	-47% 2030
	E Renewable energy on total energy (%)	+100% 2025
NEW	G Women in leadership position <sup>(2)</sup>	29% 2024

*Human Rights commitment: update due diligence, policy & remedies*

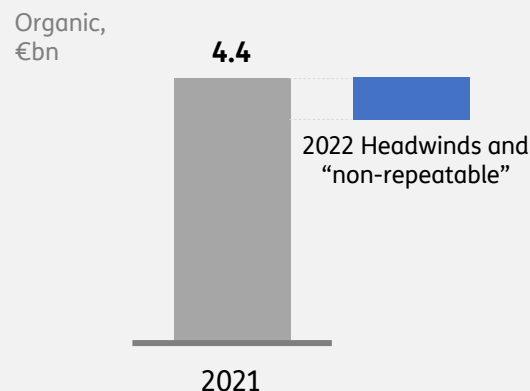
## Domestic targets

	E Green Products & Smartphones	≥50%	2024
NEW	E Circular Economy ratio <sup>(3)</sup>	+11%	
	S IoT & Security service revenues	+20% CAGR	
NEW	S Digital Identity Services	+15% CAGR	
NEW	S % People trained on ESG skills	90%	
NEW	S Young Employees Engagement	≥ 78%	2026
NEW	S FTTH Coverage	≥60% of POP	

*Reorganization via voluntary staff reduction tools*

# Some headwinds affecting 2022 domestic EBITDA and group net debt

## Domestic EBITDA AL



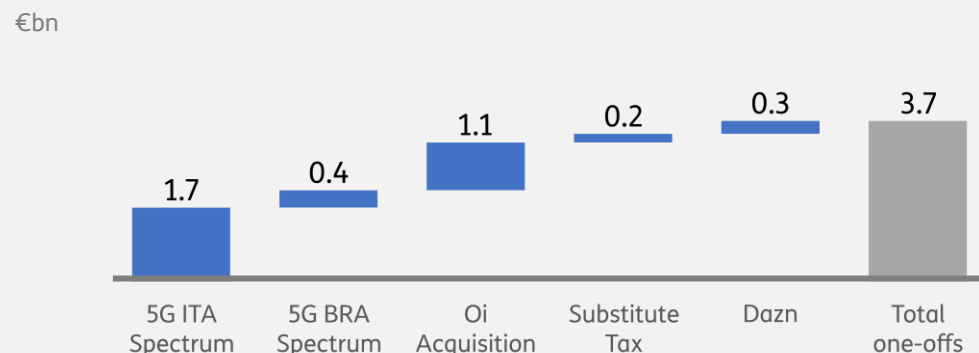
### 2022 headwinds: regulatory and competitive environment impacts

- Following new law (DL 207/2021), we are modifying our offers for consumer and microbusiness with front-end loaded impact on activation and equipment revenues in 2022, fading away in following years
- Regulated prices update (MTR and fixed wholesale regulated prices)
- Impact of newcomer in fixed and loyalty plans
- Stricter rules on vouchers (still a help but not as much as expected)

### Non-repeatable: some actions have not been rolled-over into '22 budget

- Wholesale '21 over-performance (product sales, service revenues) and USO
- Improved churn in Fixed and Mobile, benefiting commissioning
- Subsidies for public training

## Δ Net Debt AL 2021-'22



**Extraordinary payments: spectrum, Oi acquisition, DAZN payments and substitute tax weighing on 2022 net debt**



# Closing remarks, guidance (including OI) and next steps

- We are living an unprecedented period for TIM, and it's **time to take action**
- **CEO fully empowered** by the BOD to develop the execution plan of the group's reorganization
- **Capital Market Day upon completion of plan details before half year results**
- Based on current configuration:
  - GROUP SERVICE REVENUES to grow low single digit CAGR '21-'24 (with 2022 to decrease low single digit)
  - GROUP organic EBITDA CAGR '21-'24 flat (with 2022 to decrease low teens) <sup>(1)</sup>
  - GROUP CAPEX at E4.0bn in 2022, E3.9bn in 2023 and E3.8bn in 2024, with Domestic CAPEX/Sales <15% in the medium-long term <sup>(2)</sup>
  - 2022 NET DEBT will be affected by spectrum payments and Oi acquisition with its impact on leverage fully absorbed by 2025
- **Guidance on new TIM entities** will be provided at the CMD
- Received binding offer from Ardian Infrastructures for the majority of Daphne 3 <sup>(3)</sup>
- Intention to reinstate **dividends** as soon as the reorganization envisaged will have brought the expected results

**Q&A**

**ANNEX**

# Deferred Tax Asset – Realignment of intangible asset tax value

	Impact on 2020 Financial Statements (benefit: 18 years)	Impact filled in 2021 Financial Statements (benefit: 50 years)	
Realignment of the tax value	<b>+€ 5.9bn</b> <i>P&amp;L – Positive item in income tax expenses</i>	<b>-€ 3.8bn</b> <i>P&amp;L – Negative item in income tax expenses</i>	Write-off of IRES DTA exceeding 25y and full IRAP DTA based on future income estimates, based on 22-24 industrial plan
TIM SpA intangible assets redeemed € 23.1bn	<b>€ 6.6bn</b> <i>Balance Sheet – Deferred tax assets</i>	<b>€ 2.7bn</b> <i>Balance Sheet – Deferred tax assets</i>	
Substitute tax (3%)	<b>€ 0.7bn</b> <i>Balance Sheet – Income tax payables</i>	<b>€ 0.4bn</b> <i>Balance Sheet – Income tax payables</i>	<ul style="list-style-type: none"> <li>First payment in 2021 (€ 261m)</li> <li>Next Payments due: 2 instalments in '22 and '23</li> </ul>
Cash out 2021 for substitute tax	<b>0</b> <i>Balance Sheet – Cash out</i>	<b>€ 0.3bn</b> <i>Balance Sheet – Cash out</i>	
Net equity suspended for tax purposes	<b>€ 22.4bn</b> <i>Balance Sheet – Net Equity suspended</i>	<b>€ 22.4</b> <i>Balance Sheet – Net Equity suspended</i>	Net equity suspended shall be reduced to €14.1bn consequent to the 2021 loss amounting to €8.3bn that will be covered using profits carried forward and reserves

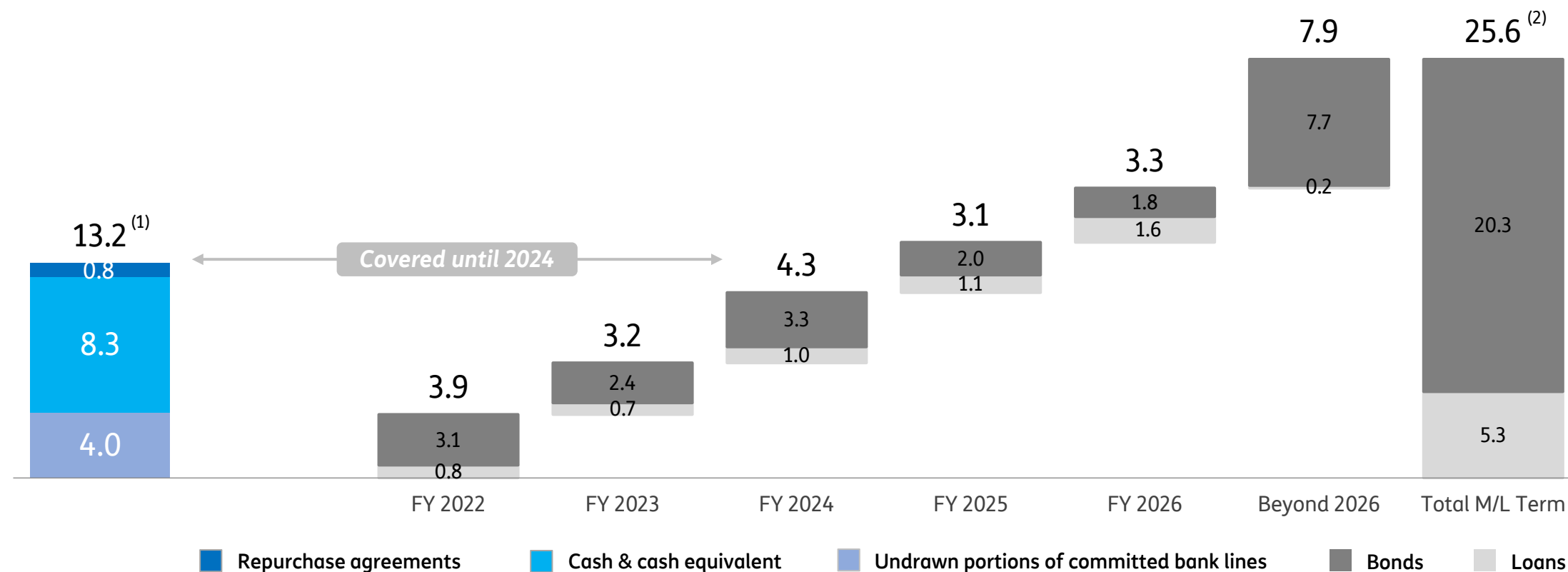
A legislative proposal is currently under review providing for conversion of goodwill DTAs in tax credits.  
If approved, it will be included in legislation to be published by the end of March

# Liquidity margin - After Lease view

Cost of debt ~3.4%, +0.1pp QoQ, flat YoY

## Liquidity Margin

## Debt Maturities



(1) Includes € 838m repurchase agreements o/w € 200m will expire in February 2022, € 558m will expire in March 2022 and € 80m will expire in April 2022  
 (2) € 25,615m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 696m) and current financial liabilities (€ 1,538m), the gross debt figure of € 27,849m is reached

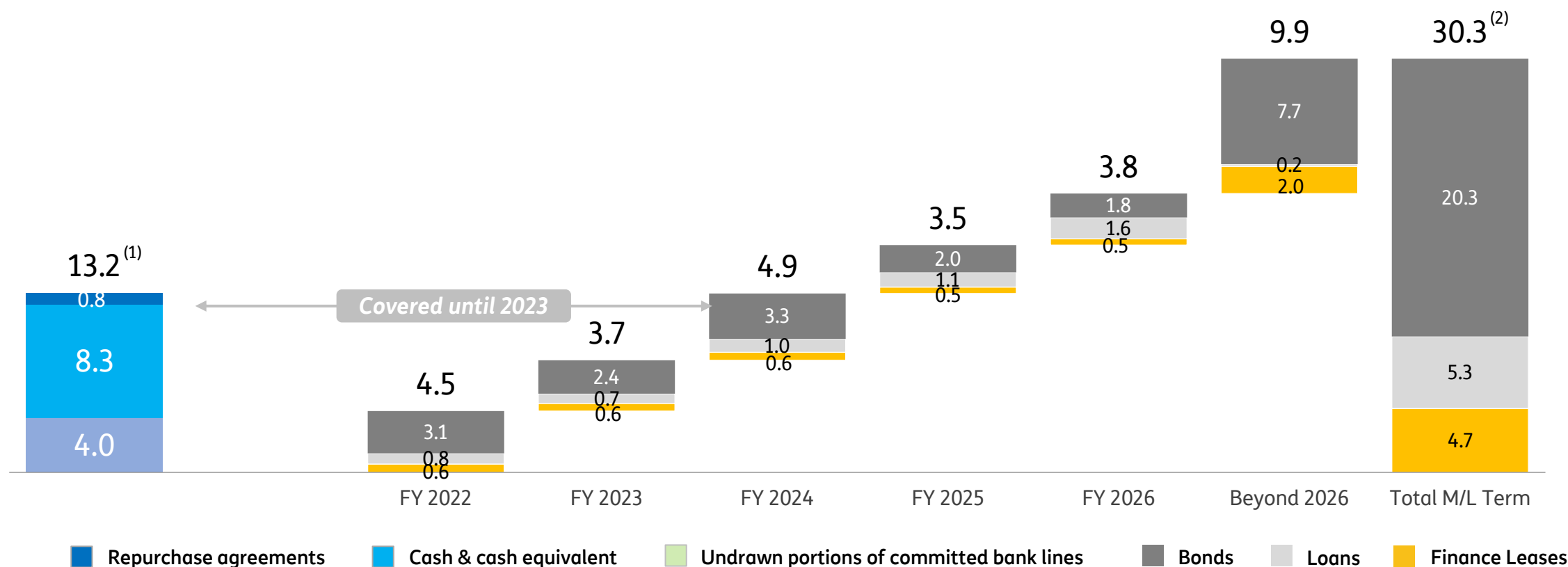
# Liquidity margin - IFRS 16 view

Cost of debt ~3.7%\*, flat QoQ and YoY

\* Including cost of all leases

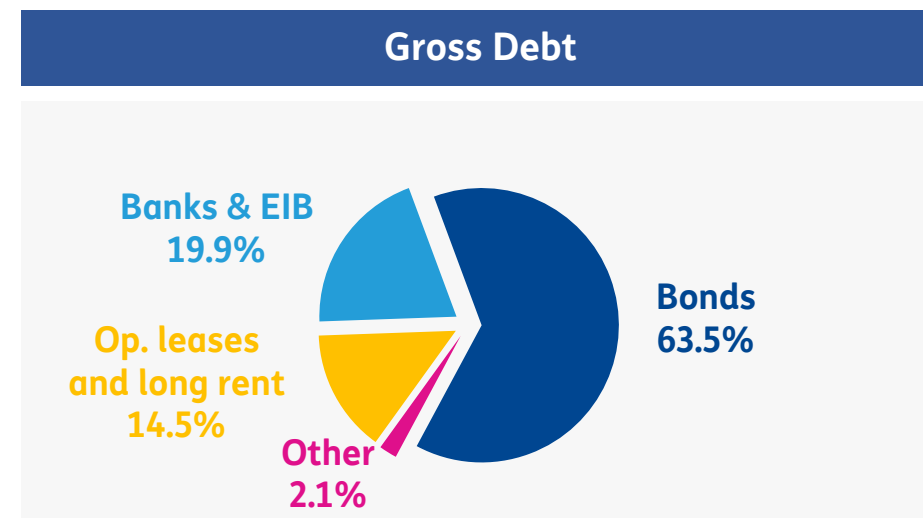
## Liquidity Margin

## Debt Maturities



# Well diversified and hedged debt

	NFP adjusted	Fair value	NFP accounting
<b>GROSS DEBT</b>			
Bonds	20,672	223	20,895
Banks & EIB	6,493		6,493
Derivatives	142	1,310	1,452
Leases and long rent	4,715		4,715
Other	542		542
<b>TOTAL</b>	<b>32,564</b>	<b>1,533</b>	<b>34,097</b>
<b>FINANCIAL ASSETS</b>			
Liquidity position	9,153		9,153
Other	1,224	1,304	2,528
o/w derivatives	852	1,304	2,156
o/w active leases	101		101
o/w other credit	271		271
<b>TOTAL</b>	<b>10,377</b>	<b>1,304</b>	<b>11,681</b>
<b>NET FINANCIAL DEBT</b>	<b>22,187</b>	<b>229</b>	<b>22,416</b>

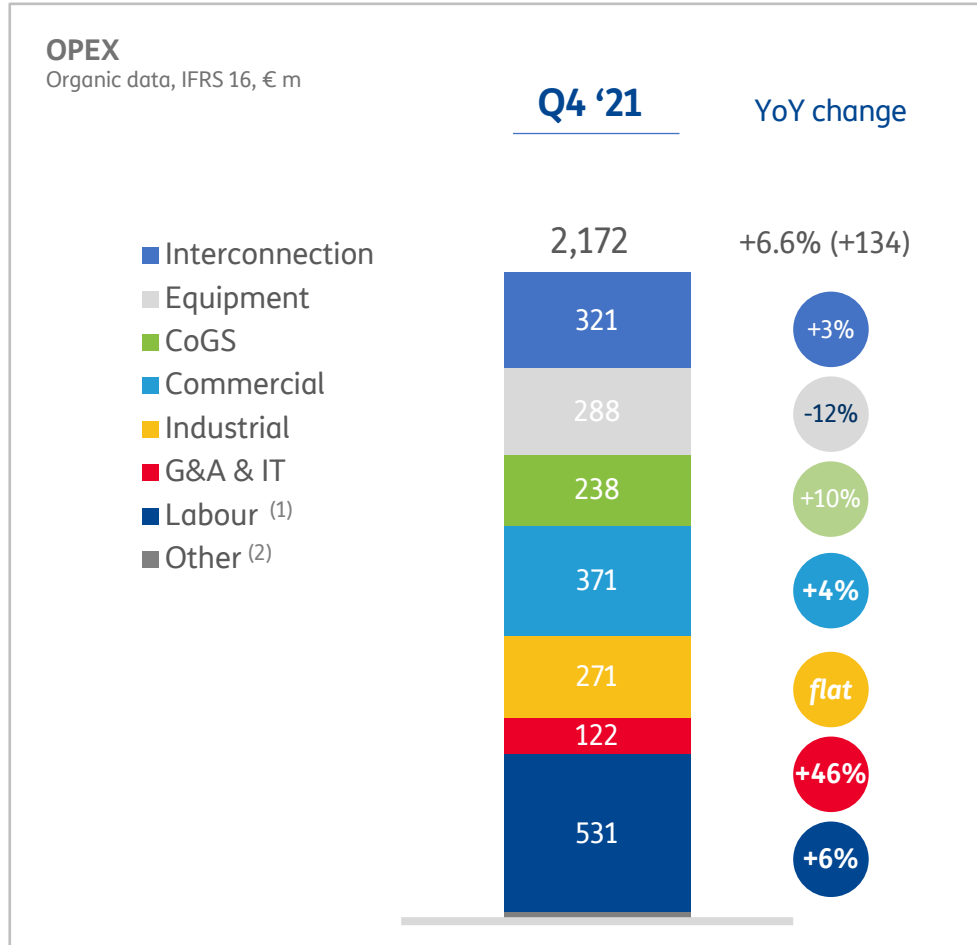


**Average m/l term maturity:**  
6.5 years (bond 6.1 years only)

**Fixed rate portion** on medium-long term debt ~**81%**

Around **26% of outstanding bonds** (nominal amount)  
denominated in **USD and GBP** and **fully hedged**

# OPEX higher mainly due to start up costs (football, cloud, ICT, digital companies)



OPEX increasing 6.6% YoY, with:

- **Variable costs** -1%, with lower equipment balanced by higher interconnection (Sparkle) and CoGS (ICT)
- **Commercial costs** up 4% YoY due to higher football and cloud set up costs, partly offset by lower commissioning and bad debt, explaining ~1pp of increase in Q4 OPEX
- **Industrial costs** flat
- **G&A** up for indirect personnel costs, covid rebound and energy. **IT** increase related to ICT sales. **G&A and IT** explaining ~2pp of increase in Q4 OPEX
- **Labour** +6% YoY for contract renewal and accrual of variable costs in Q4 vs. Q3 last year and lower capitalization, partly offset by lower FTEs and solidarity. This explaining ~2pp of increase in Q4 OPEX



# For further questions please contact the IR team



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