

TIM GROUP

Q1 '21 RESULTS

A better Company in an improving
Country outlook

20 May 2021



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 Q1’21 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 January 1, 2021.

The financial results for Q1’21 of the TIM Group are unaudited.

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.



OPERATIONS UPDATE

Beyond connectivity plan update. Revenues flat YoY in Q1

What happened in Q1

KPIs

ESG



- **CSI** and **NPS** keep improving
- New “**Expansion Contract**” signed and active from May
- Inaugural sustainability bond

CSI **+1% QoQ**, NPS **+2 QoQ** ⁽¹⁾
 ~**1,300** exits in H1
 Lowest coupon ever **1.625%**

Domestic



- **FSR and fixed lines stable**, **UBB net adds strong**, distribution of Serie A matches to push growth further
- Growth engines (**TIM's Factories**) **on track to deliver on targets**
- Lowest **mobile churn** in the last 14 years

Retail UBB net adds **+119% YoY**
 ICT revenues **+30% YoY**
 Mobile churn **3.8%** in Q1

Brazil



- **Reshape of revenue profile** with customer transition to value
- **ARPU growth** in all segments and **NPS improvement**
- Acceleration of **EBITDA growth**

Service revenues **+3.3% YoY**
 ARPU **+6.6% YoY**
 EBITDA **+4.8% YoY**

Cash generation

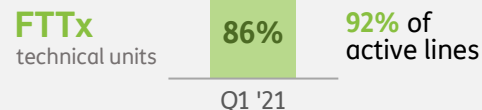


- Organic **debt reduction** ongoing and €1.8bn proceeds from KKR
- EFCF solid performance
- FY 2021 guidance already neared in Q1

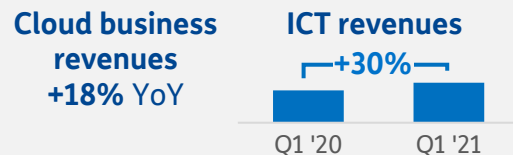
Net Debt AL **-€ 2.0bn QoQ**, **-€ 5.1bn YoY**
 EFCF AL **€ 307m** in Q1, **+57% YoY**
 Leverage **2.7x** EBITDA AL LTM⁽²⁾

“Fix the fixed” continues to deliver results with FSR stabilized and mobile churn helped by convergence

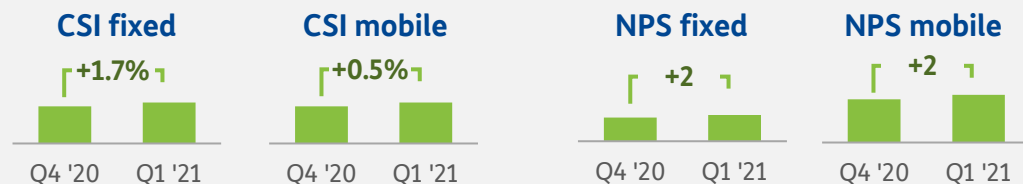
widest coverage



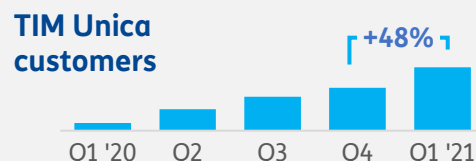
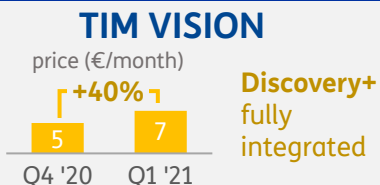
growing digital



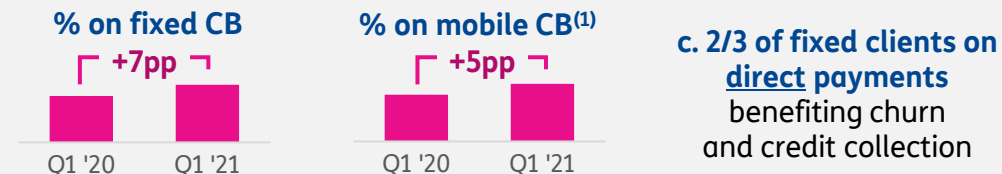
better quality



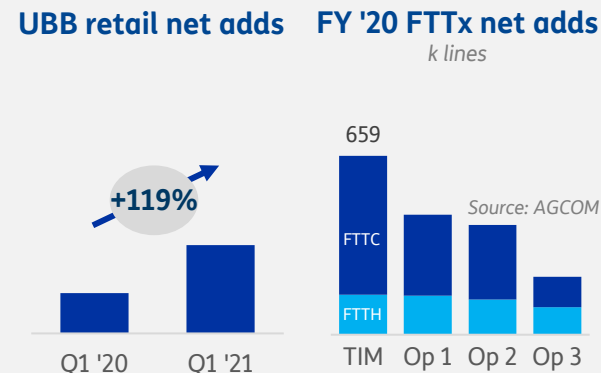
enriched convergence



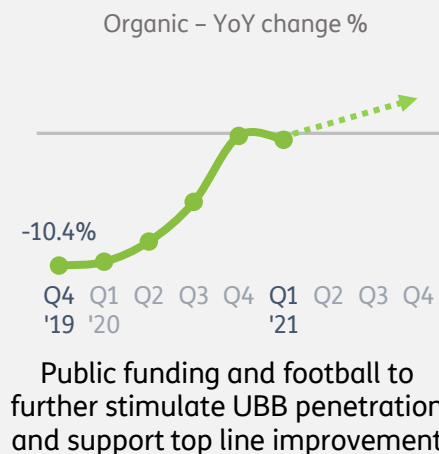
push on direct payments



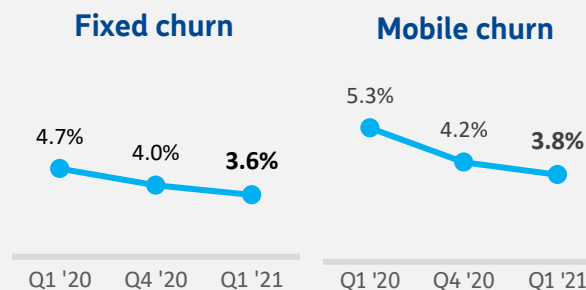
higher UBB penetration



Fixed Service Revenues towards growth



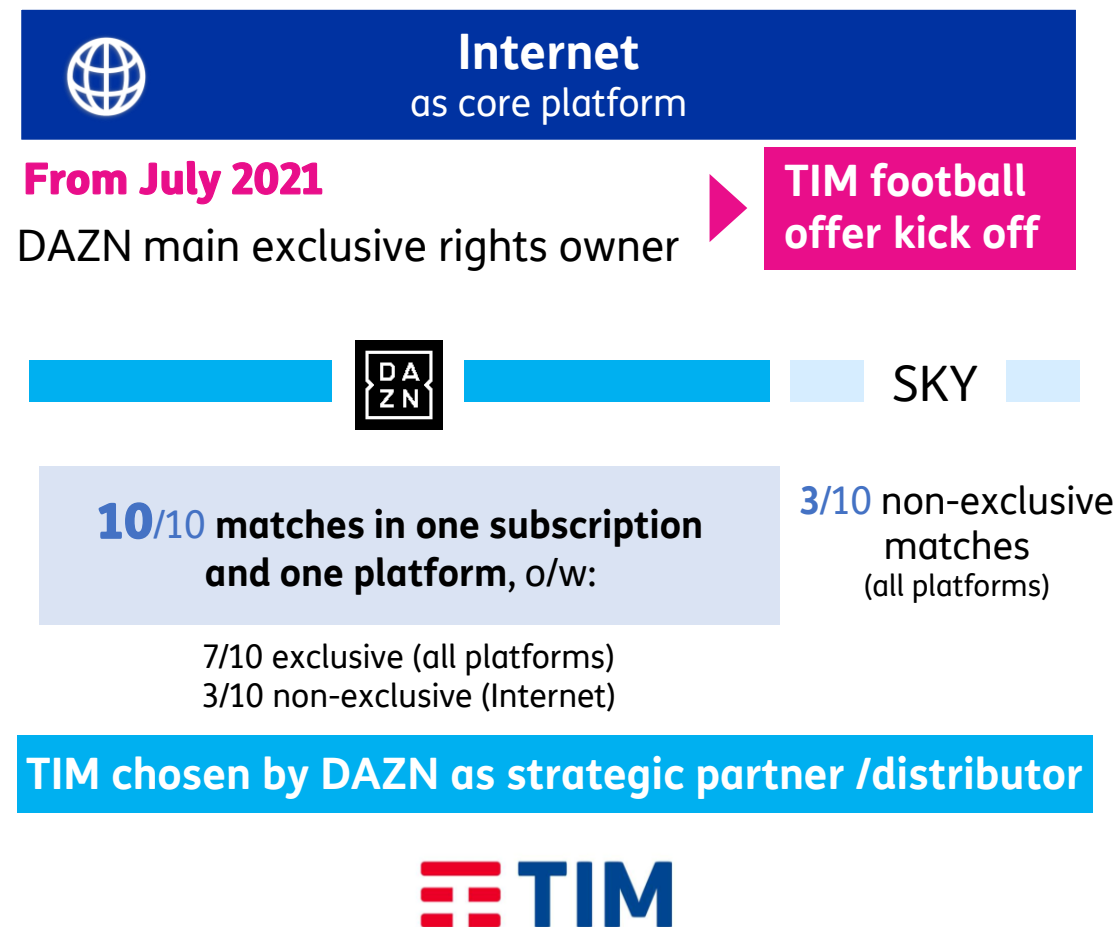
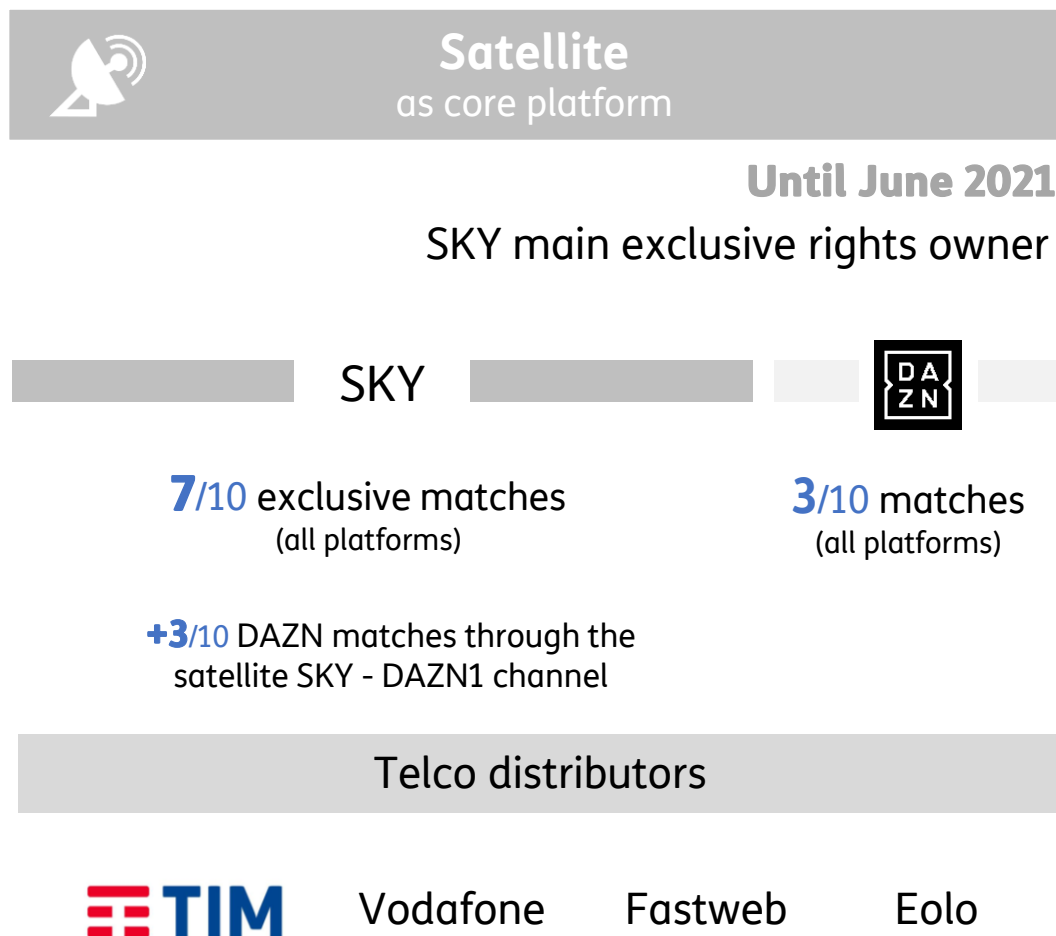
lower churn



Mobile Service Revenues towards stabilization



Italian football goes on fiber. TIM becoming “THE” telco distributor

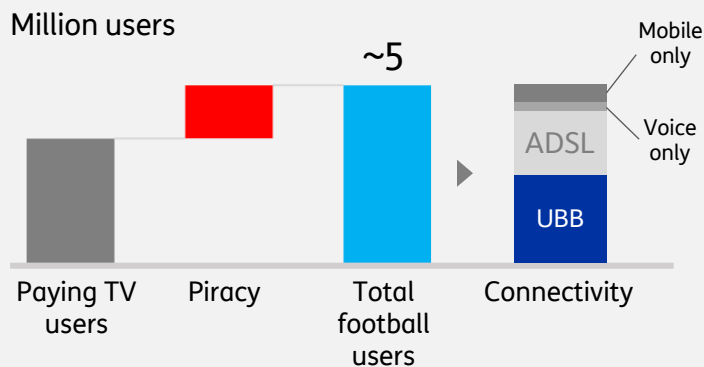


Benefits for TIM: 1) New revenue stream, 2) Stronger UBB demand, 3) Additional push on convergence (TIM Unica)

Football presently distributed mainly through SKY's satellite

Move to Internet will push migration from mobile-only and DSL to fiber

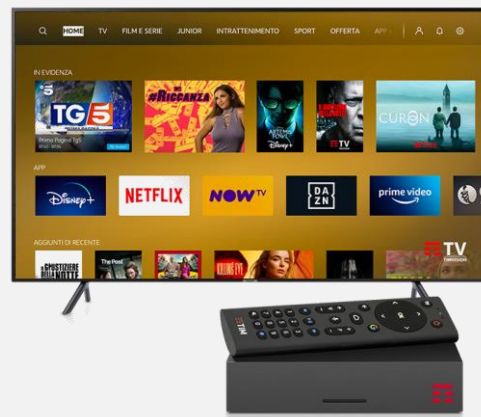
Italian football market ⁽¹⁾



>50% of football viewers still with no UBB

- Satellite is the main distribution platform (share on paying football CB >80%)
- Further opportunity from piracy prevention through stronger law enforcement and new technology: **the police stopped illegal streaming for 1.5m last weekend**

makes TIMVISION “THE” choice



Widest and unique offer in the market with all the main contents in one place

- **Entertainment:** Disney+ (bundle exclusivity), Discovery+, Netflix, Amazon Prime Video, Mediaset, Turner, Viacom/Paramount, Chili, Youtube
- **Sport:** DAZN, Eurosport, Now TV

opening new opportunities

FTTF

Fiber to the Football



Italian public funds and Next Generation EU

to provide a **boost to UBB take-up**

Kick off of Dazn partnership

~€70m set-up capex expected in FY '21



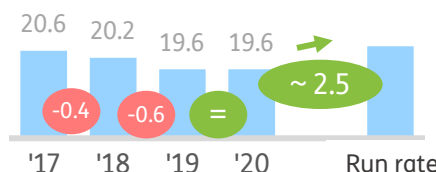
4 key growth drivers for Italian telecoms from demand evolution: 1) Football on Fibre, 2) “mobile only” to fixed BB, 3) beyond connectivity, 4) public funds

Market growth drivers

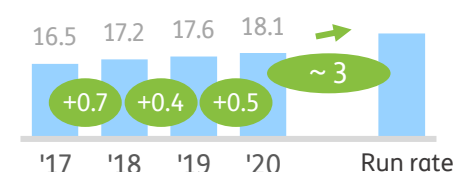
TIM's actions to capture them

Fixed-mobile substitution trend reversed

Italian Fixed lines⁽¹⁾



Broadband lines⁽¹⁾



Mobile only customers⁽²⁾



TIM contributing to expand market opportunities through DAZN agreement and FTTH roll out

TIM



FiberCop

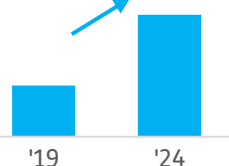
FTTH in 76% black+grey areas by 2025

Beyond connectivity

Market revenues

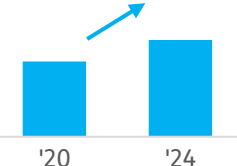
Cloud

+19% CAGR



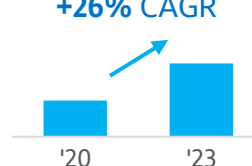
IoT

+7% CAGR



Smart Home

+26% CAGR



TIM's factories targeted to double sales by 2023⁽³⁾

noovle

Cloud & data center

Telsy

Cyber security

olivetti

IoT

SPARKLE

International services

Smart District Project launched in Q1 in Italy's 140 industrial districts (25% of Italy's production): TIM offering connectivity in combination with Cloud and edge computing through Noovle, Cyber-security through Telsy, IoT through Olivetti and International services through Sparkle

Public funding: a total of €235bn will boost Italian GDP outlook ~27% of Italian Recovery & Resiliency Facility allocated to digital/telecoms

Recovery fund

Digitalization

Green revolution

Infrastructure

Education

Social

Health

€235.1bn⁽¹⁾

€46.3 → 49.9bn⁽²⁾

€69.9bn

€31.5bn

€33.8bn

€29.8bn

€20.2bn

- Recovery and Resiliency Plan submitted to the EU Commission.
- Funds increased 10% for digital

o/w Recovery & Resiliency Facility

Public Administration

Businesses

o/w Transition 4.0

o/w UBB & 5G

Tourism & Culture 4.0

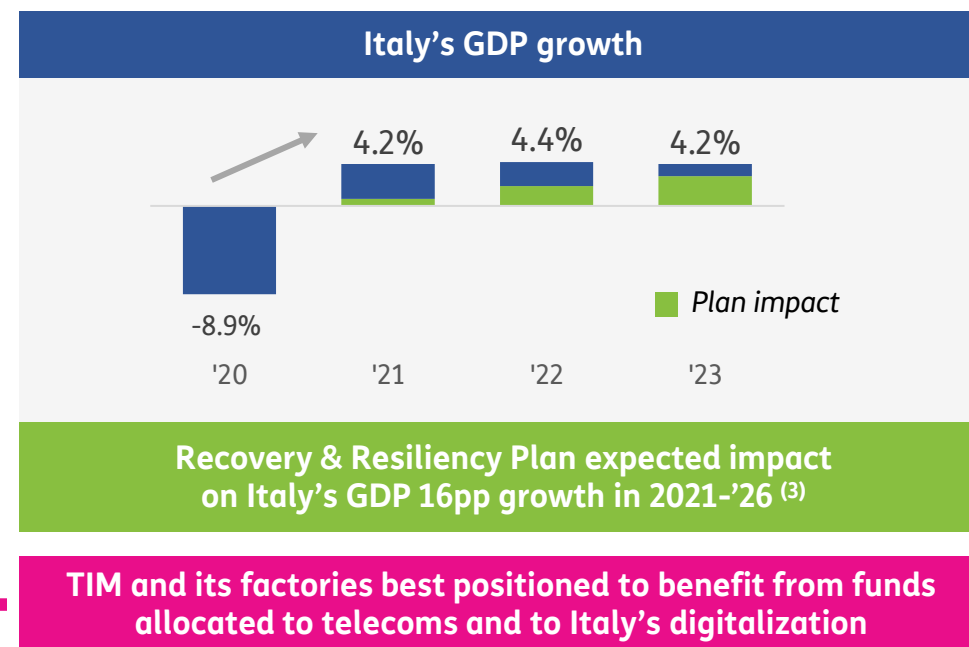
€ 9.8bn

€ 23.9bn

€ 13.4bn

€ 6.7bn

€ 6.7bn

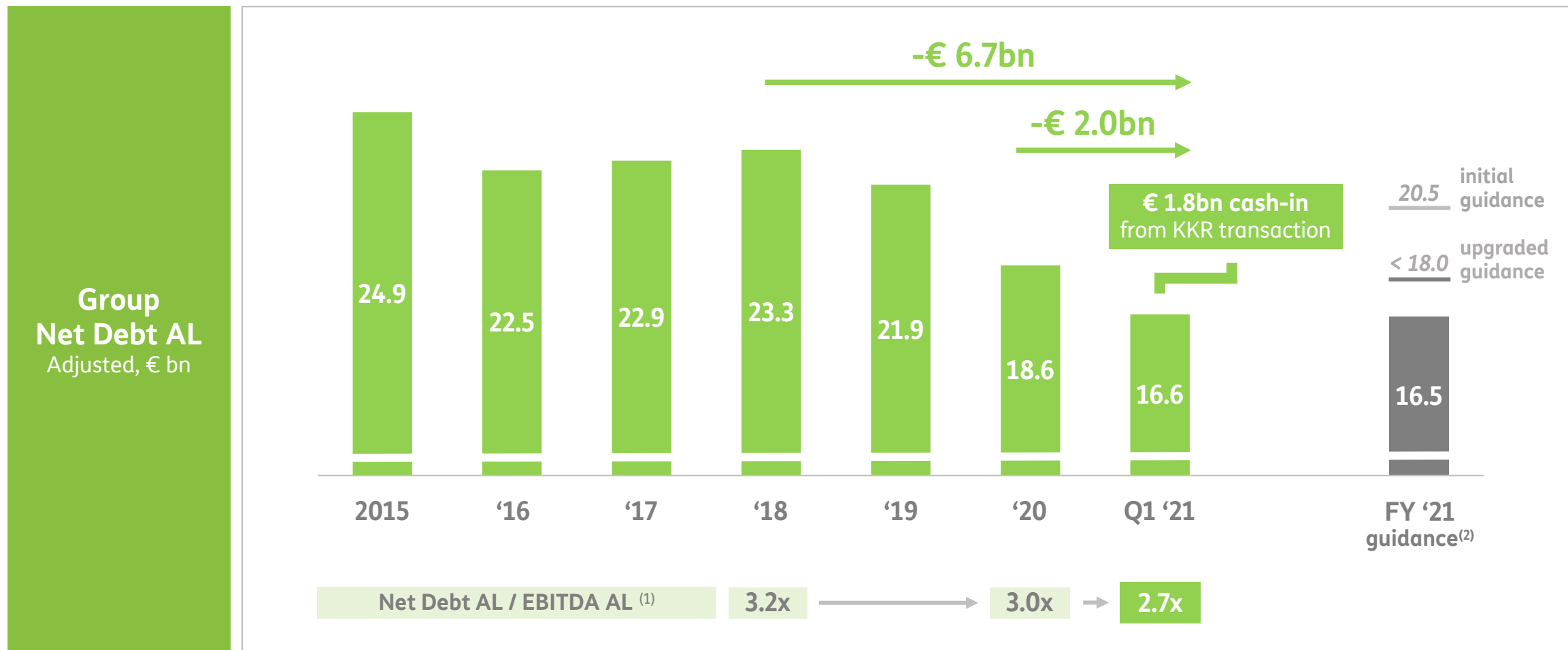


Vouchers	€0.2bn (phase 1)	Ongoing, >60% still available	TIM most active provider so far: 76% ⁽⁴⁾ of vouchers volumes
	€0.9bn (phase 2)	To be launched by the summer	
Schools	€0.4bn	68% already assigned in public tender	Revenues for TIM expected from Q3
"Italia a 1 Giga" plan	€1.1bn → €3.9bn	Consultation ongoing for roll out in grey areas	Funds for grey areas 3.5x higher vs. draft. TIM's fiber at the cabinet ubiquitously in grey areas
"Italia 5G" plan	€2.0bn	Infrastructure mapping in Q2, tender in Q1 '22	Details yet to be disclosed

(1) ~27% of Recovery and Resiliency Facility (~€ 52bn out of €191.5bn RRF) is specifically allocated to digital investments. React EU and Complementary fund to further enlarge the bucket
 (2) Increase versus draft edition of Recovery and Resiliency plan
 (3) Source: Ministry of Economy and Finance, Banca d'Italia
 (4) Source: Italian Government Parliamentary audition on 13 April 2021

Net Debt AL: € 6.7bn debt cut from 2018, -€ 2.0bn in Q1 '21

Leverage at 2.7x EBITDA AL





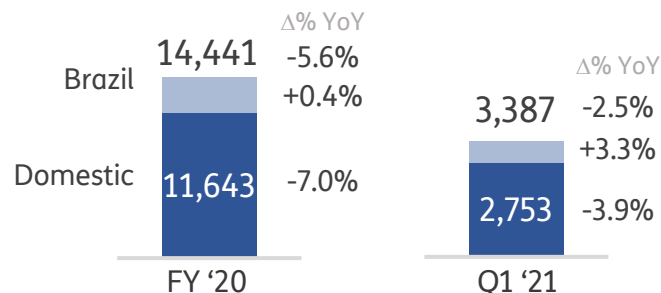
Q1 '21 FINANCIAL & OPERATING RESULTS

Cash generation and debt reduction accelerate. Revenues stable YoY

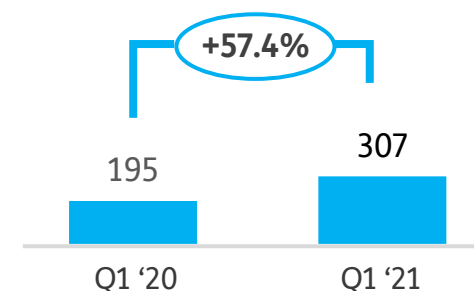
Organic data ⁽¹⁾, IFRS 16, € m

Service revenues

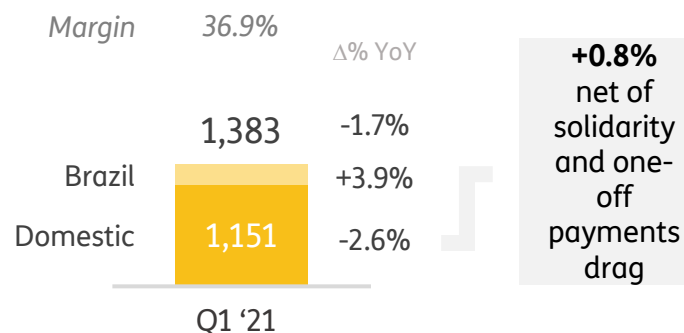
Total revenues Q1 flat YoY Group, -0.6% YoY Domestic



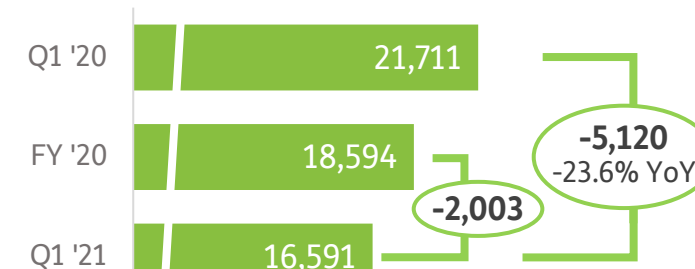
Equity free cash flow after lease



EBITDA after lease



Net debt after lease ⁽²⁾



Q1 revenues trend improved +2.1pp QoQ (+2.4pp Domestic)

Domestic EBITDA AL +0.8% YoY like for like:

- No solidarity in Q1 '21 (vs. 3 days in Q1 '20) implies 1.6pp YoY drag ⁽³⁾
- Telecoms sector contract renewal through one-off payments rather than salary increases implies 1.8pp YoY drag

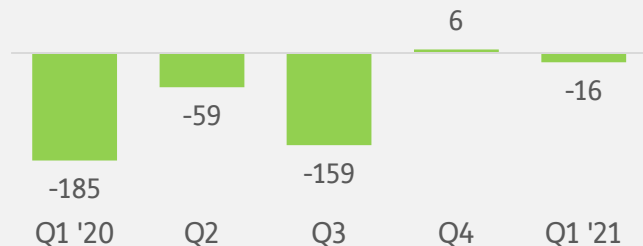
Equity free cash flow AL € 307m (+57% YoY)

Net Debt AL reduced € 2.0bn QoQ vs. -€ 182m in Q1 '20 (-€ 5.1bn YoY vs. -€ 1.4bn in Q1 '20)

Fixed KPIs remain strong despite seasonality

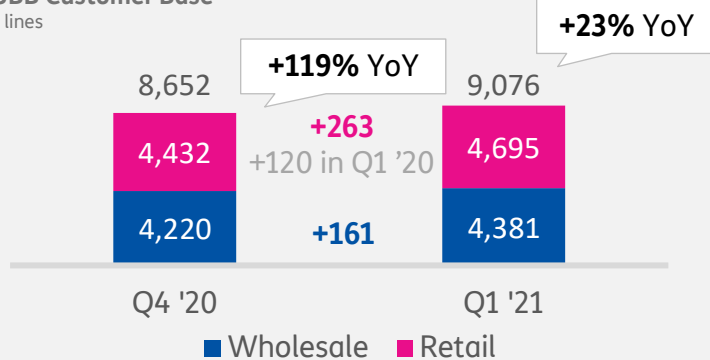
Retail net adds stable QoQ

Line losses
k lines



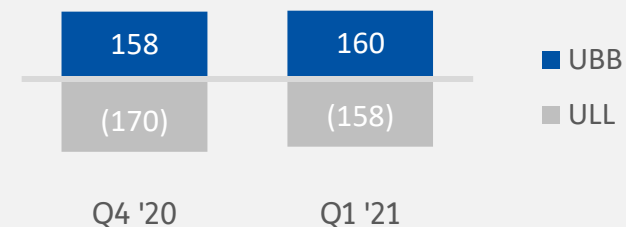
Retail UBB net adds peaking despite seasonality

UBB Customer Base
k lines



Wholesale trend improved QoQ VULA continues offsetting ULL losses

Net adds FY
k lines



Retail fixed lines stable

Retail ultrabroadband net adds more than double YoY

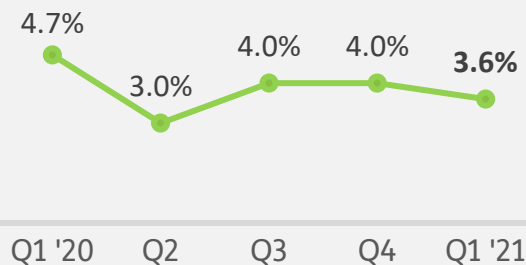
Structural improvement thanks to “Fix the Fixed” plan plus help from **vouchers** (>60% of first €200m tranche still available)

CSI +1.7% QoQ in Q1, **NPS** +2.0 QoQ

Churn benefitting from convergence and increased direct payments (+6.9pp YoY)

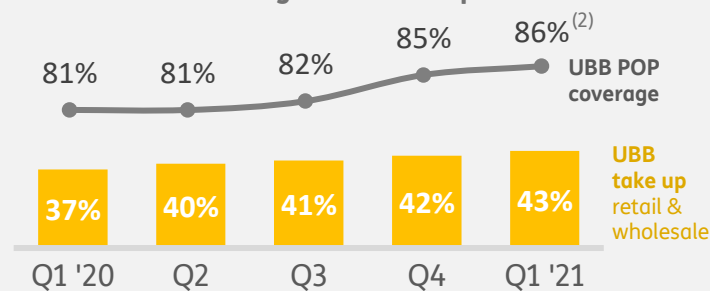
Churn improved thanks to convergence and direct payments

Churn rate
%



UBB coverage and take up continuous growth

UBB coverage and take up ⁽¹⁾



Fixed revenues back to YoY growth. FSR stabilized

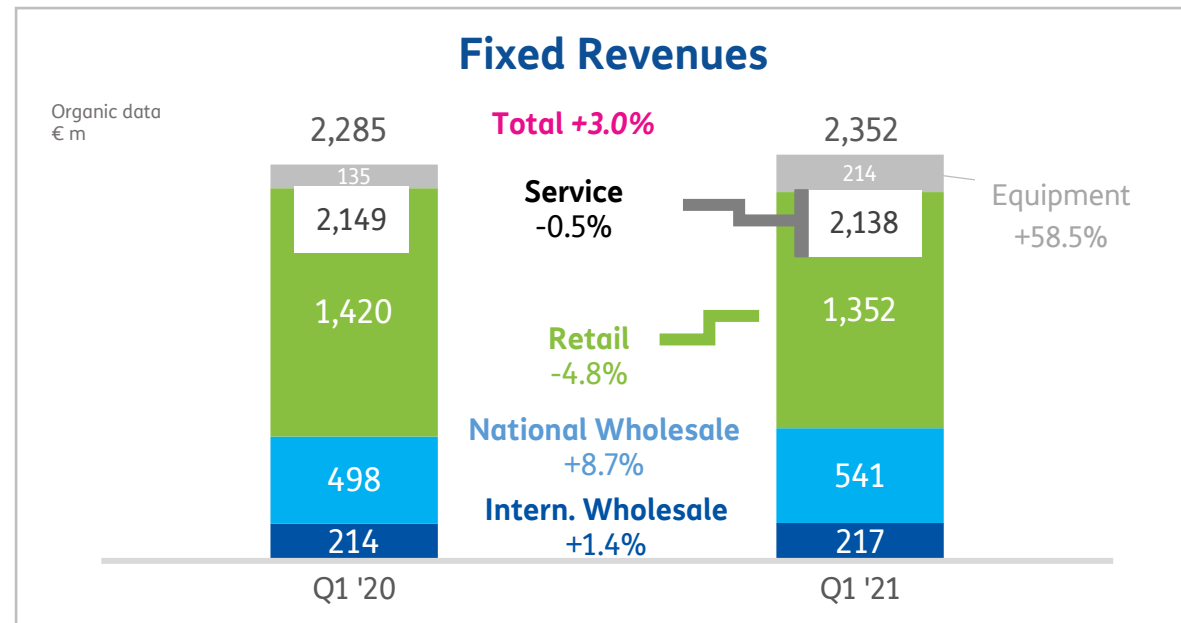
Total Fixed Revenues +3.0% YoY in Q1 (vs. -0.3% in Q4)

Fixed Service Revenues -0.5% YoY (vs. -0.2% in Q4: 0.3pp delta explained by lower weight of ICT in Q1 vs. Q4)

- **National Wholesale** +8.7%: better mix in revenues (VULA vs ULL)
- **International Wholesale** +1.4%: improved voice & data service volumes
- **Retail** YoY trend -4.8% YoY helped by:
 - **customer base** stabilization⁽¹⁾ -0.5pp YoY vs -5.6pp in Q4
 - **ICT revenues** growing +30% YoY

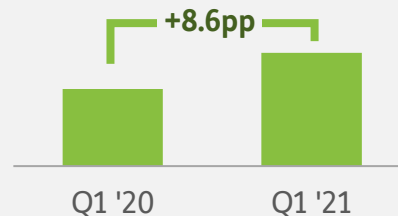
ARPU is set to improve YoY performance in H2 even before considering help from football

Equipment resumed strong growth (+58.5% in Q1 vs. -1.4% in Q4) benefiting from ICT growth, higher UBB net adds and vouchers



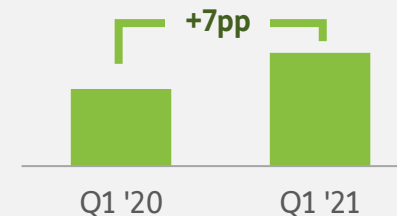
Convergence grew with larger adoption of TIM Unica

converged customer base
% on BB customer base



Direct payments increased, with benefits on churn

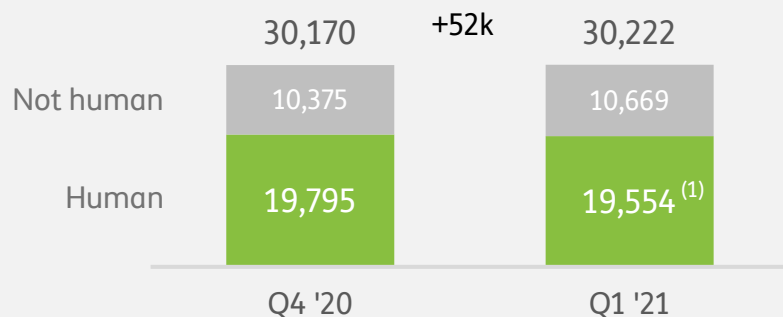
Direct payments
% on consumer fixed customer base



Mobile KPIs similar to Q4. Churn the lowest of the last 14 years

Mobile Customer Base

k lines



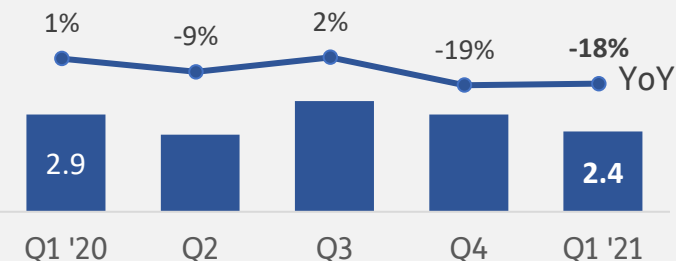
Impact on MSR from CB reduction ~ +1pp better QoQ (after ~ +1pp in Q4 and +2pp in Q3)

Churn reduced 0.4pp QoQ and 1.5pp YoY

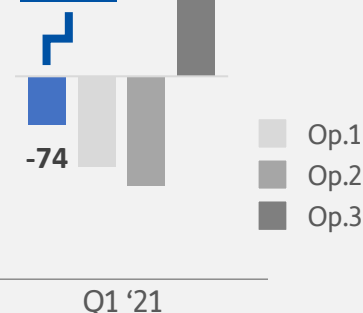
CSI +0.5% QoQ in Q1, after +3.2% in Q4

NPS improving further QoQ and still well above large operators'

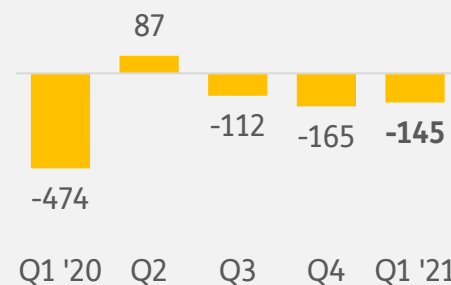
Market MNP down YoY, TIM still the best among MNOs

Market MNP
million lines

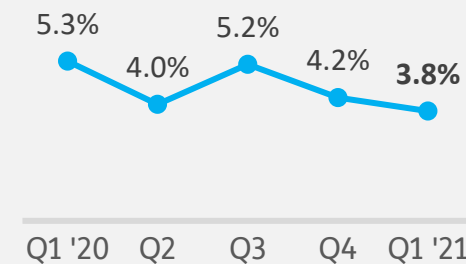
TIM



Calling human net adds reduced to approx. 1/3 YoY

Human Calling net adds QoQ
k lines

Churn further improved

Churn rate
%

Mobile service revenues affected by one offs. Improvement expected from Q2

Total Mobile Revenues -8.6% YoY, in line with Q4 (-8.9%)

MSR trend YoY (-11.3%) is mainly explained by:

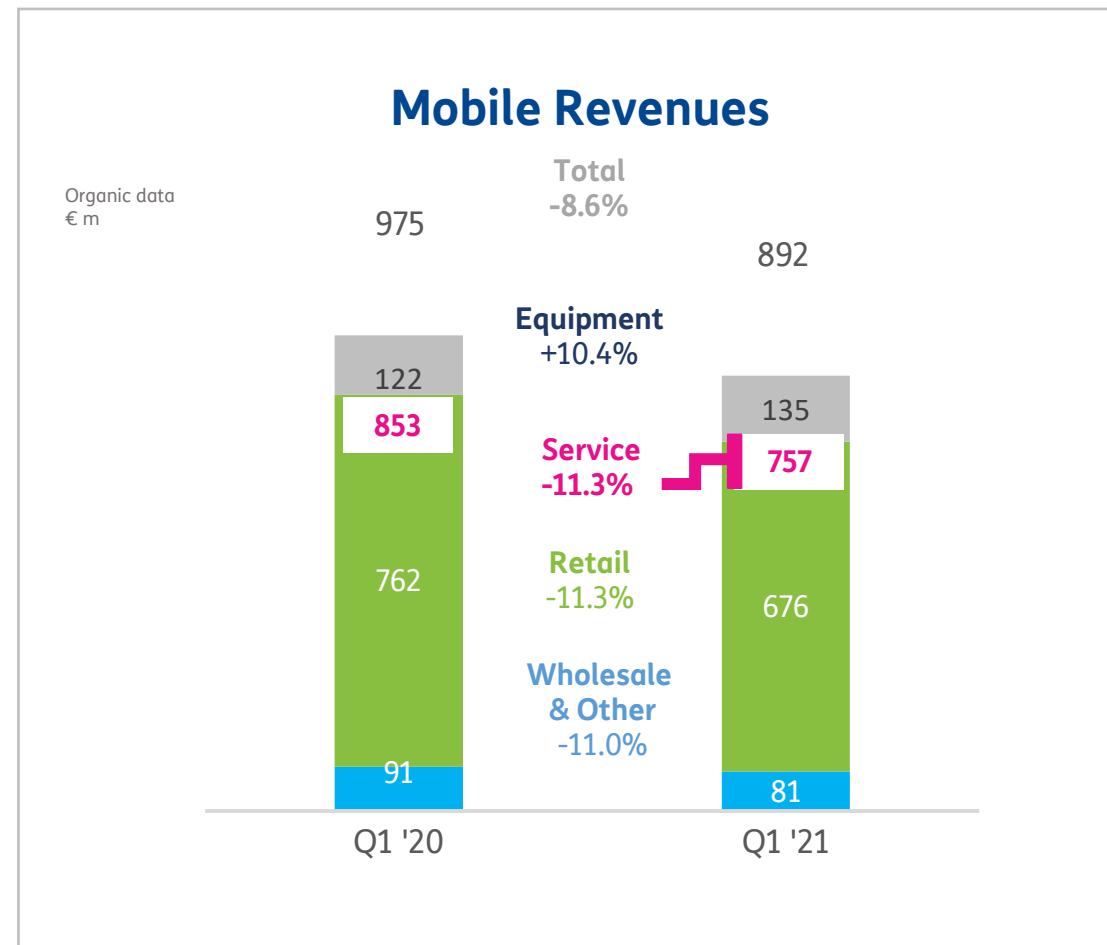
- ~ -5pp of one-off drags⁽¹⁾ set to fade off during the year (expected ~ -1pp in FY 2021)
- ~ -2pp accounting impact⁽²⁾ affecting organic revenues, not reported (no impact from Q3, ~ -1pp in FY '21)
- ~ -1pp related to lapping of past price moves (expected ~ -0.5pp in FY 2021)

~ -1pp one-off drags in FY 2021 confirmed

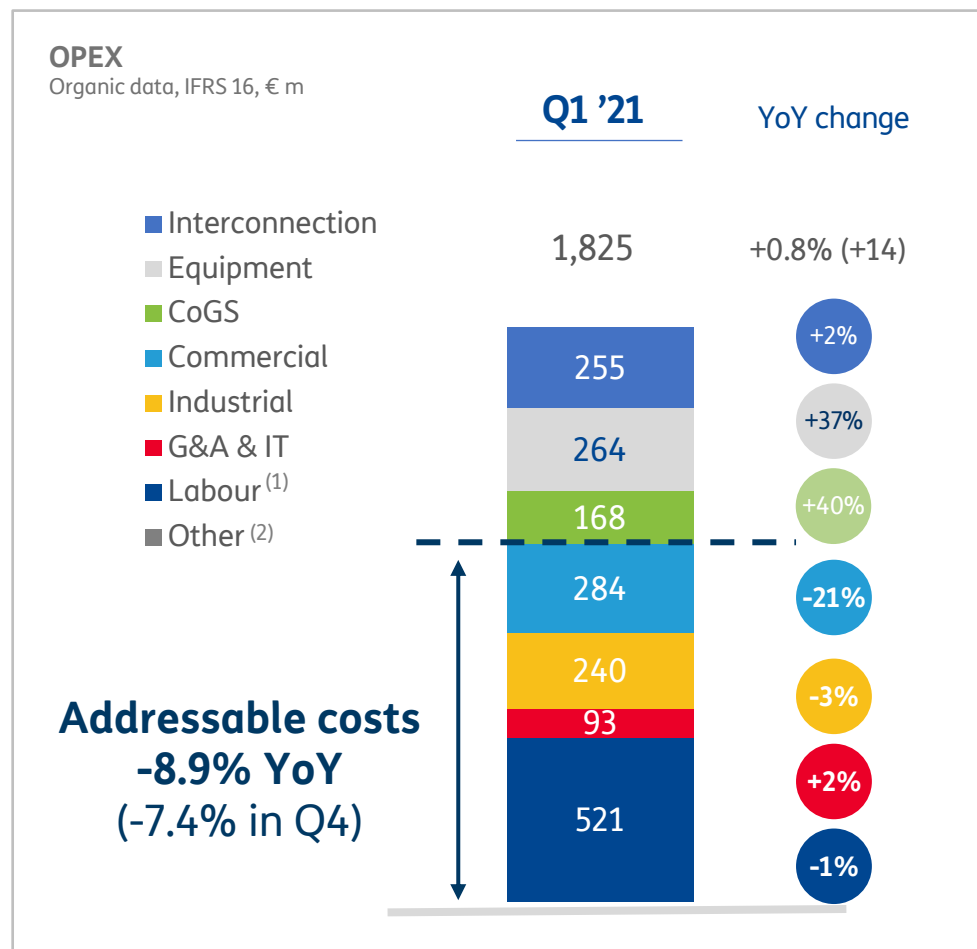
- ~ -2pp related to customer base trend (vs. ~ -3pp in Q4)
- ~ -0.5pp price dynamics also related to convergence push, with strong benefits on churn (>50% lower)

MTR price reduction explains -0.8pp drag

Handset sales back to growth: +10.4% YoY



Further acceleration in addressable cost base cut: -8.9% YoY in Q1 (-7.4% in Q4)



- **Labour** -1% YoY for FTE reduction (-1.9k YoY). Fall would be -9% net of drag from Telecoms sector contract renewal through one-off payments rather than salary increases and drag due to no solidarity in Q1 '21 (vs. 3 days of solidarity in Q1 '20)

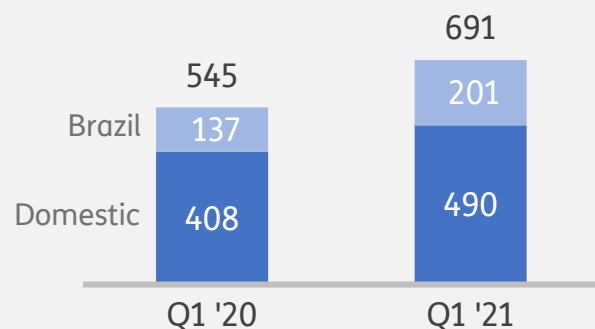
Solidarity starts in May for 16 months. No solidarity in H2 2020

- **Industrial:** lower energy costs (-15% YoY) thanks to lower consumption and better prices
- **Commercial** -21% mainly for lower bad debt (€61m, -62% YoY)
- **CoGS** increase related to ICT revenue growth
- **Equipment** back to growth albeit a bit less than sales growth
- **Interconnection** slight increase for higher traffic volumes

CAPEX focused on growth, NWC improved further

CAPEX focused on growth

Organic data, € m

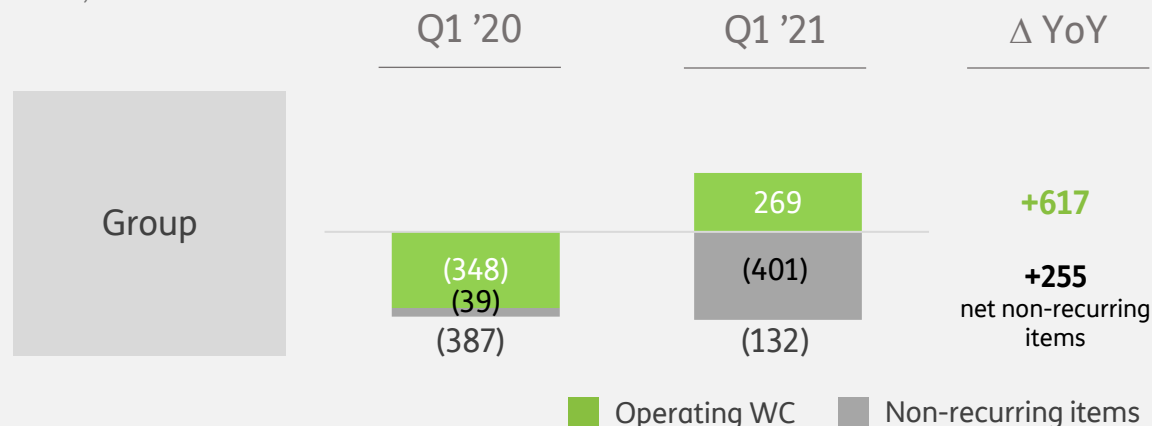


Group **CAPEX** up YoY due to:

- more evenly split CAPEX during the year (COVID affected Q1 '20)
- push on growth CAPEX (+42% YoY) for FTTx roll out, kick off of Dazn partnership, Google Cloud partnership and Data Centers
- reduction in maintenance CAPEX (-2% YoY)

Group Operating WC improving € 617m YoY

Net Working Capital
IFRS 16, € m



Group Operating Working Capital outflow improving €617m YoY

€255m YoY improvement excluding YoY swing in non-recurring items, benefiting from:

- effective working capital management domestically
- higher trade payables in Brazil

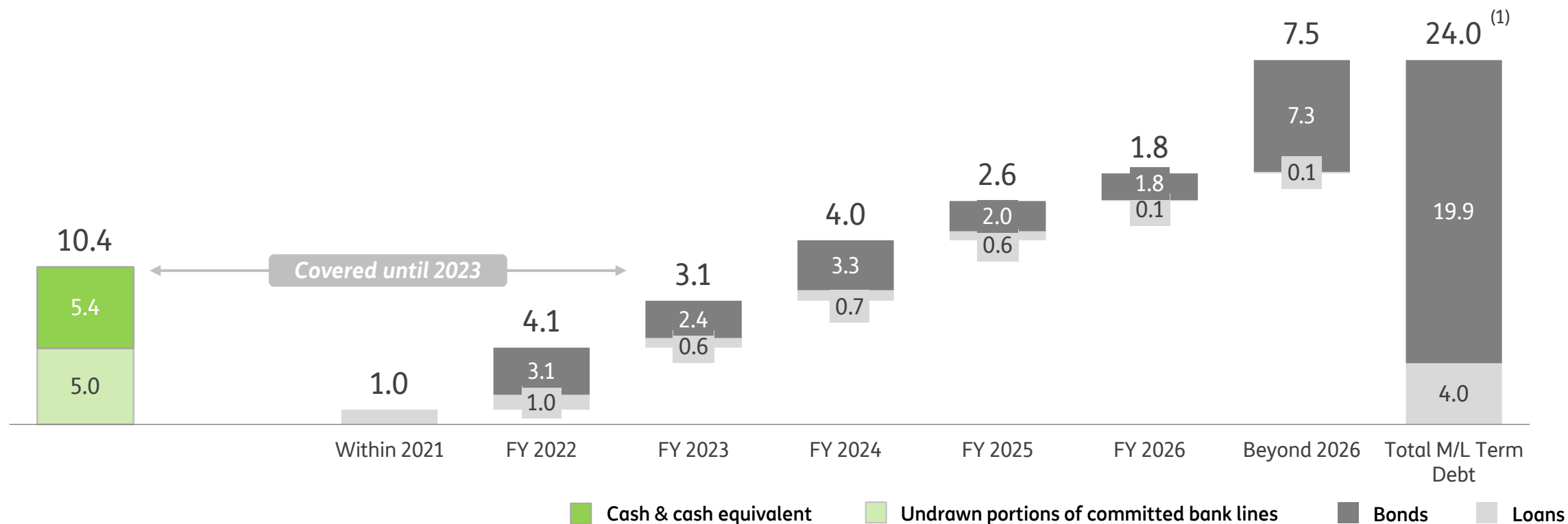
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Liquidity margin - After Lease view

Cost of debt ~3.3%, -0.1p.p. QoQ, -0.1p.p. YoY

Liquidity Margin

Debt Maturities

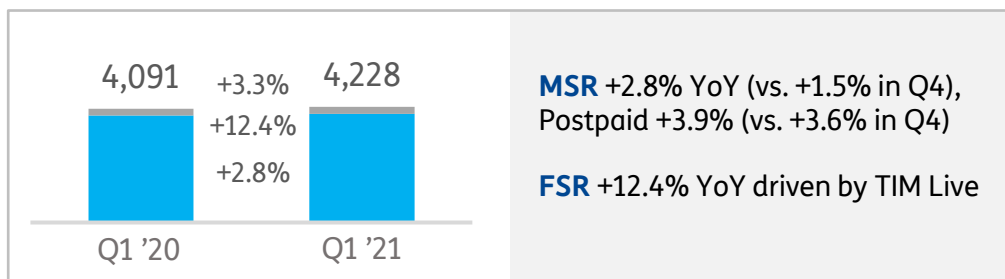


(1) € 23,953m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 480m) and current financial liabilities (€ 333m), the gross debt figure of € 24,766m is reached

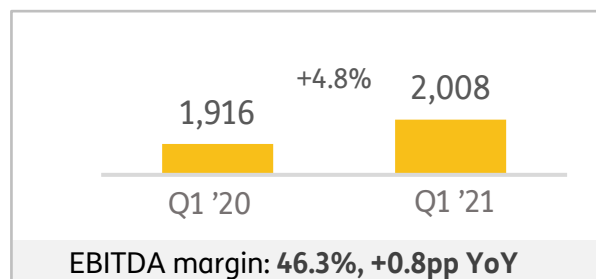
TIM Brasil. Value strategy works: growth rates accelerate

Reported data, R\$m

Service Revenues accelerating growth trend thanks to positive contribution from both mobile postpaid and fixed



EBITDA growth supported by revenues performance and cost control efficiency



Special Projects

Fiber Co

Signing with IHS to accelerate FTTH rollout (8.9m HHs in 4-year plan)

Deal highlights:

- 21x EV/EBITDA⁽²⁾
- ~R\$ 0.6bn primary (EV R\$ 2.6bn)
- ~R\$ 1bn secondary to be paid at closing

Customer experience

New agreement with Oracle and Microsoft

Partnerships for IoT

Adecoagro (agri solutions), Anglo American and Lundin Mining (industry 4.0), Stellantis (connected car)

Financial services

TIM+C6: ~R\$11m revenues in Q1 '21

Mobile

ARPU +6.6% YoY to 25.5 R\$/month
 Prepaid ARPU +3.9% YoY
 Postpaid ARPU +1.9% YoY⁽¹⁾

TIM Live

Revenues +20.3% YoY
 CB +13.3% YoY to 662k
 ARPU +6.1% YoY to 89.6 R\$

ARPU growth in all segments

Reshape of revenue profile, customer transition to value

ESG

1st telco to migrate 100% of Data Centers to cloud
 122 sky sites to provide coverage in remote areas

Infrastructure Development

FTTH coverage +40% YoY
 3.5m HHs covered

Leadership in 4G confirmed

96% urban pop. coverage in >4k cities

Massive MIMO

+477 sites

Network Sharing Agreement

coverage expansion in 348 cities each



STRATEGIC INITIATIVES UPDATE

Strategic initiatives update

FiberCop

- **Closing** of KKR's purchase of a 37.5% stake **last March**. €1.8bn cash-in for TIM
- **Co-investment scheme published** and open to all operators
- 2021 revenues €1.2-1.3bn, EBITDA c. €0.9bn, debt/EBITDA 3.4x
- EBITDA-CAPEX positive from 2025; CAPEX/sales <10% at regime

AccessCo

- **Enel announced disposal** of 40% of OF to Macquarie and 10% to CDP
- **CDP will end up with 60% of OF** and will appoint CEO
- Single controlling shareholder simplifies ongoing dialogue

Develop TIM Brasil

- Oi's mobile assets integration: ~14.5m customers, ~7.2k mobile sites, ~49 MHz freq.
- CADE formal notification in Feb-21, analysis process initiated in Mar-21. **Closing by Q4**
- FiberCo NEWCO 51% owned by IHS⁽¹⁾ 49% by TIM (with prerogative on roll-out decisions)
- **FiberCo EV R\$2.6 bn (21x EBITDA)**. Closing expected in 2H 2021

Data centers carve out

- Carve out of Noovle completed
- €0.5bn revenues and €0.2bn EBITDA generated in 2020
- **€1bn revenues and €0.4bn EBITDA targeted for 2024 confirmed**



CLOSING REMARKS

2021-'23 guidance

YoY growth rates, IFRS 16 / After Lease	Group		Domestic		Brazil ⁽¹⁾	
	2021	2022-23	2021	2022-23	2021	2022-23
Organic Service revenues	Stable to Low single digit growth	Low single digit growth	Stable	Stable to Low single digit growth	Mid single digit growth	Mid single digit growth High single digit growth (CAGR '20-'23) with Oi
Organic EBITDA AL	Stable to Low single digit growth	Low to Mid single digit growth	Stable	Low single digit growth	Mid single digit growth	Mid single digit growth Double digit growth (CAGR '20-'23) with Oi
CAPEX	~€ 2.9 bn per year				~R\$ 13.0 bn ~R\$ 13.5 bn with Oi	
Eq FCF AL	Cumulated ~€ 4.0 bn		Net of ~€0.7bn tax realignment cost			
Adjusted Net Debt AL	~€ 16.5 bn excluding Oi ⁽²⁾	2.6x Net Debt AL / EBITDA AL ⁽³⁾ by 2023				
Dividend	<u>ordinary</u> : floor of € 1 cent per share, aim to distribute 20-25% of yearly Equity FCF subject to deleverage execution <u>savings</u> : €2.75 cents per share throughout 2021-23					

ESG guidance

Targets⁽¹⁾

Eco-efficiency	+50%	2025
Renewable energy on total energy (%)	+5pp/yr	
Indirect emissions ⁽²⁾	-70%	
Carbon Neutrality ⁽³⁾		2030
Employees engagement	+19pp	2023
Hours of training for reskilling and upskilling	6.4m hrs	
Churn of young employees	<15%	
New VC fund size	€ 60m	
IoT and Security service revenues (CAGR)	+20%	2024
Green Smartphone	>15%	

(1) "Beyond Connectivity" plan targets were upgraded vs. previous plan, baseline 2019. Domestic, except for indirect emissions and carbon neutrality (Group)
 (2) Scope 2, TIM Group
 (3) TIM Group

Closing remarks

- **Group revenues stable YoY and now more sustainable**
- **Domestic FSR and fixed lines stable, UBB growth defeating seasonality**
- **Convergence bringing mobile churn at lowest level in 14 years**
- **Setting the scene for domestic growth through football, FiberCop and “beyond connectivity” plan**
- **Public funding and macro forecasts further improved post new release of Recovery plan**
- **Cost cutting accelerated, Equity Free Cash flow generation growing**
- **Q1 net debt close to YE 2021 target**



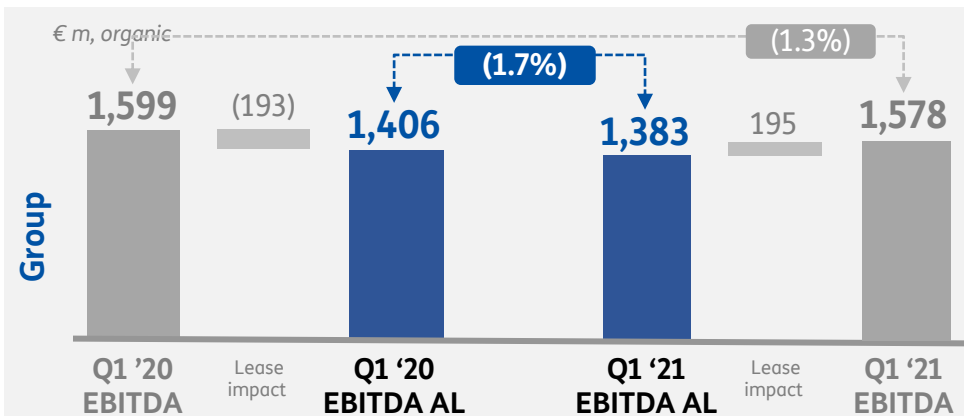
Q&A



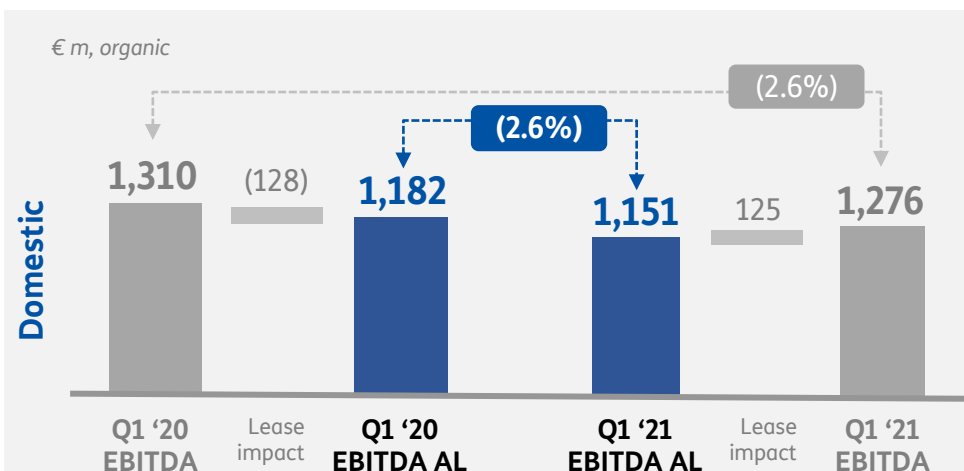
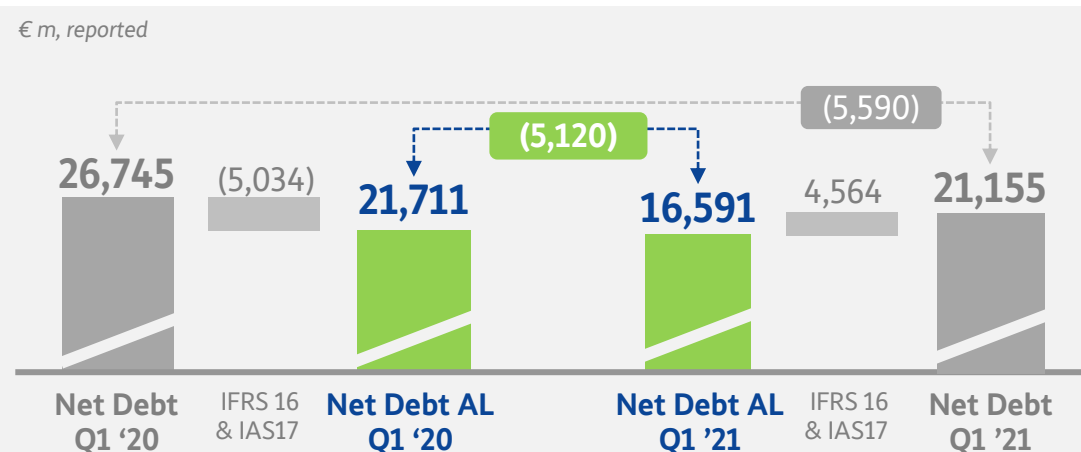
ANNEX

IFRS 16 and IFRS 16 After Lease view

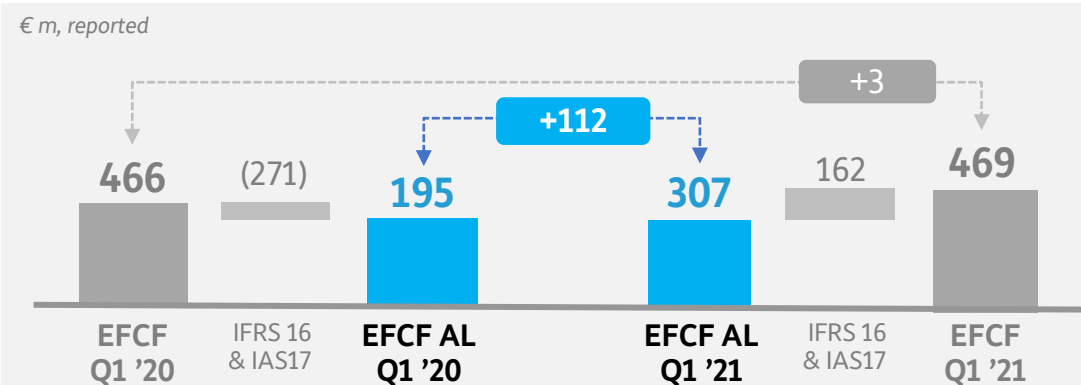
EBITDA After Lease



Net Debt After Lease



Equity Free Cash Flow After Lease



Realignment of intangible asset tax value

Realignment of the tax value

- **Decree-Law 104/2020** allows for realignment of intangible asset tax value to the book value
- 3% **substitute tax** to be paid on the amount redeemed
- **Future income taxes** will benefit from intangible asset tax amortization

TIM SpA intangible assets redeemed

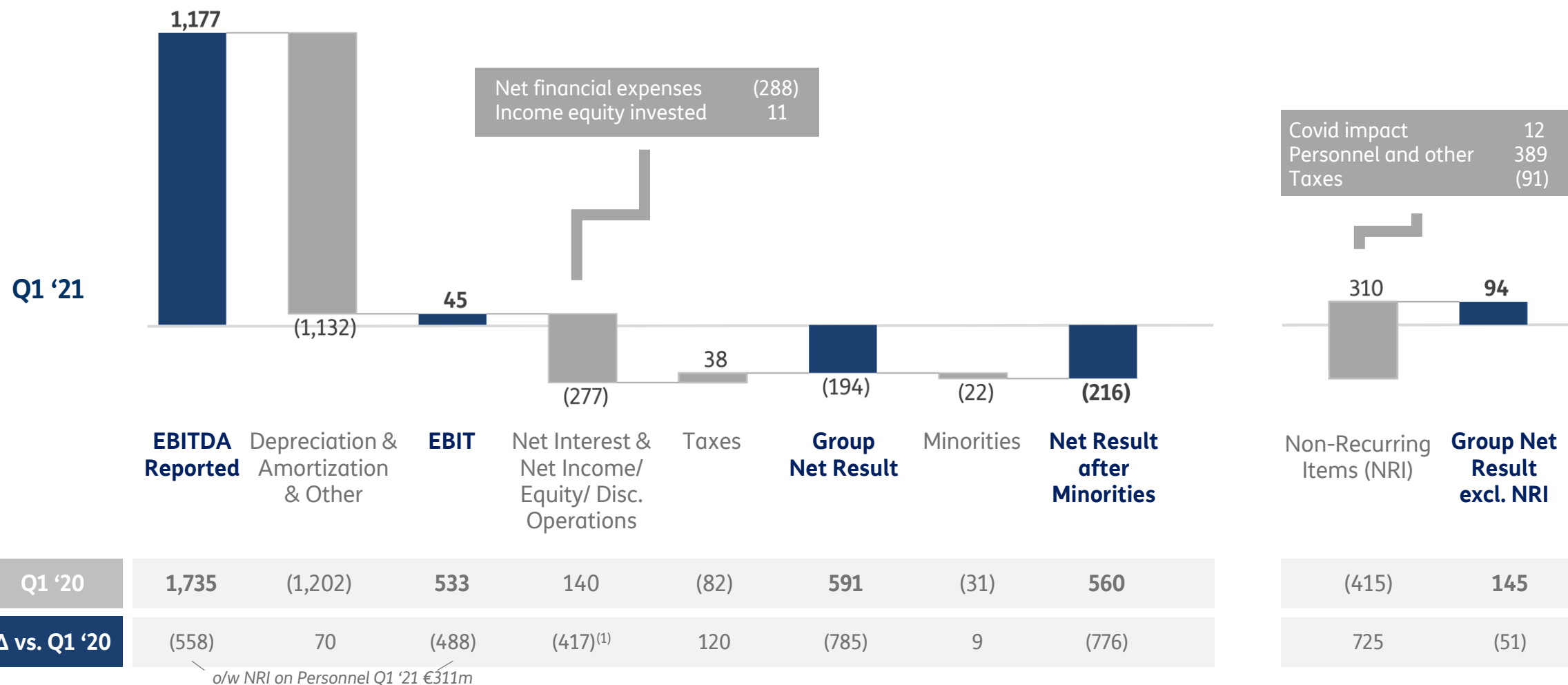
- Overall **tax benefit: € 5.9bn** (28.5% of tax basis) net of substitute tax
- Benefit will occur over 18 years

Substitute tax (3%): € 0.7bn

- To be paid in 3 annual instalments (€ 0.2bn per year), from June 2021

Net Income

Reported data, € m, Rounded numbers



(1) Of which Inwit gain on disposal 441m

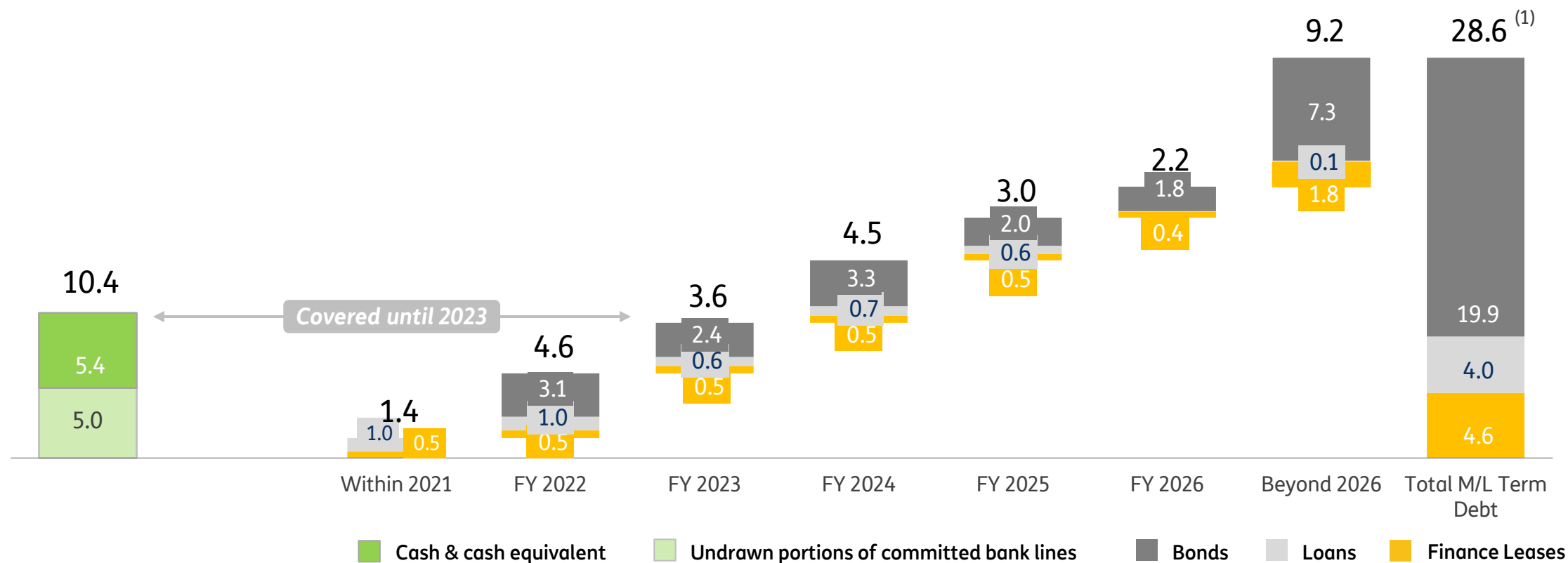
Liquidity margin - IFRS 16 view

Cost of debt ~3.6%*, -0.1p.p. QoQ, -0.3p.p. YoY

* Including cost of all leases

Liquidity Margin

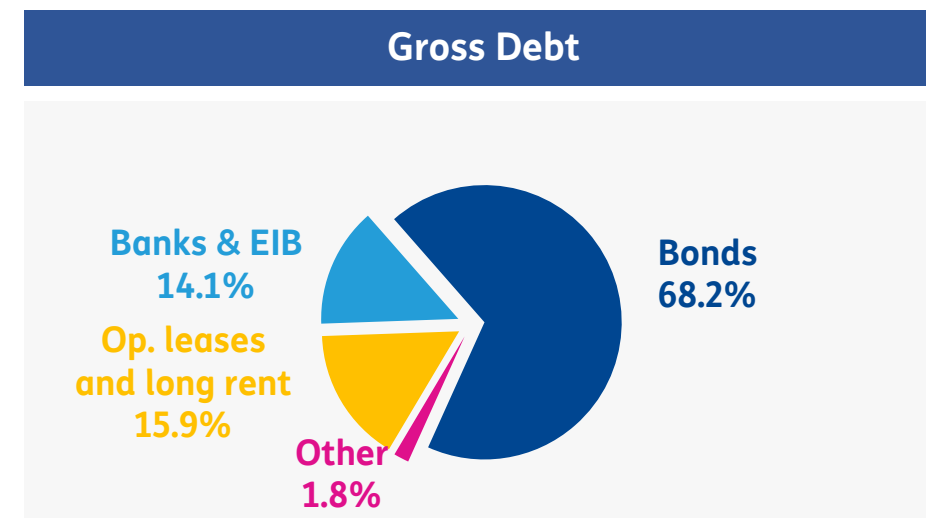
Debt Maturities



(1) € 28,600m is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 509m) and current financial liabilities (€ 333m), the gross debt figure of € 29,442m is reached

Well diversified and hedged debt

	NFP adjusted	Fair value	NFP accounting
GROSS DEBT			
Bonds	20,078	267	20,345
Banks & EIB	4,146	-	4,146
Derivatives	197	1,451	1,648
Op. leases and long rent	4,676	-	4,676
Other	345	-	345
TOTAL	29,442	1,718	31,160
FINANCIAL ASSETS			
Liquidity position	5,356	-	5,356
Other ⁽¹⁾	2,931	1,201	4,132
TOTAL	8,287	1,201	9,488
NET FINANCIAL DEBT	21,155	517	21,672



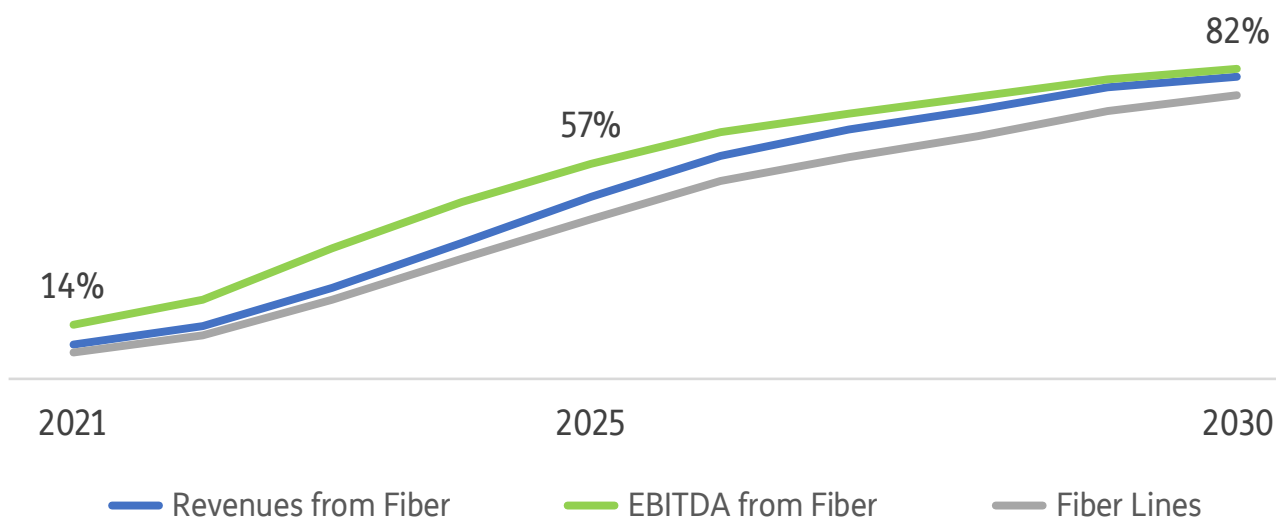
Average m/l term maturity:
7.0 years (bond 6.8 years only)

Fixed rate portion on medium-long term debt ~72%

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

FiberCop Financials in a nutshell⁽¹⁾

EBITDA to evolve to FTTH in time...



FiberCop Financials	
Revenues 2021	€ 1.2 – 1.3bn
EBITDA 2021	~€ 0.9bn
Net Debt / EBITDA 2021	3.4x
EBITDA - CAPEX	Positive from 2025
CAPEX / Sales at regime	<10%

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

For further questions please contact the IR team



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