

July 26, 2019

Sharing for growth

The largest value accretive European towers merger

 **TIM**

INWI

Safe Harbor

This document has been prepared by TIM S.p.A. (“TIM”) and Infrastrutture Wireless Italiane S.p.A. (“Inwit” and, jointly with TIM, the “Companies”), for information purposes only, exclusively with the aim of assisting you to understand and assess the purport of the overall transaction involving Inwit, TIM and companies of the Vodafone Group, with reference to the tower business and the development of mobile networks in Italy, as per the framework agreement entered into by Inwit, TIM, Vodafone Italia S.p.A. and Vodafone Europe B.V. on July 26, 2019 (the “Transaction”). This presentation does not purport to be complete or exhaustive. No reliance should be placed on the information or opinions contained herein for the purpose of any investment decision. Neither the Companies nor any of their representatives, directors, employees or agents accept any liability whatsoever in connection with this document or any of its contents or in relation to any loss arising from its use or from any reliance placed upon it.

The data and information contained in this document are subject to changes and integrations. Although the Companies reserve the right to make such changes and integrations when they deem necessary or appropriate, neither TIM nor Inwit assumes any affirmative obligation to update, change or integrate this document, except as and to the extent required by law.

Actual results may differ materially from those projected or implied in the forward-looking statements contained in this document. Such forward-looking information is based on certain key assumptions which Inwit and/or TIM presently believe(s) to be reasonable but forward-looking information by its nature involves risks and uncertainties, which are outside Inwit’s and TIM’s control, that could significantly affect expected results. Due to such uncertainties and risks, investors are cautioned not to place undue reliance on such forward-looking statements.

The information contained in this document does not constitute or form any part of, and should not be construed as, any offer, invitation or recommendation to purchase, sell or subscribe for any securities in any jurisdiction and neither the issue of the information nor anything contained herein shall form the basis of or be relied upon in connection with, or act as any inducement to enter into, any investment activity. This document does not purport to contain all of the information that may be required to evaluate any investment in either of the Companies or any of their securities and should not be relied upon to form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

This document is intended to present background information on the Companies and their business as it is expected to be impacted by the Transaction and is not intended to provide complete disclosure upon which an investment decision could be made. The merit and suitability of investment in either Inwit or TIM should be independently evaluated and determined by investors. Analyses in this presentation are not, and do not purport to be, appraisals of the assets, stock or business of Inwit and/or TIM, and do not form any publicity material relating to their securities.

Any person considering an investment in TIM and/or Inwit is advised to obtain independent advice as to the legal, tax, accounting, regulatory, financial, credit and other related advice prior to making an investment.

By attending this presentation, you acknowledge the foregoing terms.

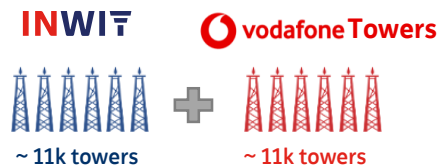
Key benefits and business rationale from the two deals

Partnership Pillars

Business Combination



Passive sharing



Active sharing



5G



Key Benefits

For all stakeholders

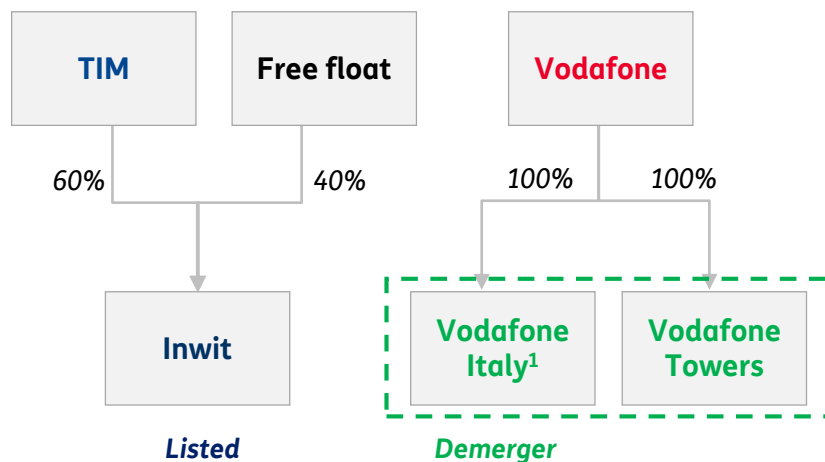
- **Wider network coverage**
Improvement of national network coverage for TIM and Vodafone as well as for other MNOs thanks to sites freed-up
- **Digital divide and economic growth**
Reduction of digital disparity for rural areas where fiber access network is limited/unavailable
- **Accelerated innovation cycle**
Early availability of 5G services and innovative services

Business rationale for TIM and INWIT

- **Improved coverage**
- **Lower time to market**
- **Cost / CAPEX optimization**
- **Increased capital efficiency**
- **€1.4bn+ expected debt reduction for TIM through extraordinary dividend and stake sell down**

Overview of the Transaction Structure (1/2)

Step 1 Set-up of Vodafone Towers



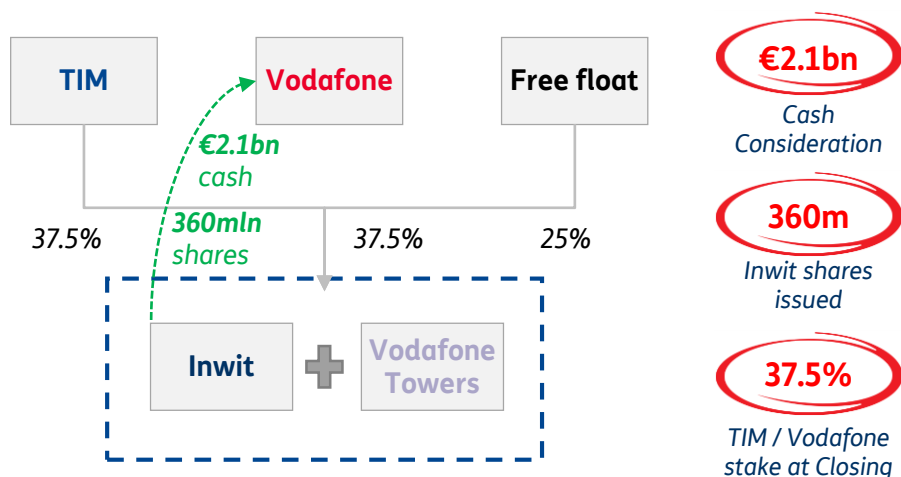
- Vodafone to set-up Vodafone Towers through a demerger of its “tower” business in Italy
- Strong similarity of Inwit and Vodafone Towers reflected in similar valuation

Inwit and Vodafone Towers are Fundamentally Similar

	INWIT	vodafone Towers
Operating Metrics	Sites	~11k
	Tenants ²	~18.1k
	Cotenancy ratio	~1.65x
Ownership	% Ownership	100% Vodafone
		60% TIM

Overview of the Transaction Structure (2/2)

Step 2 Inwit acquisition of a stake in Vodafone Towers and subsequent merger



- Inwit to purchase a 43% participation in Vodafone Towers against the payment of a cash consideration of €2.1bn¹ to balance TIM and Vodafone stakes post merger
- Vodafone Towers to merge into Inwit (merger simultaneous with 43% acquisition: shares acquired are cancelled)
- Vodafone to receive 360m Inwit newly issued shares²
- Merger of Inwit and Vodafone Towers subject to “whitewash” procedure³
- Payment of an extraordinary dividend up to a maximum of 6.0x Net Debt / EBITDA, consistent with achieving a minimum BB+ credit rating

Capital Structure Optimization

Leverage

- Inwit will optimise its capital structure, in line with comparable listed Tower companies’ capital structure and rating profile
- Payment of an extraordinary dividend up to a maximum of 6.0x Net Debt / EBITDA, consistent with achieving a minimum BB+ credit rating

Shareholding

- Joint control by TIM and Vodafone
- 3 years shareholders’ agreement
- Lock-up and stand still mechanism to maintain equal stake and control

Transactions Impacts for TIM – Operating and Financial Benefits

Status Quo

Post Transaction



**FASTER 5G
ROLL-OUT**

Planned coverage achieved 4 years ahead



**WIDER 5G
COVERAGE**

21%

Current target @2021

5G full national coverage reached by 2025

Small cells more than trebled



**ENHANCED
4G/5G CAPACITY**

Sharing 4G nodes

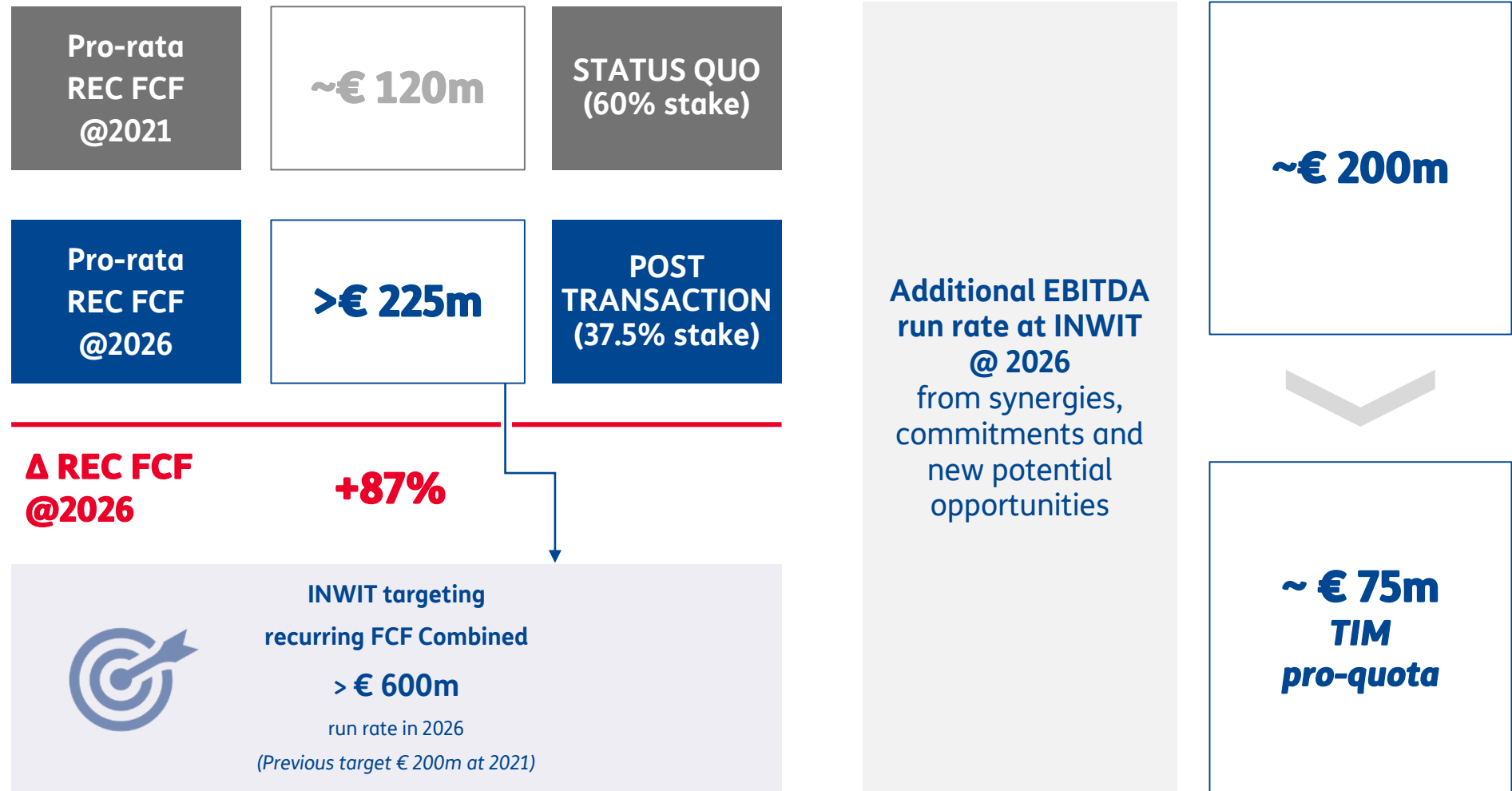


**CUMULATIVE CASH-FLOW BENEFITS
OVER THE NEXT 10 YEARS**

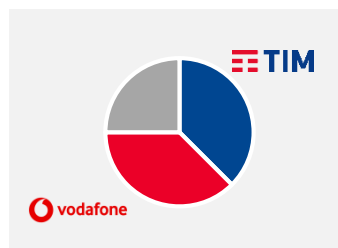
Over €800m

Transactions Impacts for TIM – Access to INWIT enhanced value

Access to Improved Cash Generation

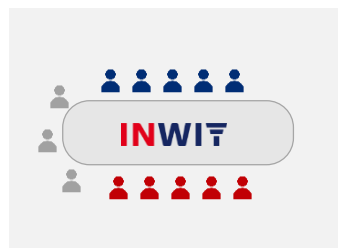


Governance and Dividend policy



37.5% / 37.5%

- Joint control by TIM and Vodafone
- 3 years period shareholders' agreement
- Lock-up and stand still mechanism to maintain equal stake and control



#13
members

- BoD made up of 13 members
 - 5 members appointed by TIM
 - 5 members appointed by Vodafone
 - 3 members representing other shareholders
 - Key managers jointly appointed



Board and
shareholders'
majorities

- The new bylaws will contain a list of reserved matters which will require enhanced majorities to be approved



Targeted
Pay-out ratio

- TIM and Vodafone aim at annual pay-out ratio of ~80% of the net income of the year
- However, the actual dividend will be resolved by INWIT BoD taking into account company's industrial plan, growth opportunities, INWIT rating and expected cash flow generation

INWIT doubling size boosting growth and efficiency

LARGEST TOWERCO IN ITALY

Revenue, EBITDA and Cash Flow
more than doubled

MARKET LEADER

MORE TOWERS TO SERVE THE MARKET

Enhanced nationwide presence
supporting all market players

NATIONAL CHAMPION

5G DEPLOYMENT PARTNER FOR TIM & VOD

Preferred supplier for sites, small
cells and backhauling

5G DEPLOYMENT

LOWER OPERATING RISK

2 anchor tenants vs 1
with long contracts duration
>**70%** run rate revenues
committed¹

ENHANCED VISIBILITY

EBITDA BOOST

~€ 200m

Additional EBITDA run rate
(2026)¹, from synergies,
commitments and new potential
opportunities

INDUSTRIAL GROWTH

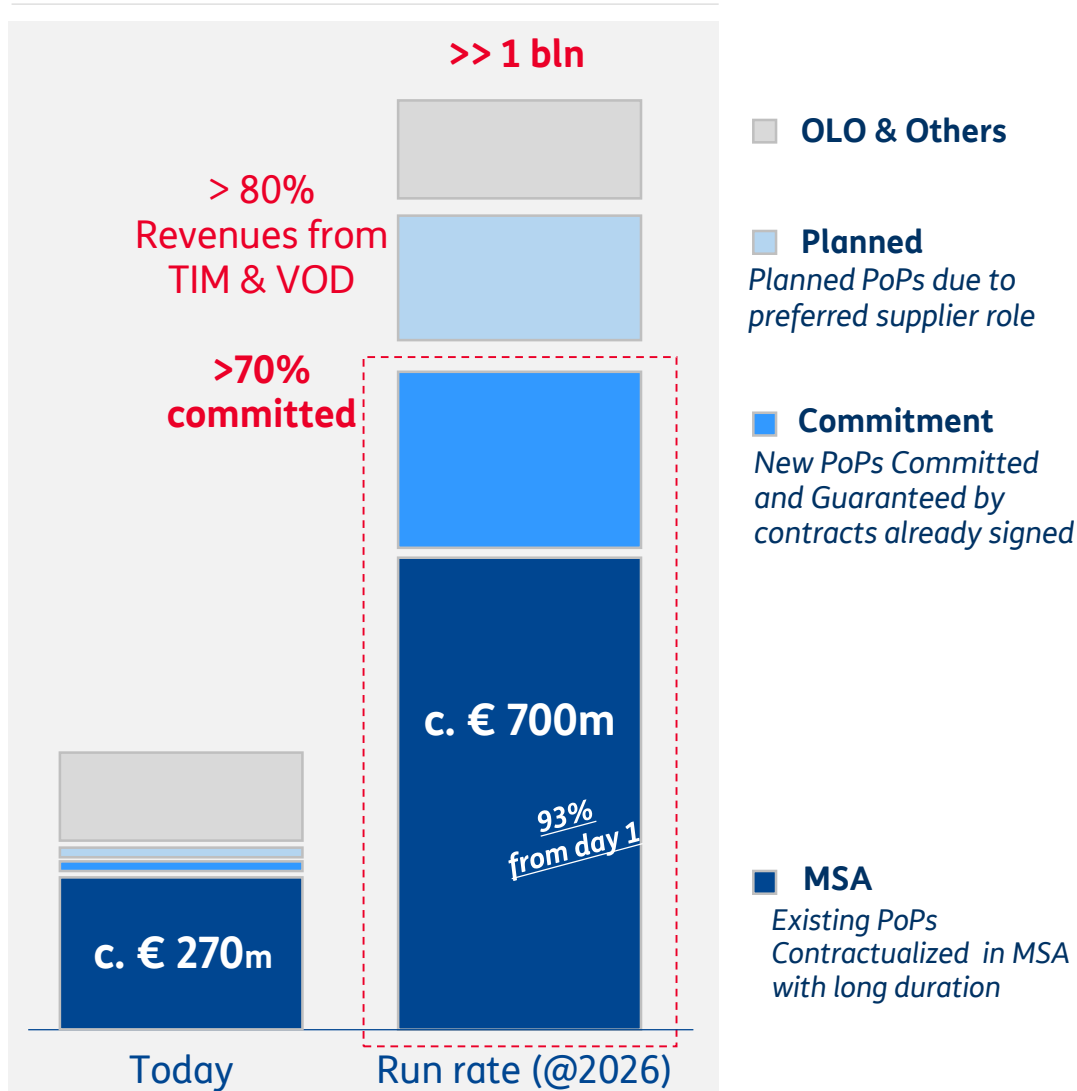
OPTIMAL CAPITAL STRUCTURE

Up to a maximum of 6x net
debt/EBITDA
subject to a minimum BB+ rating

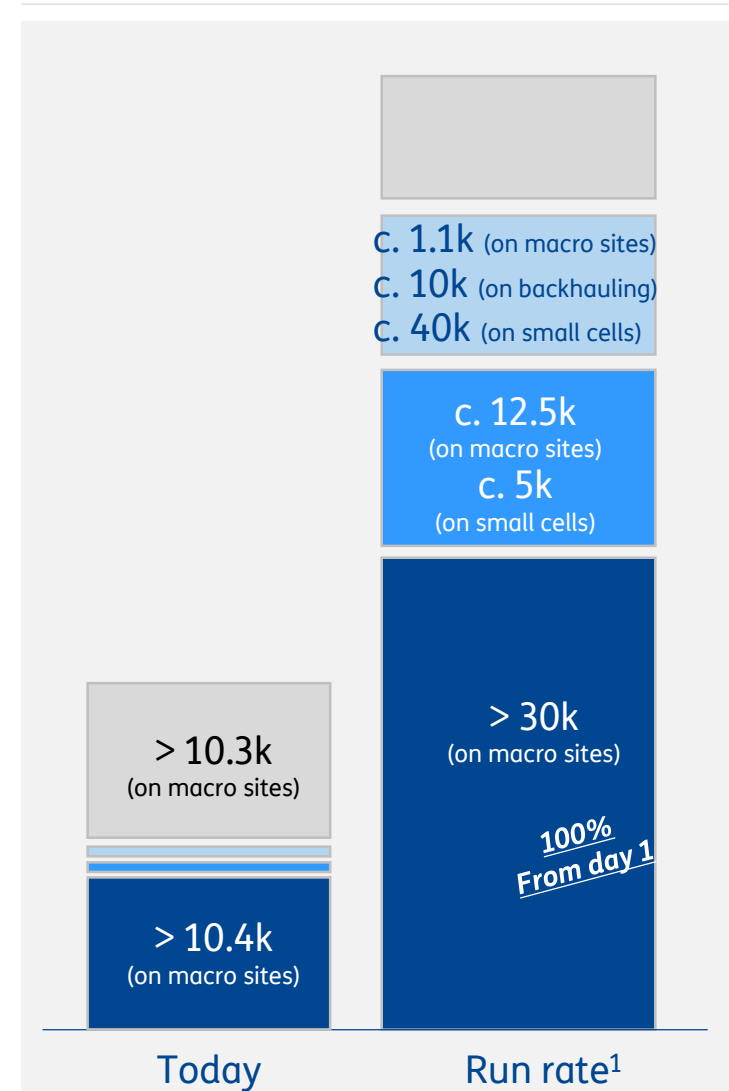
FINANCIAL OPTIMISATION

Visibility strongly enhanced through contractualized business

Annual Revenues



Customers (#)



Committed services from TIM and Vodafone

		<i>Additional EBITDA run rate 2026</i>	<i>New tenants</i>	
	Contractualized	c. € 110m	c. 12.5k macro-sites c. 5.0k small cells	
New Tenants	New PoPs on existing sites	c. € 30m¹	c. 3.2 k	<u>Limited MSA exit for TIM & VOD</u> <ul style="list-style-type: none"> • 290 PoPs each for each term of 8 years • 400 PoPs each, without any economic impact for Inwit³
	Common Grid on Existing Sites	c. € 35m	c. 5.5 k	
New sites		c. € 30m¹	c. 3.8 k	Minimum co-tenancy (guaranteed) 2.0x
				IRR >>10%
Small cells/DAS		c. € 10m^{1,2}	c. 5 k	Minimum co-tenancy (guaranteed) 2.0x
				IRR >>10%

Additional planned services

**Additional EBITDA
run rate 2026**

Planned Services

c. € 95m

INWIT will be TIM & Vodafone preferred supplier¹

Preferred supplier



New Sites

Ready to support TIM and Vodafone deployment plan



Small cells/DAS

c. € 60m

*30k remotes in 2026
(20k more when compared with
existing 10k target at 2021)*



Backhauling

c. € 15m

c. 5 k sites with fiber backhauling

Decommissioned & refurbished

New tenants hosted on sites freed up by TIM or Vodafone

c. € 20m²

1.1 k PoPs

Financing fully committed



€ 2.5bn loan

- € 1.0bn 5yr term loan
- € 1.5bn 18+6m bridge to bond



**Estimated CoD:
< 2% all-in cost**



**Plus € 0.5bn
revolving facility**

> 2.5x oversubscribed

Targeting > €600m recurring FCF by 2026



Cash Out:
€ 2.1bn to acquire 43% of
VOD Towers



Newly issued shares to VOD:
360m

*Transaction subject to
“whitewash procedure”*



Recurring FCF Combined

> € 600m

run rate in 2026

(Previous target € 200m at 2021)



More questions?
Ask Investor Relations

INWIT

Michele Vitale

Head of Investor Relations

michele.vitale@inwit.it

f: +39 06 44084 320

TIM

Carola Bardelli

Head of Investor Relations

carola.bardelli@telecomitalia.it

f: +39 06 3688 3145