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TIM S.p.A.
To the Board of Directors
Attn: Mr. Salvatore Rossi, Chairman of The Board
Via Gaetano Negri, 1
20123 – Milano

Mail: telecomitalia@pec.telecomitalia.it

27th October 2023

SUBJECT: A DIFFERENT FUTURE FOR TIM

- **THE OWNERSHIP OF TIM'S NETWORK MUST STAY FIRMLY IN ITALIAN HANDS TO PROMOTE INNOVATION AND DIGITALISATION AND ENSURE NRRP EXECUTION**
- **RATHER THAN SELLING THE NETWORK, TIM NEEDS TO EXIT ALL CONSUMER AND REGULATED SEGMENTS AND TRANSFORM ITSELF INTO A HIGH-END INFRASTRUCTURED TECH COMPANY PROVIDING INTEGRATED VALUE-ADDED DIGITAL SOLUTIONS TO BUSINESS CLIENTS AND PUBLIC ADMINISTRATION LEVERAGING ITS PERVASIVE NETWORK**
- **THIS ALTERNATIVE PLAN FACILITATES THE CREATION OF A NATIONAL GRID UNDER CDP'S STRATEGIC GUIDANCE TO PROTECT THE INTERESTS OF ALL ITALIANS**
- **THIS ALTERNATIVE PLAN DOES NOT ASK THE GOVERNMENT FOR MONEY**
- **THIS ALTERNATIVE PLAN REINSTATES EFFECTIVE GOVERNANCE, INVOLVES AND WELCOMES ALL STAKEHOLDERS WHILE RESPECTING TIM'S HERITAGE, WORKFORCE, AND SUPPLIER BASE**
- **THIS ALTERNATIVE PLAN WILL GENERATE VALUE FOR ALL SHAREHOLDERS, AND UPON ITS EXECUTION, THE STOCK PRICE MIGHT REACH €1, SETTING THE STAGE FOR THE RESUMPTION OF DIVIDEND PAYMENTS TO SHAREHOLDERS**

Dear Mr. Rossi and Members of the Board of Directors,

Merlyn Partners SCSp ("Merlyn"), a Luxembourg Fund managed by Merlyn Advisors Ltd. represents (through direct ownership or power of attorneys), a group of shareholders of TIM S.p.A. ("TIM" or

1 | AN ALTERNATIVE PLAN FOR TIM: RETAIN THE NETWORK, CREATE TECHCO FOCUSED ON NOT REGULATED AND VALUE-ADDED SERVICES LEVERAGING NETCO AND ENTERPRISECO. SELL TIM BRASIL AND TIM CONSUMER. RESTORE GOVERNANCE. EXECUTE NRRP. CREATE NATIONAL GRID IN TIM UNDER THE GUIDANCE OF CDP

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the “Company”) owning shares of the Company below the regulatory reporting limit of 3%.

Over the course of the last months, Mr. Alessandro Barnaba, a founder of Merlyn, has worked in partnership with Mr. Stefano Siragusa on an industrial plan for the relaunch of TIM, alternative to the one of Mr. Pietro Labriola.

We believe our alternative plan is fully aligned with Government vision and has the potential to maximise value for all shareholders and stakeholders of the company safeguarding TIM workforce, ensuring NRRP execution and protecting the supplier base.

This partnership and the associated industrial plan constitute an initiative that we named TIMValue.

TIMValue has a very high conviction in the strategic role that TIM plays in Italy and in the value creation opportunity that can be realised by correctly engaging all stakeholders in a plan that avoids the liquidation of TIM’s most valuable asset (its network), refocuses the company on one of its core activities (being the innovation engine of the Country) while respecting the employees and the suppliers in the interest of all Italians.

Thanks in no small part also to its network, TIM stands out as one of the most significant companies in the Telecom sector with great technological prowess, representing a source of pride for Italy and global recognition for the Nation.

Nearly 100 years after its founding, TIM remains a vital steward and a key strategic asset for the prosperity of all Italians by:

- directly providing connectivity and access to telecommunication services to more than 8 million households (approximately 40% market share) and serving an additional 11 million households by leasing its infrastructure to other companies on a wholesale basis
- holding approximately 30% of market share in mobile telecom services
- being the driving force behind the digitalisation of the Country as a strategic player in the Country's fibre network, 5G and in the digital infrastructure deployment
- leading the funds of the National Recovery and Resilience Plan (“NRRP”) which provides €12bn directly and €30bn in support of other players in the industry and in the Country
- representing the cornerstone for Italy’s technological development, driving the innovation which makes our industrial sectors competitive in the global markets
- directly contributing approximately 1% to Italy's GDP and enabling an additional 15% through its value-added services and connectivity solutions provided to its clients
- employing around 40,000 employees directly and supporting an additional 300,000 workers through indirect employment and subcontracting. In total, over 250,000 families benefit from TIM’s success around Italy and in almost each one of the 7,901 municipalities of the Country
- sustaining a supplier base consisting of over 15,000 companies, generating a business



volume of over €7bn per year just for Italian companies and Italian households

Despite being outside the scope of this letter to detail TIM's rich and pioneering history in Italy and throughout the world, we want to make it clear that TIMValue has tremendous respect for TIM's legacy, as well as for the hard work and passion of its dedicated employees who built over generations the network that now, incredibly, is being liquidated.

TIM employees work tirelessly to ensure our world remains connected and we salute all current and former employees who built this strategic company over its 100 years as well as all the suppliers and stakeholders who provide daily support to TIM, helping it to accomplish its mission in the interest of the Country.

We do believe there is a great deal at stake in ensuring that TIM unlocks, without selling its network, all its potential since TIM is a key player in executing the NRRP and driving the digitalisation of the Country in the interest of Italians and the generations to come.

With all the above in mind, TIMValue and its partners approached their investment in TIM.

We do not share Mr. Pietro Labriola's plan

Mr. Pietro Labriola's plan of carving out the Network Company, NetCo, from the rest of the business of TIM, ServiceCo, and then selling it, is, according to us, incorrect, misguided and would destabilise the future of TIM for the following reasons:

- The carve out perimeters are vague and yet to be technically defined therefore will be subjected to multiple changes that will impact the future of the Country as well as the valuation of NetCo vs ServiceCo
- Execution timing is unclear and riddled with risk rendering the offer highly vulnerable to fail. All shareholders, stakeholders as well as employees will be in a waiting mode with unforeseeable consequences on the financial stability of TIM and on the NRRP execution
- The long term industrial and financial impacts on both the NetCo and on the ServiceCo have not been properly presented and explained, including the MSAs (Master Service Agreements) among the parties that have a clear implication on the long-term sustainability of ServiceCo and on the safeguard of its work force
- We believe that the correct value of the network far surpasses KKR's current valuation and a liquidation at these levels would destroy value for the shareholders
- At the suggested valuation, the liquidation of NetCo is unable to address the issue of TIM's long term sustainability of the debt (the debt that will remain in what will be left of TIM post sale of the network, in the ServiceCo), putting thousands of employees at risk, both in the Company and in the supplier base
- We do see a high risk that the ServiceCo will become "the new Alitalia" for its shareholders, employees, the Government and ultimately for all Italian taxpayers



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- The proposed future governance of NetCo is vague, NRRP targets milestones are not a priority, and the interests of the Country will certainly not be a priority
- Even if ever technically feasible and executable, yet to be demonstrated and represented, it will require a long process to obtain a final approval by AGCOM, including the Market analysis, the Antitrust regulators approval and scrutiny by the Commission on State Aid

Until all the above points get defined and clarified, TIM's future will remain uncertain, and the Company will face huge governance conflicts. Employees will suffer. Suppliers will suffer. The whole Country will suffer since the NRRP will not be relentlessly executed.

In such uncertainty, the stock price is likely to remain low.

We firmly recommend that shareholders' interests are preserved: the Company shall focus on increasing the value of its assets, including the network, by implementing the industrial plan here proposed. The potential for value creation through our plan far surpasses KKR's current proposal.

Current plan is highly divisive, completely disregards the shareholders' will, creates governance issues, fails to safeguard the workforce, and, most importantly, puts at risk the Country's objectives:

- It utterly lacks the ability to align the main shareholders, failing to reconcile the market's interests with the Country's system interests, which should proceed in alignment
- It does not fully recognise the historical, industrial, and economic value of TIM's network as a strategic and unique asset for the digitisation of our Country ensuring copper to fibre technical migration and technological upgrade
- The Italian Government is required to invest a large amount of money in a project where it will lack control and will sit behind another shareholder who will have the absolute majority of NetCo
- It is so divisive that there are already differences among future NetCo shareholders, even though NetCo has not yet been established.
 - The Italian government rightfully wants to preserve investments in the network and the industrial stability of TIM, safeguarding employment and the associated economic activities.
 - KKR seeks assurances on the returns on its financial investment and a clear timeline for these returns, which requires an aggressive financial policy. However, this may penalize Tim's ability to invest and could result in a subsequent sale to the government at a high price paid by all taxpayers.
- It results in TIM losing its role as the engine of the Country's digitalization:
 - The sale of NetCo to a foreign private investor (albeit a very capable one), regardless of the fact that the Italian Government remains a relevant minority investor with Golden Power, eliminates the ability of the Government to influence the day-to-day agenda for network deployment, therefore making it impossible to ensure TIM



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- remains the digitalisation engine of the Country
- In no comparable Country to Italy, have we seen a separation of the network from the services with distinct ownership of the business components.
- Creating a national network under the strategic guidance of CDP (that is under the vision of the government) is a strategic priority for the Country, and CDP should play a leading role, not just act as a witness.
- TIM is a strategic player in executing the plans of the National Recovery and Resilience Plan (NRRP), especially through NetCo. Without its direct control, there will necessarily be significant consequences for the Country's ability to access the funds allocated to it.
- NetCo will become a company entirely controlled by a foreign private investor with very high short-term return objectives. This investor may not have strong incentives to pursue the long-term goals that the Country needs, including achieving the NRRP objectives, digitalizing businesses, and safeguarding the workforce. These goals, if pursued, would create significant value for the Country and long-term shareholders.

We are in a pivotal moment in the history of TIM, a moment where critical business and capital allocation decisions are being made. But in the case of TIM, it's not just about a company. It's about Italy, about the progress of an entire Country and its ability to keep on innovating and look at the future with the eyes of a leader while preserving its heritage built in 100 years.

TIMVALUE BELIEVES THERE IS AN ALTERNATIVE PATH FOR TIM

We strongly believe that our Country and all Italians deserve to have Italian ownership of whole TIM's network - including Sparkle and FiberCop - that is why we have detailed in this letter an alternative plan that does not envisage the liquidation of the network.

The alternative we propose in this letter addresses the strategic needs of the Country while delivering superior value, enhancing free cashflow generation to solve the debt issue and deleverage its balance sheet.

The industrial alternative we propose does not involve liquidating the network and discarding 100 years of Italian history.

The alternative we describe here, and its unique value-creation opportunity benefit all shareholders, the Country, employees, and the associated economic activities.

We think we are the ones that can trigger and execute the plan, but our intent is to foster better governance in TIM's Board of Directors to take care of all shareholders, starting from the Company's main shareholders, Vivendi and CDP.

Our plan welcomes to participate all existing stakeholders, including KKR, Macquarie and OpenFiber,



and any future one that already looked at the file or is willing to look at it in the interests of the Company and our Country.

TIMValue's alternative plan aims at the creation of a national telecom grid, merging TIM and OpenFiber – net of OpenFiber back Areas - within TIM and with CDP as a key shareholder, allowing the Italian government to have the strategic guidance of the National network without requesting the Government for any financial investment for this purpose in such a critical moment for the whole economy of our Country.

We did not have access to any confidential information; therefore, our plan is exclusively based on an outside-in deep analysis of market dynamics and public data, including TIM's disappointing half-year results announced on 2 August 2023, resulting in the strong drop in the stock price on 3 August.

KEY POINTS OF THE ALTERNATIVE PLAN PROPOSED BY TIMVALUE

1. **Retain NetCo and the whole network in TIM.** The Country needs and deserves to retain the control of the whole network – including Sparkle and FiberCop – and preserve its entirety. In its entirety, the network serves as a tool for the government to achieve the following objectives:
 - a. Foster innovation
 - b. Speed up the digitalisation of the Country
 - c. Ensure that NRRP targets are met, and the funds are received
 - d. Help Italian SMEs in their growth and to better compete in the global arena
 - e. Protect the workforce and the sustainability of the whole telecom industry

2. **Create TechCo.** TechCo, the new TIM, will be an Italian company with global ambitions effectively integrating the existing NetCo assets and EnterpriseCo competencies, knowhow, client relationships, supplier ecosystems and subsidiaries (such as Olivetti, Telsy and Noovle) and related infrastructure as datacentres and PSN contracts. This reshaped TIM, focused on its unique infrastructure and offering exclusively non-regulated services, is referred to in our plan as TechCo to clearly highlight the new strategic vision of TIM in opposition to a simple NetCo disposal. TechCo will aim to become the partner of choice in supporting the Public Administration and Italian companies in their digital transformation. All TIM's consumer/retail segments will be sold and TechCo will be focused just on the business and not regulated segments thus not competing in any consumer/retail segment. In the regulated market TechCo will act as a pure wholesaler, covering all operators along an equivalence of input approach thus eliminating most Antitrust issues. TechCo will also be the leading infrastructure player responsible for delivering nationwide fibre coverage plans and district coverage, as committed to in the NRRP, on time and on budget. TechCo, thanks to its clear strategic focus and positioning, will act as a market aggregator (moving to the role of predator rather than the one of potential prey) in the ICT, value-added, edge space allowing the



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Company to play a leading role also in Europe.



3. **National grid under the guidance of CDP without any investment from the Government:** Establish national grid within TechCo with CDP as a key shareholder, allowing the Italian government to have the strategic guidance of the National network without the need to expend money for this purpose in such a critical period. Ideally that would happen with the contribution in kind of OpenFiber, without its black areas, into TechCo, facilitating the increase of CDP's stake in Telecom Italia. Macquarie and KKR would be encouraged to do the same, contributing in kind their respective stakes in OpenFiber, without the black areas, and FiberCop into Telecom Italia. This would allow them to correctly value their investments while supporting this initiative of strategic importance for the Country. Becoming shareholders of a listed company will give them the opportunity in the future to either monetise their investment or remain a stable shareholder of a company with a bright future. OpenFiber's black areas can be immediately marketed as they are attractive assets
4. **Restructure, carve out and then sell TIMConsumer.** TIMConsumer will be restructured, repositioning it as a digital customer platform and, once sustainable, it will be carved out and sold. Discussions with potential buyers will start immediately, with the objective of accelerating the process and reduce the debt burden as quickly as possible, but also to ensure that the restructuring process is aimed at creating the most palatable set of assets based on the desiderata of the potential buyers
5. **Sell TIM Brasil.** TIM's Brazilian business, despite being a very valuable one and possibly the one that kept the Company afloat in the last few years, is not core. The sale of TIM Brasil, at the right price, will be an important tool to fund the transformation of the Company and the turnaround of TIMConsumer
6. **TechCo will remain a publicly traded company and be renamed Telecom Italia**

The alternative plan proposed by TIMValue

- Solely focuses on the industrial content, aimed at increasing the value of the Company's strategic and sustainable assets rather than their liquidation, preserving competencies and allowing for a capital restructuring that creates the necessary conditions for debt sustainability in a natural way
- Ensures short-term objectives are met and the continuity of the infrastructure programs, including the NRRP. It also guarantees the long-term stability and capitalisation of TIM to serve the Country's digitalisation ambition
- Is a market transaction, transparent to the market, executed on the market, and cannot in any case be referred to as a state aid
- Eliminates all issues related to the definition of NetCo's perimeter and the subsequent AGCOM analyses and evaluations
- Is not subject to any Antitrust or Commission on state aid scrutiny



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We believe this alternative plan is coherent and fully aligned with the needs of the Country and the Government's requirements. It fully complies with the Government's vision summarised in the MoU signed on 10 August 2023 and the subsequent decrees signed on 29 August 2023.

Given the above we felt compelled to write to this Board and highlight the fact that an alternative exists, and we have the leadership to implement it.

We are convinced that TIMValue's plan can generate significant value for all shareholders and, at the same time, ensure a brighter future for all stakeholders.

TIMValue plan's prospects are well beyond current disappointing projections and, especially, do not require the liquidation of the network, the most strategic and valuable asset of the Company

TIMValue believes an effective, competent management team, that we have already identified, in the span of 24 months, through a set of clear initiatives, can extract value for additional ca €1bn EBITDA and ca €600mm in cashflow generation as well as repay down debt by selling the retail part of TIM's TIMConsumer and TIM Brasil

This flawless execution plan might move TIM stock price beyond €1 per share in the next 24 months and lay the groundwork for the resumption of dividend payments to its shareholders.

Implementing a plan of this nature requires clear leadership, keen focus and an ability to execute.

We are truly disappointed by the performance and the results achieved so far by Mr. Pietro Labriola

The vision of TIM presented by Mr. Pietro Labriola in March 2022, and then in July 2022 has not been implemented and the milestones presented to the market, especially those related to NRRP targets, have been missed: such disappointment has significantly worsened TIM's already precarious industrial and financial situation, not to mention its perception in the market as reflected by the stock price performance.

We believe Mr. Pietro Labriola is among those most responsible for the worsening of the TIM situation for the following reasons:

- Under his leadership a tremendous amount of value for shareholders was destroyed, with the stock price dropping from €0.45 at the time of his appointment all the way down to €0.16: the market did not and still has not understood his vision. The bounce back to current levels is still almost 50% below the time he was appointed and is exclusively driven by the breakup value to be achieved by the inauspicious sale of the NetCo and is not based on a change of sentiment. In the same period the STOXX Europe 600 has been almost flat



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- No real restructuring plan has been launched nor executed: investments have been significantly cut, cash generation has worsened, and debt has increased. Indeed, debt increased from €22bn in Q3 2021 to €26bn in Q2 2023, an 18% increase whilst the cash flow generation turned negative from more than €460mm down to -€167mm. The situation is critical especially in the highly competitive Consumer business as the figures presented on 2 August 2023 clearly reflect. Domestic service revenues are down 5%, EBITDA is down 14%, and all other KPIs, including market share and network quality, are sinking. TIMConsumer needs to be sustainable to be carved out and not diminished to facilitate the disposal. If the sale of the NetCo goes ahead what will be left of TIM will be a “zombie company”, with no ability to compete in the competitive consumer space and therefore bound to go into default on its enormous stock of debt sooner rather than later
- The interests of all shareholders are not taken into account. Disagreements amongst shareholders have intensified due, in no small part, to his improper behaviour, unclear vision and relationship mismanagement to the point of compromising TIM's industrial plans with continuous changes of strategic directions
- NRRP milestones has not been met. NRRP targets have been sacrificed trying to increase cash generation – a KPI that has once again, unfortunately, been missed. Further value has been destroyed for TIM's shareholders since penalties will have to be paid, but has also eroded TIM's heritage and brand reputation, while failing to respect the devotion of its employees and suppliers. Such continuous delays in executing NRRP are impacting the lives of millions of Italians who relied on TIM to be connected as promised by the Government

TIMValue believes Mr. Pietro Labriola is not executing a value-accretive plan, as TIM's stock price clearly reflects, but is extracting value solely from TIM's labour force through a set of salary reductions and layoffs that are destroying the most strategic asset of TIM: the unique knowhow and passion of TIM employees and the commitment of its supplier base.

Despite such a poor performance, the 2022 compensation package of Mr. Pietro Labriola has been €3.6 million which is approximately 100x the average salary of a TIM employee. All this while asking the employees and suppliers for sacrifices and letting down Italians who are facing delays in the execution of the NRRP and see their high-speed broadband connections being continuously delayed despite the Government has promised them a clear execution plan.

Even though shareholders did not authorise Mr. Pietro Labriola's enormous three-year incentive plan, worth as much as €25.8 million on top of his salary, he decided not to change the course of his actions and continued on his way, asking for additional sacrifices to employees while still missing NRRP targets as he had to admit on 2 August 2023 and we will see the 8th of November 2023 if he has been able to recover such delay



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Mr. Pietro Labriola's recent actions, aimed at structuring a legal way to avoid taking to a shareholders vote what possibly represents the most relevant decision that TIM has ever been called to take, the sale of NetCo, are simply disrespectful of the governance of a company with a heritage of 100 years of history. In the absence of a decision by the Government to specifically exercise its Golden Power to this respect, the owners of the Company are the shareholders and theirs, and only theirs, should be the decision to sell or retain the most important business unit of the Company.

Even more so in this case, where the sale of NetCo would condemn what is left of TIM to a slow but certain death having eliminated any future potential from it.

These actions will damage not only the shareholders but all the other stakeholders that will be left in or facing what will be left of TIM.

As the documentation attached states, the alternative proposed by TIMValue is actionable, has a clear timeline, a clear scope, a clear industrial and technological perimeter, preserves network integrity, avoids breakdowns and is designed to meet the ambitious targets of the NRRP and paves the way for the establishment of a national grid under the control of CDP thereby maintaining ownership firmly in Italian hands.

The execution of this plan requires proper leadership and TIMValue has in Mr. Stefano Siragusa the candidate that can operationally execute this plan. He has the right background, skills and motivation to effectively drive the Company through it.

TIMValue, therefore, encourages the Board of TIM to remove Mr. Pietro Labriola from the role of CEO and take all appropriate steps to co-opt Mr. Stefano Siragusa to the Board and appoint him as CEO to lead the company through the execution of this plan.

In the event of no action taken by the Board, TIMValue will assess the economic and market conditions to increase the stake it currently owns and represents up to slightly above 5% subject to the prior government authorization according to the Golden Power rules. Immediately afterwards, a request to convene a shareholders' meeting to be held as soon as possible would be sent to this board. During this meeting, or any other meeting if appropriate, TIMValue will ask all shareholders to remove Mr. Pietro Labriola and appoint Mr. Stefano Siragusa as new director, proposing to grant him the same powers.

In the appendix to this letter, you will find additional details about our plan, our next planned steps, our asks to TIM's Board of Directors and a description of who we are.



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We thank you in advance for the time and consideration you may give to this concrete proposal, written in the best interests of the Country, TIM's employees, and its suppliers. The goal is to re-establish the right governance within TIM to resolve the issues of debt and financial leverage through industrial means - namely, by generating cash flows - rather than purely financial means, such as the liquidation of the network that has belonged to the Italian people for 100 years. This approach also aims to support the creation of a national telecommunications network with CDP as the major shareholder or under the firm guidance of the Italian government, without requiring the government to spend public funds in such a critical period for the Country.

TIMValue looks forward to working collaboratively with TIM's Board of Directors.

Kindest regards,



Alessandro Barnaba
Founding Partner

Merlyn Advisors Ltd



Stefano Siragusa
Founding Partner

RN Capital Partners

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APPENDIX

1. TIMVALUE PLAN ADDRESSES THE NEEDS OF THE COUNTRY AND IS ALIGNED WITH THE GOVERNMENT'S VISION.
2. TIMVALUE'S PLAN PROMOTES THE PARTICIPATION OF ALL CURRENT AND FUTURE STAKEHOLDERS IN THE INTEREST OF THE COUNTRY AND ALL SHAREHOLDERS; ENCOURAGES THE CREATION OF THE NATIONAL NETWORK UNDER CDP'S GUIDANCE WITHOUT REQUIRING ANY GOVERNMENT FUNDING
3. CREATING SUPERIOR VALUE FOR ALL SHAREHOLDERS
4. MR PIETRO LABRIOLA IS UNFIT TO DELIVER SUCH VALUE CREATION PROGRAM
5. RE-ESTABLISHING PROPER GOVERNANCE
6. TIMVALUE, WHO WE ARE



SECTION 1 – TIMVALUE PLAN ADDRESSES THE NEEDS OF THE COUNTRY AND IS ALIGNED WITH THE GOVERNMENT'S VISION

- 1. RETAIN THE NETCO: OUR COUNTRY NEEDS AND DESERVES TO RETAIN THE CONTROL OF THE WHOLE TELECOM GRID – INCLUDING SPARKLE AND FIBERCOP- AND SHALL PRESERVE ITS INTEGRITY SINCE IS ONE OF ITS MOST STRATEGIC ASSETS**
- 2. CREATE TECHCO, THE NEW TIM, AN ITALIAN COMPANY WITH GLOBAL AMBITIONS FOCUSED ON OFFERING NON-REGULATED SERVICES AND LEADING-EDGE TECH SOLUTIONS, LEVERAGING ITS UNIQUE NETWORK, INFRASTRUCTURE AND THE KNOWHOW AS WELL AS CLIENT RELIATIONSHIP OF ENTERPRISECO**
- 3. TECHCO WILL NOT COMPETE IN ANY CONSUMER SEGMENT AND WILL EXIT FROM ALL RETAIL BUSINESSES**
- 4. TIMCONSUMER WILL BE RESTRUCTURED AND ONCE SUSTAINABLE WILL BE SOLD**
- 5. TIM BRASIL WILL BE SOLD TO FUND TIMCONSUMER TURNAROUND AND THE WHOLE PLAN**
- 6. TECHCO WILL GUARANTEE THE EXECUTION OF NPPR**
- 7. TECHCO WILL REMAIN A PUBLICLY TRADED COMPANY AND BE RENAMED TELECOM ITALIA**

The Italian Government strongly believes that our Country and all Italians deserve to retain ownership of TIM's network as clearly stated by the decrees signed on 28 August 2023.

TIMValue fully shares the vision of the Italian Government and believes that since the beginning, 100 years ago, and throughout its history, TIM's network has been intrinsically Italian and must remain so in the future.

In full alignment with the Government's vision, TIMValue considers the ownership of the network, whole network including Sparkle and FiberCop, its integrity under Italian stewardship, to be the lifeblood of the Country.

Only through an effective and efficient development and use of the network the Country can achieve some of its ambitious innovation targets:

- Only with a telecom network in solid and stable Italian hands, NRRP targets can be ensured to be met on time, on budget and at the correct value. Meeting these targets and obtaining the relative funds is of paramount importance to guaranteeing a reliable, efficient and modern access to telecommunication services to all Italians regardless of where they live, be it in urban, suburban or rural areas
- The technological and digital innovation of both the Public Administration - including the PSN (Public Services Network) - and of the entire Italian industrial sector relies on an efficient and ever improving telecom network that needs to be devised with a strategic mindset and executed with an extremely skilled management team in the interest of all Italians



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Therefore, our vision for TIM is distinct and stands in stark contrast to the one proposed by the Mr. Pietro Labriola: TIM's network, including all its subsidiaries such as Sparkle and FiberCop, shall remain an asset for all Italians under the control of CDP and therefore firmly in the hands of the Italian Government.

The future Telecom Italia, that we have named "TechCo", needs to leverage its unique infrastructure together with EnterpriseCo leadership and thus act as the digital development engine of the Country (as it used to be in the past, helping the economic boom of Italy connecting people with its copper telephone lines), able to provide leading-edge ICT, cloud and security value-added solutions to all wholesale players, be it in the Public Administration, small and medium size enterprises or large corporations with global reach.

Our Country, our companies, our citizens, all need a national champion with a global ambition that can provide them with the solutions they need to compete locally or internationally or to provide the most efficient services to all citizens in a modern and secure way.

TechCo will also be the leading infrastructure player responsible for delivering on time and on budget, nationwide fibre coverage plans and district coverage, as committed to in the NRRP, differently from what is being currently executed.

TechCo, the new TIM will aim at effectively integrate the existing NetCo and EnterpriseCo competencies, including subsidiaries such as Olivetti, Noovle, Telsy, knowhow, client relationships, supplier ecosystems and assets as the data centres.

This reshaped TIM, focused on its unique infrastructure and offering exclusively non-regulated services, is referred to in our plan as TechCo to clearly highlight the new strategic vision in opposition to the simple NetCo currently proposed.

TechCo will ensure fast and reliable access to telecommunications services to all Italians and industrial sectors as committed in the NRRP.

TechCo will aim to become the partner of choice in supporting the Public Administration and Italian companies in their effort to become proficient in acquiring data from all sources, analysing the data for actionable insights, and then acting on those insights.

With IDC predicting that edge computing spending will reach more than USD300bn by 2026, it is clear that the next wave of business innovation is happening at the edge of the network. Edge computing and its low latency platform businesses will be the game-changer for the telecom industry and the key to ensure top-line and margin growth also for the supplier base, rebalancing the profit pool vs current over-the-top - OTT.



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In such a scenario, TechCo will be the major Italian player able to drive the next wave of business innovation and growth across virtually all industries.

Delivered over its unparalleled network in Italy, TechCo will combine edge cloud and ICT agility capabilities to bring computation power and storage closer to the devices that generate and deal with data.

TechCo will allow all Italian industrial sectors to gather real-time market insights and data quickly and efficiently from more sources and use that unique knowledge to differentiate, compete and win globally.

TechCo, focused on infrastructure and leading-edge not regulated services and ICT value-added solutions, will act as a pure wholesale player ensuring equal access, in equivalence of input, to all Other Licensed Operators (OLOs) that will serve, autonomously, the retail segments.

TechCo's exit from the retail market might allow the regulator to remove all current constraints from the Company thus unleashing additional value for all stakeholders.

On the network side, executing the NRRP programs, on time and on budget, will enable the decommissioning of copper lines in the Country, especially in the white and grey areas, and thereby accelerate the adoption of fibre which will increase the penetration of new digital solutions and services.

This clear focus on infrastructure and leading-edge solutions should allow, but it is still not certain at the moment, TechCo to implement a regulatory framework akin to a Return on Asset Based Scheme (RAB Scheme) similar to that of Terna and SNAM, ensuring more stable cash flow projections that will allow a much more efficient access to capital.

TechCo, thanks to its clear strategic focus and positioning, will act as a market aggregator (moving to the role of predator rather than the one of potential prey) in the ICT, value-added, edge space allowing the Company to achieve the required scale to play a leading role also in Europe.

The international presence of TechCo, through Sparkle, which is already considered strategic and inalienable, will also help TechCo grow outside Italy and become an important partner and compete with software giants like Microsoft or Google, hardware players like Apple, or e-commerce leaders like Amazon that have all stretched beyond their original markets and entered the telecom industry.

The broader breadth and reach of TechCo will be an additional driver for the international growth of our industrial sectors and supply-chains made by multiple SMEs that require a guide to access and compete in the global markets.



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We believe that such transformation will create superior value for all shareholders, but above all will allow the Country to finally benefit from the unleashed synergies between TIM's network, the 16 data centres distributed across the peninsula, the international presence of Sparkle and the unique technical competencies and solutions of EnterpriseCo embracing edge, cloud, cybersecurity, IoT at the basis of the TelcoCloud technical revolution.

TIMValue's alternative plan eliminates all the issues related to the definition of NetCo's perimeter and the subsequent AGCOM analyses and evaluations: currently a clear perimeter nor the scope of the carve out has been defined, therefore it is still not clear whether any breakup will ever be technically feasible or acceptable from a regulatory standpoint and, consequentially, the time frame for such eventual break up and the implication for the Country.

Alternatively, TIMValue plans to carveout and then sell of TIMConsumer, excluding the SME segment that will become part of TechCo. This sale will occur once TIMConsumer has been successfully revitalised and has achieved long lasting industrial and financial sustainability. This rejuvenation hinges on the implementation of an all-encompassing restructuring initiative aimed at enhancing the overall viability and performance of TIMConsumer's operations.

TIMValue is not looking at liquidating TIMConsumer at any price, since doing so would ignore the legitimate concerns of its employees, its supplier base and the entirety of TIM's Italian heritage. TIMValue will act in earnest to execute the restructuring plan necessary to also bring the retail parts of the existing TIMConsumer back to be thriving businesses and only then sell each one of them to the right buyer.

Our vision for the retail part of TIMConsumer is to reposition it as a digital platform player in the Italian consumer market, able to command a valuation multiple rerating – from the current 4x to around 7x in terms of EV/EBITDA - and ensure that it will play a major role in the expected and inevitable consolidation of European B2C telecom operators as well as in the digital transformation that is driving the evolution of the retail, commercial, media and advertising industries.

While executing the turnaround, a new capable management will immediately start the discussions regarding the sale of the parts of TIMConsumer to allow the new capable management team to shape the different business in line with what will command a higher price.

Different parts of the business might be sold to different players at different times, with the objective of maximising the total sale price while accelerating as much as possible the cash inflows that will help the establishment of TechCo, which will act as a pure wholesale player.



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We also see TIM Brasil not as a core asset, but, rather, as an opportunity for strategic divestment, at the right value, to pay down debt, to fund transformation and to bolster the TIMConsumer's turnaround.

This alternative plan ensures NRRP targets will receive proper focus, drive and priority differently from what it is happening now. At the moment, as indicated in the results announced 2 August 2023, NRRP targets have most been missed and postponed at the expense of all Italians who expect, rightly, for TIM to deliver on its promises.

Contrary to the current plan, which extends well into the future with unpredictable results, this plan offers a clear execution outcome, engages all shareholders, and ensures NRRP targets are met.

The transformation here proposed will take around 24 months. This timeframe is shorter than the one necessary to carve out NetCo and avoids network breakdown and poor quality while still focusing on NRRP and on the TIMConsumer long term sustainability, safeguarding the workforce, the supplier base in the interest of our Country.

TechCo will be renamed, at the end of this transformation, Telecom Italia: the name summarises the mission of the refocused Italian asset and respects the heritage of the Group and the importance the Company always had and will continue to have for Italy.

Telecom Italia, the reshaped and refocused tech company, with cutting-edge added value, higher margins and higher market multiples, will remain publicly traded once the retail part of TIMConsumer and TIM Brasil will be dismissed.



SECTION 2 – TIMVALUE’S PLAN PROMOTES THE PARTICIPATION OF ALL CURRENT AND FUTURE STAKEHOLDERS IN THE INTEREST OF THE COUNTRY AND ENCOURAGES THE CREATION OF THE NATIONAL NETWORK UNDER CDP’S GUIDANCE WITHOUT REQUIRING ANY GOVERNMENT FUNDING

- 1. THIS PLAN IS FOR THE BENEFIT OF ITALY AND ALL SHAREHOLDERS, WELCOMES ALL CURRENT OR NEW STAKEHOLDERS TO CONTRIBUTE TO IT IN THE INTEREST OF THE COUNTRY, OF TIM, OF ITS EMPLOYEES AND ITS SUPPLIERS**
- 2. THIS PLAN FACILITATES THE ESTABLISHMENT OF THE NATIONAL GRID UNDER THE GUIDANCE OF CDP THEREBY MAINTAINING OWNERSHIP FIRMLY IN THE HANDS OF THE GOVERNMENT THAT REPRESENTS ALL ITALIANS WITHOUT REQUESTING ANY GOVERNMENT FUNDING**

The Italian Government, with the MoU signed with KKR on 10th August and the decrees approved on 29th August has clearly stated that the network is a strategic asset of the Country and a fundamental piece of infrastructure for the future.

TIMValue shares the same belief: the network, currently Italian, needs to remain fully under Italian stewardship and its integrity shall be preserved including Sparkle and FiberCop.

This alternative plan is, therefore, fully aligned with the Government’s vision, fully meets the Government’s requirements in terms of stewardship, oversight and strategic direction of the network and, above all, does not need any financial investment from the Government, therefore does not divert any resource that might be needed for the Country's development.

This plan does not compromise the integrity, availability and sustainability of any part of the network therefore does not impact, but accelerate the NRRP plans.

For these reasons, we refrain from labelling this plan as “ours”: this plan is first and foremost for all Italians, for the Country, in full alignment with the Government’s decisions.

This plan is designed to be inclusive of every stakeholder of the Company: all main actors need to be part of TIM’s renaissance since the digitalisation of the Country and the correct execution of the NRRP are challenges that require unity of intents and willingness of cooperation under the stewardship of the Government.

TIMValue wants to facilitate the engagement of all shareholders, especially TIM’s current largest ones Vivendi and CDP (also largest shareholder of OpenFiber), restoring a collaborative governance in the Board of Directors. But the plan is to listen to all shareholders.

Any future decision will need to respect the employees in each division of TIM, so TIMValue’s plan



is to start interacting immediately with the unions to ensure a smooth transition from TIM, the company of today, to Telecom Italia, the tech company of the future.

Workforce respect and protection is a priority for TIMValue.

All other stakeholders will be encouraged to participate, starting from KKR with its ~37.5% of FiberCop, to Macquarie with its 40% of OpenFiber, but as well as any other investor that have already expressed interest in parts of TIM including the EnterpriseCo, a cornerstone asset within the TechCo vision of TIMValue and not for sale, or all the new ones that are willing to look at this dossier now after having read this letter.

We firmly believe this inclusive plan has the potential to pave the way for the establishment of the much-needed national telecom grid through the merger of Telecom Italia (TechCo, the new and refocused TIM) with OpenFiber, without its black areas. Ideally that would happen with the contribution in kind of OpenFiber, without its black areas, into Telecom Italia, facilitating the increase of CDP's stake in Telecom Italia. Macquarie and KKR would be encouraged to do the same, contributing in kind their respective stakes in OpenFiber, without the black areas, and FiberCop into Telecom Italia. This would allow them to correctly value their stakes while supporting this initiative of strategic importance for the Country. Becoming shareholders of a listed company will give them the opportunity in the future to either monetise their investment or remain a stable shareholder of a company with a bright future.

The future merger of Telecom Italia and OpenFiber, without the black areas, and the establishment of the national grid under the guidance of CDP thereby maintaining ownership firmly in the hands of the government that represents all Italians, are key milestones of the TIMValue plan for 4 equally important reasons:

- The creation of a single national telecom grid is a strategic priority for the Country and the only way to ensure a fast process of digitalisation of the entire Italian territory
- Without such a project it will be hard to have full access to the NRRP funds allocated to this sector
- Such national telecom grid (with Sparkle in it as well) needs to belong to a company that is in the strategic hands of the Government. In TIMValue's plan, CDP will be a key shareholder of Telecom Italia post-merger with OpenFiber and exit from the retail and Brazil businesses
- Enabling a huge value creation through meaningful synergies and valuation multiples re-rating

We do not believe the creation of a national telecom grid in the way envisaged by TIMValue will raise any relevant antitrust issue. This alternative path will ensure competition will exist at the level of services while facilitating the cooperation in the infrastructure roll-out which is a priority for the Country and for Europe.



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Italy is currently in third from last place in the EU in terms of availability of fibre optic connectivity. Italy and Italians need a single company that can exploit synergies and focus resources rather than 2 companies trying to do it without providing any real advantage to consumers and missing NRRP targets.

Based on our preliminary assessments and evaluations, TIMValue believes a dialogue with the EU antitrust regulators is feasible and can be constructive. Exiting the retail parts of the business and the intention of becoming a national grid open to all users with regulated prices (which would also help obtaining a regulatory scenario similar to a RAB scheme one) will be key in the antitrust issues conversations.

In the event of any concern pertaining to the merger of the two existing networks within the proposed scheme, those will be addressed by disposing those specific OpenFiber's assets generating these concerns while still preserving the goal of creating a national grid under the stewardship of the Italian Government.

An immediate and actionable solution, as already written, might be to repurpose Metroweb's perimeter which separates OpenFiber's black areas, those open to competition, from the grey and white areas which are currently held under a concession from the State. OpenFiber's black areas can be immediately marketed as they are attractive assets while the white and grey areas can be merged into TechCo, through a contribution in kind, thus further accelerating the digitalisation of the Country.

One of the key deliverables of TIMValue's alternative plan is to ensure that the existing debt of TIM (and post-merger of OpenFiber) becomes sustainable. This can only be achieved with an industrial plan that values and enhances the core assets of the Company, transforming it from a middle of the pack (at best) position in many segments into a leader in fewer, but way more strategic and relevant ones.

As stated, all stakeholders are welcomed to contribute to the success of the future Telecom Italia and the development of the Country itself. Within this framework, the engagement of Italian banks, already exposed to both TIM and OpenFiber, could play a significant role in the process.

TIMValue will immediately engage with the main creditors, not only to explain the project in detail and reassure them on the preservation of their existing creditor standing, but also to seek support to propel TechCo's ambitions. As significant contribution to the financial needs required before the disposal of the retail and Brazil businesses is expected to come from the unlocking of the NRRP funds. However, a close cooperation with the lenders will be necessary to ensure the capital structure of the new Telecom Italia is as strong as possible from the beginning and the merger between TechCo and OpenFiber can happen in a seamless way.



SECTION 3 - CREATING SUPERIOR VALUE FOR ALL SHAREHOLDERS

1. **ADDITIONAL €1BN EBITDA AND €600MM IN CASHFLOW GENERATION IN THE NEXT 24 MONTHS**
2. **TIM STOCK PRICE MIGHT MOVE BEYOND €1**
3. **CREATE SUSTAINABILITY OF THE DEBT**
4. **LAY THE GROUNDWORK FOR THE RESUMPTION OF DIVIDEND PAYMENTS AND CAPITAL RETURN PROGRAMS FOR ITS SHAREHOLDERS**

TIM faces an all-time low relative valuation: portfolio managers do not support the current TIM narrative, and many of the world's largest active managers are noticeably underweight in TIM securities and have decided to deploy their capital elsewhere.

TIM has nearly been abandoned by key shareholders and major portfolio managers.

Their scepticism is understandable: short-term cash flow targets have not been met as represented in the disappointing figures released on 2nd August despite the drastic cuts in network investments and maintenance which penalise all Italians and their future endeavours.

This near-total loss of investor confidence has translated directly into share-price underperformance since Mr. Labriola was appointed – almost -50% - and a depressed valuation: investors simply will not give any “credit” to current management's promises and have already heavily discounted the likelihood of success of the current plan. Most market activity is now almost exclusively of a speculative nature, with TIM's share price reacting solely rumours and press news regarding NetCo.

Nevertheless, from our perspective, TIM has irreplaceable assets, substantial earnings potential and a unique ability to win in some key markets. Despite weak management, TIMValue firmly believes TIM can eventually restore investors' confidence and trade at higher multiples than its peers by executing the alternative plan highlighted above.

Exclusively relying on an outside-in analysis of publicly available data, TIMValue identified no less than an additional €1bn EBITDA and €600mm in cashflow generation over the next 24 months through readily achievable initiatives that will further accelerate debt repayment

- **Strategic focus:** Strategic focus becomes evident when an organisation possesses a clear mission and vision, effective management and leadership accompanied by a coherent, well-defined strategy to achieve these goals.
 - TIM lacks such strategic focus and, as all the once high-flying firms that encounter performance problems, it is clear that current management has lost connection with its customers and ignored its priorities while at the same time subjecting TIM's employees to salary cuts notwithstanding top management's record high MBO



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- awards and salary increases
 - Restoring focused execution at TIM is of paramount importance, especially considering the numerous related issues it is facing, such as the ongoing 5G rollout, NRRP, and the consumer business turnaround
 - TIM lost an enormous amount of time and as consequence of value, due to the protracted discussions regarding NetCo, with its perimeter changing continuously due to MSAs (Master Service Agreements), SLAs (Service Level Agreements) and associated processes
 - Beyond just the organisational distraction, this constant influx of varying NetCo perimeters and carveout considerations leaves investors, employees and suppliers in a state of uncertainty, pondering the unfolding potential scenarios.
 - To remedy this situation, prioritisation should be directed towards the restructuring of TIMConsumer (its sustainability is a key prerequisite for the sale of the retail part of it), the establishment of TechCo and the successful NRRP execution
 - This focused approach should be carried out with due respect for employees and suppliers, streamlining efforts and fostering clarity within the organisation engaging labour unions and suppliers
- **Restructure, reposition and relaunch TIMConsumer to allow for its sale:** The Consumer business of TIM needs to become sustainable as quickly as possible to allow for selective dismissals at the right price. To achieve sustainability and therefore a sale, it needs to be repositioned as a digital customer platform. While working on the turnaround, discussions with potential buyers will start to identify the optimal way the different parts of the retail business should look like to maximise the price that can be achieved in a sale and accelerate the establishment of TechCo. The turnaround of the consumer business will be based on several key points.
 - TIMValue is confident that TIM's Board of Directors shares our understanding that as the rollout of Fibre To The Home (FTTH) networks reduces fixed-line differentiation and the move to online purchase journeys eliminates entry barriers for digital native providers, competition will further intensify, and margins further erode especially for traditional telco operators who have legacy and no lean cost structures. In this scenario, TIMConsumer stands out as one of the most impacted players, a fact that was reinforced by the figures released on 2 August 2023
 - TIMConsumer needs to grow in terms of Average Revenue Per User (ARPU) via customer value management and selective cost reduction efforts. Personalised offers and pricing based on Customer Lifetime Value (CLV) can raise ARPU by enabling continuous cross and up selling, coupled with proactive churn management, which can be implemented only through regular engagement with TIM customers
 - As things stand, and notably represented on the specialised press, TIM's customers have normally few reasons to interact with TIM, apart from when experiencing



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problems thus making it impossible to improve ARPU on a consistent basis

- This value creation effort requires new, efficient and focused approaches to revenue, convergence, selective cost cutting always focusing on customer experience and customer interactions. The enhanced profitability derived from core connectivity services can serve as a catalyst for TIMConsumer investments in growth
- These investments shall be directed toward developing new revenue streams by crafting innovative offerings in adjacent verticals. Industries such as insurance, fintech, and energy present promising opportunities for top line expansion
- TIMConsumer can extend its reach into entirely new sectors by organizing an ecosystem of partners. This strategic approach leverages the current architecture of TIMConsumer to seamlessly provide customers access to a wide array of digital products and services. From home security solutions to tele-healthcare services, this ecosystem broadens the offerings available to customers, thereby enhancing their overall experience further enhancing the CLV process mentioned above
- Embracing these strategies, TIMConsumer not only adapts to the evolving market dynamics but also positions itself as a comprehensive service provider, catering to a diverse range of customer needs while fostering innovation and growth
- TIMConsumer shall be a platform that capitalises, respecting the legislation, its larger customer bases, achieves further economies of scale, increases data monetisation, and improves negotiation leverage with digital partners
- In TIMValue's view, TIMConsumer shall act as the distribution channel for partners and suppliers to extend their reach by selling their services and products into TIM's established and large customer base
- Suppliers and partners will benefit from TIM's trusted brand, established digital and retail footprints, and profiled data that support a deep understanding of its customers' needs beyond the TIMConsumer's core offer
- Such architecture will allow TIMConsumer to provide incentives to its ecosystem by upgrading or segmenting connectivity and entertainment services, generating loyalty and engagement thus new purchasing touchpoints. It will also reduce friction in the purchase journey for additional products and services by adding those to customers' existing monthly connectivity payments or helping customers authenticate themselves cross platforms and protect their digital identities preventing frauds
- TIMConsumer will develop this platform by harnessing the technological architecture already within the Company and, above all, by leveraging the solutions already established in adjacent sectors like that of e-commerce players also integrating third-party services via, if necessary, ad hoc APIs
- The platform will be pivotal in ensuring a unique customer experience along all the touch points: customers will access a range of services via a single sign-on, still allowing TIMConsumer to maintain, in alignment with legislation, a unified view of



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- customer data, delivering a single campaign orchestration engine, and centralising billing and payments
- Such repositioning of TIMConsumer as the digital platform player able to master all customers' touch points and relative data insights could drive a valuation multiple rerating: from 4x to 7x in terms of EV/EBITDA. This shift is necessary to strengthen TIMConsumer and ensure that its retail parts can be spun off to play a major role in the consolidation of European B2C telecom operators
 - **Relentlessly reduce the cost structure**: TIMValue recognises the need for a comprehensive and urgent approach to cost reduction within TIM. While there have been periodic efforts to cut costs, these steps can be further enhanced with greater consistency and urgency. It's crucial for TIM to undertake a thorough review of its cost structure and implement a multi-year improvement plan that goes beyond addressing superficial issues and truly tackles the root causes of underperformance. The existing cost transformation plan released on 3 March 2022 requires a thorough reassessment of several elements of TIM's Management.
 - **Timid ambition**: Management focuses on symptoms or problems that arise instead of comprehensively addressing the root causes of TIM's underperformance in all segments. TIMValue believes Management needs to move on from the current concept of "addressable base" and assume everything is "addressable" with the right strategy
 - **Fragmented effort**: Management sponsors too many initiatives with limited value while diluting attention to more pressing issues thereby spreading resources too thinly
 - **Complacent culture**: TIM's organisation is disengaged, and employees and management do not accept ownership or accountability for implementing cost transformation since most of cost reduction is related just to labour costs through salary reductions, forced exits... It is well known that TIM employees work just 2 days a week due to "solidarietà" introduced to cut salaries. A complete rethinking of the approach needs to happen
 - **Execution uncertainty**: Transparency and program management are weak and lack substance, making it challenging to consistently drive, enable, and deliver impact measures, especially in cross-functional initiatives

TIMValue believes in the opportunity to significantly improve the current cost-cutting commitment where targets have been set at a timid 15% and related just on a limited perimeter (the addressable base). We are deeply convinced that TIM can achieve up to a 25% cost reduction across the board, 10pp higher than the current timid proposal, since it is mainly a matter of focused and proper execution.

This improved effort would result in more that €600mm in cost reduction. The main additional efforts would focus in the following areas:



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- **Retail footprint:** TIMConsumer can significantly reduce the scale and cost of its large retail footprint by accelerating the migration of transactional sales and customer care interactions to lower-cost digital channels. Simultaneously, it can invest differently and in a smaller number of flagship stores to increase brand engagement
- **Maintenance costs:** TIM can significantly reduce the operating, running and maintenance costs of its network by accelerating the copper decommissioning effort along an accelerated FTTH take up plan schedule, that represents an extremely important part of the TIMConsumer turnaround, as well as NRRP execution that is, unfortunately, now lacking. Maintaining and operating legacy copper networks is both costly and operationally complex. Comparatively, estimates indicate that the operational expenditures (OPEX) for maintaining legacy copper networks are 2 to 7 times higher than those for fibre networks. Energy expenses associated with copper networks are 3 to 6 times higher, and network fault rates are 5 to 10 times higher in comparison to fibre networks. Furthermore, the challenge of securing qualified personnel to manage copper-based networks is pronounced, as the requisite skill set is increasingly scarce in the market. Fibre networks demonstrate a higher resistance to disruptions caused by severe weather or conditions of excessive moisture and heat compared to their copper counterparts. Fibre networks are, also, typically immune to external electronic signal interference. Consequently, there is a substantial reduction in ownership and maintenance costs, as well as a notable decrease in downtime occurrences. Such cost reduction together with the cash benefit of getting rid of unutilised or barely utilised copper cables also provides better quality of service that can further facilitate the TIMConsumer turnaround since customers still using copper networks show a 5 to 10 percentage points higher churn rate compared to those already on fibre-based networks
- **Network sharing:** An important potential exists in turning to network sharing as a key lever to significantly reduce costs, optimise capex and improve deployment time or network coverage as we learned from the TowerCo model. Network sharing will likely be a standard tool for most operators in Europe to optimise their network spending and multiple business models will coexist to satisfy the demand for more active network sharing and edge computing (vRAN baseband)
- **Enforce a winning organisational structure:** one of the key challenges to a successful repositioning of TIM (typical to most large and sleepy organisations) is that people are hard-wired to resist change.
 - **Effective leadership:** What TIM deserves and, unfortunately, currently, lacks are leaders who can help employees feel focused, supported and engaged, setting them up to succeed. Leaders that can design and then execute against a clear, well understood, long-term plan are necessary to give all TIM employees something to drive towards. Today, to the contrary, employees feel in a constant state of flux



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- and uncertainty
- Operational efficiency: Making TIM's operations more efficient would provide benefits that go well beyond higher profit margins. Eliminating duplicative layers, cutting wasteful spend and focusing the entirety of the organisation (from top management down to the lowest levels) on the most important tasks, will allow TIM to grow and execute faster, better and cheaper
 - Meritocracy: Enforcing meritocracy by prioritising and promoting key talent is of paramount importance to achieve the ambitious goals that TIMValue is setting up. Clear investments will be ensured to sustain employee career paths and top line growth opportunities
 - Paradigm change: TIM requires a fundamental shift away from a traditional business model built around running a network and selling connectivity toward a new model befitting a digital distribution business such as that of Amazon, Ebay, Walmart, TEMU, Alibaba (just to name a few of the winners). This shift will require TIM to reassemble its digital sales and marketing organisations as those will need different capabilities, talent and ways of working. Cross-functional, agile squads will help bring together commercial, marketing, digital and data and analytics capabilities to transform connectivity and build new revenue streams. This new structure will require different KPIs and performance incentives. This new agile mindset will be key to allow TIM to rethink which activities are to be kept in-house focusing on the value-creating sources of differentiation, and those to be externalised to avoid remaining overly reliant on system integrators, which end up eating any savings generated by the virtualisation process or the cost cutting effort previously described
- **Strict capital allocation**: TIM shall implement a structured process for capital deployment where only capex that support long-term strategic goals and positioning will be approved. This is starkly in contrast to the tactical decision-making process that has been in place at TIM for the last few years, where every resource (including NRRP targets) was sacrificed to try to meet the cash flow guidance promised to the market. Not surprisingly, such a lack of strategic approach also led to continuously missing the very same targets that it was geared to meet, as clearly stated in the figures released on 2 August and expressed by the share price performance of the last few years.
 - CAPEX and OPEX coordination: Capital expenditure shall go hand in hand with operating expenditure and shall be linked to the efficiency programs briefly outlined above. For example, the rationale behind the decommissioning of the legacy copper networks extends beyond mere cost savings from maintaining an expensive, energy-intensive, and operationally inefficient technology. It is also driven by the fact that it would free-up capital and resources, which can then be redirected towards the implementation of cutting-edge, future-proof technologies such as fibre, 5G and others, thereby enabling the delivery of high-speed broadband



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- Less marketing claims, more delivery: Rather than pegging enormous amounts of capital to support marketing campaigns claiming high-speed broadband and newer technology coverage, TIM shall allocate capital to the areas that directly impact the customers' experience and perception, sustaining the top line, and allowing for the creation of the architecture outlined above. This will allow the launch of new products that customers actually value (and for which they are prepared to pay) without slowing down the execution of the NRRP

TIMValue's alternative plan allows TIM to look immediately at the intended capital deployment plan for 2024, as well as to reshape the capital allocation plans for the next few years. These capital allocation plans will need to be fully aligned with the new TechCo's strategic vision of becoming the leading telco edge player in Italy while turning around TIMConsumer to prepare the sale of the retail businesses and of TIM Brasil at the right price.

Based on outside-in assumptions relying exclusively on public data, we see cash saving of €300mm on top of the cash that will be released from the strong cost cutting effort outlined above.

We strongly believe that such a disciplined, multi-year, approach focused on growth sectors will allow the new TIM to properly engage with lenders, ensuring the future sustainability of the debt improving its overall financial position. Embracing the operational best practices outlined above, TIM will generate a healthy reduction of leverage through the creation of TechCo, that will increase earnings with its high-tech wholesale offerings and its stable network cash flows.

While TIMValue looks forward to sharing more details of this plan with the Board of Directors, TIMValue expects that by implementing such decisive actions TIM's stock price might probably move **beyond €1 per share and lay the groundwork for the resumption of dividend payments and capital return programs for its shareholders.**

Such an attractive financial plan profile certainly merits a premium to TIM's current depressed market capitalisation that implies a multiple of 5.5x in terms of EV/EBITDA. We expect the multiple to rise to around 8.0x once the plan is fully understood and starts to be implemented and will be even higher once TechCo is in place and the retail and Brazilian businesses have been exited.

Such a valuation is consistent with the valuation that the current Board of Directors made during the conversations with KKR and its €0.505 per share takeover bid that valued TIM, at the time, at €10.79 billion (€32.95 billion including TIM's net debt).

An expectation of €1 per share price target would in itself represent a strong capital appreciation and rewarding return to shareholders, a rare opportunity and the key path to respond to all TIM's shareholders that have been suffering in the last few years.



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However, TIMValue believes that beyond delivering a higher stock price for its shareholders, both institutional ones and retail ones, the new Telecom Italia – TechCo, will deliver far-reaching benefits to other stakeholder groups as well.

From households who use TIM now for their phone calls, internet, television or content, to businesses that depend on the Company to connect employees, suppliers, partners and customers, TIM makes daily life possible for millions of people in Italy.

By successfully executing this alternative plan and focusing on its strategic initiatives, such as deploying 5G, delivering NRRP, executing PSN and improving broadband connectivity, TechCo will continue to ensure efficient access to telecommunications services and connectivity which is key to economic and social progress in the modern world. This is evidenced by the fact that connected cities, communities, and regions thrive, while those that are isolated struggle.

This alternative plan will facilitate the way for the establishment of a national grid by the merger of TechCo and OpenFiber, without black areas, allowing the resulting TechCo to be under the guidance of CDP and therefore firmly in the hands of the Government that represents all Italians without requesting any funding or public money that can be diverted on other dossier relevant for our Country.

TechCo, will be focused on enhancing the lives of all Italians and improving the competitiveness of our industries. This will be achieved through the efforts, service and passion of nearly 40 thousand employees, who will be respected and protected, as well as all the suppliers that support TIM every day with devotion.

In addition, TechCo will support Italy to take back the role as one of the global leaders in telecommunications, a position the Country has held since the telephone was invented and in which this Company has played a central role.

The best is yet to come for TIM: we believe the path outlined above is the best way to ensure long-term prosperity for all of us and the generations to come since it focuses on:

- Establishing TechCo leveraging the unparalleled network, knowhow and client relationships to offer value added ICT services and solutions
- Engaging, through proper governance, all shareholders
- Welcoming current and all the new stakeholders that have expressed interest in TIM to foster the creation of a national grid under the guidance of CDP
- Respecting employees and the supplier base that ensures every day that our Country remains connected
- Ensuring fewer distractions, greater focus on NRRP targets and a clear commitment to sell TIM Brasil and, once sustainable, the retail parts of TIMConsumer



SECTION 4 – MR PIETRO LABRIOLA IS UNFIT TO DELIVER SUCH VALUE CREATION PROGRAM

TIMValue strongly believes the proposed plan is the right path for TIM in the interests of the Country, of the employees and of the suppliers as it:

- Ensures that TIM's network, including its subsidiaries such as Sparkle and FiberCop, will remain fully in Italian hands, as has always been the case, ensuring Italian stewardship, which is the decisive element that drives technological and digital, while providing certainty of NRRP execution
- Ensures Italy, through TechCo, will remain a European leader in mastering the digital transformation in the interest of all Italians, the Public Administration and all Italian companies no matter in which municipality they reside
- Aligns interests toward value creation for TechCo, engaging all shareholders, especially Vivendi and CDP, and allows the possibility for various existing and future stakeholders - including KKR, Macquarie and the major Italian Banks - to participate in the transaction based on their current positions, ambitions, and the roles they wish to play in achieving the Country's objectives
- Facilitates the establishment of the National grid through the merger of TechCo, the refocused TIM, and OpenFiber, without the black areas, allowing TechCo - including strategic assets such as Sparkle and PSN, the Cloud for the Public Administration – to help the achievement of all the Country's digitalisation objectives and NRRP targets. All of it under the guidance of CDP, therefore firmly in the hands of the Government
- Solely focuses on the industrial content which will make the debt sustainable through an enhanced free cash flow generation and the increase in the value of the Company's assets, rather than through the regrettable financial liquidation of the asset that has always been Italian
- Through the reestablishment of proper governance, ensures that the will and opinions of all shareholders are respected
- Preserves the workforce, respecting the competencies built over the past 100 years of history, as this plan stabilises, manages and supports the entire supplier base and the Country's business ecosystem, ensuring their profitable development and operational effectiveness, without resources and human capital dispersion
- Allows for the redefinition of relationships with employees through their participation in TIM's capital through forward-looking structures aligned with ESG principles

Implementing a plan of this nature requires clear leadership, keen focus and an ability to execute.

We are truly disappointed by the performance and the results achieved so far by Mr. Pietro Labriola

The vision of TIM presented by Mr. Pietro Labriola in March 2022, and then in July 2022 has not been implemented and the milestones presented to the market, especially the NRRP targets, have been missed: such disappointment has significantly worsened TIM's already precarious industrial and financial situation, not to mention its perception in the market as reflected by the stock price performance.

We believe Mr. Pietro Labriola is among those most responsible for the worsening of the TIM situation for the following reasons:

- Under his leadership a tremendous amount of value for shareholders was destroyed, with the stock price dropping from €0.45 at the time of his appointment all the way down to €0.16: the market did not and still has not understood his vision. The bounce back to current levels is still almost 50% below the time he was appointed and is exclusively driven by the breakup value to be achieved by the inauspicious sale of the NetCo and is not based on a change of sentiment. In the same period the STOXX Europe 600 has been almost flat
- No real restructuring plan has been launched nor executed: investments have been significantly cut, cash generation has worsened, and debt has increased. Indeed, debt increased from €22bn in Q3 2021 to €26bn in Q2 2023, an 18% increase whilst the cash flow generation turned negative from more than €460mm down to -€167mm. The situation is critical especially in the highly competitive Consumer business as the figures presented on 2 August 2023 clearly reflect. Domestic service revenues are down 5%, EBITDA is down 14%, and all other KPIs, including market share and network quality, are sinking. TIMConsumer needs to be sustainable to be carved out and not diminished to facilitate the disposal. If the sale of the NetCo goes ahead what will be left of TIM will be a “zombie company”, with no ability to compete in the competitive consumer space and therefore bound to go into default on its enormous stock of debt sooner rather than later
- The interests of all shareholders are not taken into account. Disagreements amongst shareholders have intensified due, in no small part, to his improper behaviour, unclear vision and relationship mismanagement to the point of compromising TIM's industrial plans with continuous changes of strategic directions
- NRRP milestones has not been met. NRRP targets have been sacrificed trying to increase cash generation – a KPI that has once again, unfortunately, been missed. Further value has been destroyed for TIM's shareholders since penalties will have to be paid, but has also eroded TIM's heritage and brand reputation, while failing to respect the devotion of its employees and suppliers. Such continuous delays in executing NRRP are impacting the lives of millions of Italians who relied on TIM to be connected as promised by the Government



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TIMValue believes Mr. Pietro Labriola is not executing a value-accretive plan, as TIM's stock price clearly reflects, but is extracting value solely from TIM's labour force through a set of salary reductions and layoffs that are destroying the most strategic asset of TIM: the unique knowhow of its employees and network of partners in the supplier base.

Despite such a poor performance, the 2022 compensation package of Mr. Pietro Labriola has been €3.6 million which is approximately 100x the average salary of a TIM employee. All this while asking the employees and suppliers for sacrifices and letting down Italians who are facing delays in the execution of the NRRP and see their high-speed broadband connections being continuously delayed despite the Government has promised them a clear execution plan.

Even though shareholders did not authorise Mr. Pietro Labriola's enormous three-year incentive plan, worth as much as €25.8 million on top of his salary, he decided not to change the course of his actions and continued on his way, asking for additional sacrifices to employees while still missing NRRP targets as he had to admit on 2 August 2023 and we will see the 8th of November 2023 if he has been able to recover the delay

Value creation, proper governance alignment and respect for employees, suppliers and all Italians that look at the NRRP to be connected are integral parts of the duties of TIM's CEO.



SECTION 5 – RE-ESTABLISHING PROPER GOVERNANCE

- 1. REVOKE MR. PIETRO LABRIOLA AS CEO AND FROM THE BOD**
- 2. CO-OPT MR. STEFANO SIRAGUSA TO JOIN THE BOARD, APPOINT HIM CEO AND START EXECUTING TIMVALUE’S PLAN**

We are in a pivotal moment in the history of TIM, a moment where critical business and capital allocation decisions are being made. But in the case of TIM, it's not just about a company. It's about Italy, about the progress of an entire Country and its ability to keep on innovating and look at the future with the eyes of a leader while preserving its heritage built in 100 years.

TIMValue strongly believes that there is an alternative path for TIM.

We firmly believe that our Country and all Italians deserve to retain ownership of TIM's network, and that's why we've outlined an alternative plan in this letter.

We believe there is an industrial alternative capable of addressing the Country's strategic needs and creating value through the generation of cash flows necessary to resolve the debt issue and reduce financial leverage.

In the previous pages of this document, we have proposed an alternative plan for TIM that starts by re-establishing proper governance in this Company.

Mr. Pietro Labriola's recent actions, aimed at structuring a legal way to avoid taking to a shareholders vote what possibly represents the most relevant decision that TIM has ever been called to take, the sale of NetCo, are disrespectful of the governance of a company with a heritage of 100 years of history.

In the absence of a decision by the Government to specifically exercise its Golden Power to this respect, the owners of the Company are the shareholders and theirs, and only theirs, should be the decision to sell or retain the most important business unit of the Company.

Even more so in this case, where the sale of NetCo would condemn what is left of TIM to a slow but certain death having eliminated any future potential from it.

These actions will damage not only the shareholders but all the other stakeholders that will be left in or facing what will be left of TIM.

The alternative proposed by TIMValue is actionable, has a clear timeline, a clear scope, a clear industrial and technological perimeter, preserves network integrity, avoids breakdowns and is



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designed to meet the ambitious targets of the NRRP and paves the way for the establishment of a national grid under the control of CDP thereby maintaining ownership firmly in Italian hands.

Execution of this plan requires proper leadership and TIMValue has in Mr. Stefano Siragusa the candidate that can execute this plan. He has the right background, skills and motivation to effectively drive the Company through it.

Given the opposite nature of TIMValue's plan vs the current management, we encourage the Board of TIM to remove Mr. Pietro Labriola from the role of CEO and take all appropriate steps to co-opt, as soon as possible, Mr. Stefano Siragusa to the Board and appoint him as CEO to lead the company through the execution of this plan.

In the event of no action taken by the Board, TIMValue will assess the economic and market conditions to increase the stake it currently owns and represents up to slightly above 5% subject to the prior government authorization according to the Golden Power rules. Immediately afterwards, a request to convene a shareholders' meeting to be held as soon as possible would be sent to this board. During this meeting, or any other meeting if appropriate, TIMValue will ask all shareholders for

1. Revocation of no. 1 (one) Director in the person of Mr. Pietro Labriola
2. Appointment of no. 1 (one) Director in the person of Mr. Stefano Siragusa, in replacement of the revoked director pursuant to the previous item on the agenda



SECTION 6 - TIMVALUE, WHO WE ARE

Merlyn Advisors

Merlyn Advisors (Merlyn) is the investment manager of two investment funds domiciled in Luxembourg and Dubai. Merlyn was founded in 2020 by a team of ex JPMorgan employees with over 50 years of combined experience in the capital markets space.

Merlyn invests in what it defines Special Opportunities: any type of situation of non-standard nature where there is a level of complexity that requires direct intervention by the Merlyn team to unlock a value creation opportunity. Merlyn is sector, geography and asset class agnostic when analysing opportunities. The investment objective is to identify opportunities where Merlyn can provide a potential solution to a situation via its financial structuring skills, risk management and the ability to bring the correct management teams to run a company going forward.

Merlyn's investments can be grouped into 4 main categories:

- Structured Financing: Merlyn engages in highly structured financing transactions where the complexity of the structure allows the borrower to achieve its objective and Merlyn to generate superior returns on a risk adjusted basis
- Unlisted Equities: Merlyn invests in the equity of unlisted companies with control positions, or with industrial partners to help the transformation and/or growth of the company
- Listed equities: Merlyn only invests in listed equities in event driven situations and where its investment can unlock a value creation opportunity, either by getting management to implement changes that can have a positive impact on the stock price or where the structured nature of the investment allows Merlyn to generate, similarly to the financing opportunities, superior returns on a risk adjusted basis
- Stressed and Distressed Situations: Merlyn invests in the debt or equity of companies or countries in a stress or distressed situations. In the case of companies, the objective is to either help the management team to exit the stress situation

Merlyn manages several funds and investment vehicles out of London via the FCA regulated investment management company Merlyn Advisors Ltd. and out of Dubai via the DFSA regulated entity Merlyn Advisors DIFC Limited.

Merlyn Advisors Ltd is the Investment Manager of the Luxembourg incorporated fund Merlyn Partners SCSp that is currently a shareholder of TIM.

Alessandro Barnaba is a founding partner of Merlyn and part of Merlyn's management team.



Alessandro Barnaba

Prior to founding Merlyn, Alessandro joined JPM in July 1996 in the London Fixed Income department covering Italian clients on derivatives and DCM products. He quickly moved to the Italian Lira bond trading desk, trading both primary and secondary bonds. After the introduction of the Euro, he moved back to covering clients as head of the financial institutions team for Italy. He became responsible for Fixed Income derivatives marketing for Southern Europe in 2001. In 2004 he was appointed head of all Fixed Income sales and derivatives marketing for Southern Europe and CEEMEA. In 2010 he became co head of EMEA sales and derivatives marketing across Fixed Income and Equity products. In 2012 he joined JPM's Corporate and Investment Bank Operating Committee reporting to the CEO of the CIB. In 2014 he became co head of International Sales and Marketing (EMEA and Asia Pacific) for markets and Investor Services products managing a 1,600 people team generating \$12bn of revenues. Alessandro became Global Chairman of Investment banking at the beginning of 2019.

Throughout his career, next to his management and regulatory related responsibilities that his role required, Alessandro never ceased to work on large transactions remaining personally involved in most of the largest derivatives and derivatives-based financing trades that JPM did outside the Americas.

RN Capital Partners

RN Capital Partners, division of Rari Nantes, is an alternative asset manager unlocking value in idiosyncratic opportunities which other investors are unable or unwilling to tackle by structurally improving the strategic position, competitiveness, and profitability of invested companies.

Stefano Siragusa

Stefano Siragusa is a top executive with an international standing thanks to the results he achieved in relaunching global companies as a senior partner in top consultancy firms, as a CEO of listed companies and as a Chairman and board member of major international listed companies.

Notably, Stefano Siragusa possesses an unparalleled depth of understanding regarding TIM: he served as Deputy General Manager, leaving the company in December 2022 after having delivered superior value since he joined in 2018 as Chief Infrastructure Officer.

In TIM he has coordinated 35,000 resources ensuring, at Group level, 14b€ revenues, 4B€ Ebitda, 3B€ investments through the oversight of marketing and technical supply activities for the national and international market of fixed and mobile network.

Stefano has ensured the development of TIM wholesale business, through innovation, definition of the offer and marketing of the relative products and services: wholesale order intake grew 138%, revenues by 39% and client portfolio increased by 7%.

Stefano has ensured the engineering, planning, design, construction and deployment of all the infrastructures and the effectiveness and the efficiency of all the operations required for the resiliency of both the fixed and mobile network: resource productivity doubled (226%), network failure rate reduced by 27% and network availability above 99,9% even during pandemic crisis.

Stefano has reshaped TIM decision-making, technological and operational processes for the



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creation, marketing and commercialization of all the Group's infrastructure national fibre coverage more than tripled (from 12% to 38% of population), infrastructure construction time shrank by 68%. Stefano has been, also, TIM Chief Revenue Information and Media Officer, TIM Chief Technology and Operating Officer and Chief Infrastructure Officer.

