



## Press Release

### INWIT: LARGEST TOWER OPERATOR IN ITALY CREATED TO ACCELERATE 5G DEVELOPMENT

- ▶ LARGEST TOWER OPERATOR IN ITALY CREATED, BRINGING TOGETHER TOWERS OWNED BY INWIT AND VODAFONE ITALIA'S
- ▶ AROUND 11,000 VODAFONE TOWERS ACQUIRED IN TRANSACTION WORTH MORE THAN €5 BILLION
- ▶ INWIT TO ACT AS INFRASTRUCTURE PARTNER OF TIM AND VODAFONE IN DEVELOPING 5G, ENABLING RAPID ACCELERATION IN COVERAGE
- ▶ NATIONAL PRESENCE STRENGTHENED, BENEFITING ALL MARKET OPERATORS
- ▶ NEW INWIT WILL HAVE CONTRACTUAL REVENUE IN EXCESS OF €700 MILLION PER YEAR THANKS TO SERVICE AGREEMENTS EXTENDED TO VODAFONE
- ▶ REVENUE RUN RATE FORECAST IN EXCESS OF €1 BILLION IN 2026
- ▶ SIGNIFICANT RUN-RATE INDUSTRIAL SYNERGIES EXPECTED AT MORE THAN €200 MILLION PER YEAR IN EBITDA
- ▶ OPTIMISATION OF FINANCIAL STRUCTURE

In a world where 5G plays an increasingly important role in every country's development, INWIT is seeking to position itself at the cutting edge and has signed an agreement with Italy's two biggest mobile operators to develop 5G.

INWIT will take over the 11,000 towers currently owned by Vodafone, becoming in the process the **second largest independent operator in Europe**, with a total of more than 22,000 towers.

The transaction marks the birth of Italy's largest tower operator, whose goal is to **enable the development of innovative solutions throughout the national territory**, from smart cities to Industry 4.0 and indoor coverage in major cities.

The phased transaction will see Vodafone receive €2,140 million and 360 million shares, resulting in the two operators – TIM and Vodafone – holding the same number of shares, equal to a 37.5% stake each in INWIT.

Neutral hosts such as INWIT will **enable operators to share part of the access network**, which in turn will ensure both **enhanced coverage** and **better efficiency** in terms of **timescale and development costs**. The agreement will also help to significantly reduce the technological gap between the country's large urban centres and rural areas.

The agreement signed today will allow the new INWIT to secure, under **a long-term service agreement, revenues of more than €700 million**. Therefore, overall revenues from TIM and Vodafone will exceed 80% of the total, with more than 70% contracted through Master Service Agreements. In fact, while the TIM service agreement previously included only 10,000 users, the new TIM-Vodafone agreement will have more than 30,000 overall.

Total revenues are therefore expected to **exceed €1 billion in 2026**, when most of the synergies will have been realised.

#### **Infrastrutture Wireless italiane S.p.A.**

Gruppo Telecom Italia - Direzione e coordinamento Telecom Italia S.p.A.

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The overall synergies exceed €200 million in EBITDA within 2026, from a number of sources:

- Firstly, the more than 13,000 **new 5G clients** who will use new INWIT's towers, already under TIM and Vodafone hosting contracts@@.
- INWIT has become the **preferred supplier for both TIM and Vodafone** for services concerning new sites, small cells/DAS and Backhauling.
- Over **45,000 new small-cell** or DAS customers are expected, the first 5,000 of whom are included in the signed commitment.
- The agreement also envisages the **creation of about 2,000 new sites**, ready to host TIM and Vodafone antennas based on pre-established conditions.
- With reference to fiber connections (backhauling), the **plan is to develop over 5,000 connections**.
- Finally, TIM and Vodafone will free up over 1,000 sites, allowing INWIT to benefit from it as it dismantles the sites or hosts new clients.

By 2026, when the synergies will be almost entirely realised, the new INWIT expects its **recurring free cash flow to exceed €600 million**. The target set by the current plan was €200 million in 2021.

Giovanni Ferigo, INWIT CEO, commented: *“We are really pleased to announce this transaction, which will create value for all our shareholders, INWIT stakeholders and the country as a whole. The agreement will generate important operating synergies and make the company's financial structure much more efficient. INWIT will become the main platform for mobile connections in Italy and a leader at the European level thanks to this agreement, which is the most important M&A deal in the sector's history.”*

Rome, 26 July 2019

The Board of Directors of Infrastrutture Wireless Italiane S.p.A. (INWIT), which met today under the chairmanship of Piergiorgio Peluso, has examined and approved the integration of INWIT and Vodafone Tower.

### Framework Agreement

A Framework Agreement was signed today by INWIT, its parent company TIM, Vodafone Italia S.p.A. and the latter's sole shareholder, Vodafone Europe BV, to regulate the terms and conditions of a unitary and indivisible transaction aimed at consolidating ownership of the passive network infrastructure of Vodafone within INWIT, which as a result will own approximately 22,000 sites.

The current passive infrastructure sharing agreement will be extended to national coverage, in order to accelerate and drive the development of 5G technology and to use network infrastructure more efficiently, in both urban and rural areas.

The Framework Agreement envisages: (i) the purchase of 43.4% of the share capital of Vodafone Tower (the company will be formed by Vodafone Europe BV through a spin-off of the Tower Division) at a price of €2,140,000,000; and (ii) the merger by incorporation of Vodafone Tower into INWIT, with simultaneous cancellation of the stake held by Vodafone Europe BV in VOD Tower, the issue of 360 million INWIT ordinary shares to Vodafone Europe BV (accounting for 37.5% of the share capital) and admission of these new shares to the screen-based stock exchange organised and run by Borsa Italiana S.p.A.

The transaction will be adjusted according to changes in financial debt and working capital of INWIT and VOD Tower between the reference date and the date of execution.

### Terms and conditions

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Execution of the merger is subject to various conditions, including approval of the merger itself by the Shareholders' Meeting of INWIT, without a majority of the shareholders attending – other than the majority shareholder – voting against it (“whitewash procedure”). This is to avoid, under article 49(1)(g) of the Issuers' Regulations, TIM and/or Vodafone Europe BV being obligated to make a full public tender offer due to an acquisition above the thresholds set out in article 106 of the Consolidated Finance Act (TUF).

The completion of the merger is also conditional upon receipt of the necessary authorisations, in particular for golden power and competition law.

We reasonably expect the merger to be concluded in the first half of 2020. The purchase and sale of the minority interest in VOD Tower is, in turn, conditional upon the completion of the merger. Approval of the merger plan is currently scheduled for September 2019.

Finally, the operation envisages the signing, at different points, of various commercial contracts, namely for INWIT the signing of the Passive Sharing Agreement, a new Master Service Agreement with TIM and of the Master Service Agreement with Vodafone Italia. The aforementioned Master Service Agreements will come into force upon completion of the merger.

### **Corporate governance**

The operation also envisages the adoption of a new articles of association that reflects the new corporate governance of the Company, since, upon completion of the merger, Vodafone Europe BV and TIM will hold equal stakes in INWIT share capital (37.5%) and will enjoy the same administrative rights.

In this regard, it should be noted that the Board of Directors of INWIT affirms that the transaction does not provide grounds for withdrawal by shareholders who did not vote in favour of the merger.

In view of the new governance dynamics between the future shareholders, all members of the Board of Directors of INWIT handed in their resignation today, effective as of the merger date, so as to allow the appointment of a new managing body that reflects INWIT's new governance.

### **Financial structure**

The Shareholders' Meeting of INWIT, to be held in accordance with the terms of law and regulations, will also be asked to discuss the payment of an extraordinary dividend, the total amount of which will depend on the financial position of INWIT, which will have to maintain a BB+ credit rating or equivalent.

The Company has already obtained a commitment from a syndicate of banks for the financing of the purchase of the Vodafone Tower minority stake and for the possible payment of an extraordinary dividend.

### **Related-Party Transaction**

In view of the relationship of de-facto control between TIM and INWIT (which is also characterised by TIM carrying out management and coordination, pursuant to articles 2497 *et seq.* of the Civil Code) and of the size of the transaction, the transaction is classified as a transaction of “major significance” between related parties, pursuant to the “*Regulation on Related-Party Transactions*” parties adopted by CONSOB in its resolution no. 17221 of 12 March 2010, as amended. INWIT's Board of Directors therefore approved the transaction and the signing of the Framework Agreement subject to obtaining the favourable opinion of INWIT's Control and Risks Committee, which acts as a “Committee for Related-Party Transactions of Major Significance” composed of all independent directors. Their favourable opinion was issued today. The Committee was assisted, as independent experts, by Equita as financial advisors and by Allen&Overy as legal advisors.

Notice is hereby given that INWIT will disclose to the public – in the manner established by and in accordance with applicable laws and regulations – the Information Document drafted in compliance with article 5 of the aforementioned Regulation on Related-Party Transactions.

INWIT was assisted by Mediobanca as the sole financial advisor and by Pedersoli Studio Legale as legal advisors.

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