

Press Release

TIM: APPROVED BY THE BOARD OF DIRECTORS KKR'S OFFER ON NETCO

- **THE OFFER VALUES THE FIXED NETWORK UP TO 22 BILLION EUROS AND ALLOWS THE GROUP TO REDUCE DEBT BY AROUND 14 BILLION EUROS**
- **CLOSING EXPECTED BY SUMMER 2024**
- **CEO MANDATED TO RECEIVE AN IMPROVED OFFER FOR SPARKLE**

Milan, 5 November 2023

TIM's Board of Directors met under the chairmanship of Salvatore Rossi on 3, 4 and 5 November and examined the binding offer submitted on 16 October by Kohlberg Kravis Roberts & Co. L.P. ("KKR") regarding the acquisition of TIM's fixed network assets (the so-called NetCo), including FiberCop, by a company (Optics BidCo) controlled by KKR, as well as the non-binding offer on TIM's entire stake in Sparkle.

The Board of Directors, following an extensive and in-depth examination, conducted with the assistance of leading financial advisors (Goldman Sachs, Mediobanca and Vitale & Co for the Company, Equita and Lion Tree for the Independent Directors) and legal advisors (Gatti Pavesi Bianchi Ludovici Studio legale associato for the Company, Studio Carbonetti for the Independent Directors), approved by majority vote (with 11 votes in favor and 3 against) the binding offer on NetCo submitted by KKR.

In detail, following the Board approval, it will be signed a transaction agreement governing:

- the contribution by TIM of a business unit - consisting of primary network activities, wholesale activities and the entire equity investment in the subsidiary Telenergia - into FiberCop, a company that already manages activities relating to the secondary fibre and copper network;
- the simultaneous acquisition by Optics BidCo (as mentioned, a vehicle controlled by KKR) of TIM's entire equity investment in FiberCop, following the aforementioned contribution (FiberCop after the contribution "NetCo").

Moreover, the transaction agreement envisages the signing of a master services agreement on the closing date of the transaction that will regulate the terms and conditions of the services that will be rendered by NetCo to TIM and by TIM to NetCo following completion of the transaction.

The Board also deliberated by majority (with 11 votes in favor and 3 against), on the basis of the opinions provided by Professors Piergaetano and Carlo Marchetti, Andrea Zoppini, Giuseppe Portale, Antonio Cetra, Claudio Frigeni and lawyer Luca Purpura, that the decision on the offer is exclusive competence of the Board. The Board then mandated the CEO to finalize and sign the binding contracts relating to the offer.

The binding offer values NetCo (excluding Sparkle) at an Enterprise Value of 18.8 billion euros, without considering any upsides associated to the potential transfer of part of the debt to NetCo and to earn-outs linked to the occurrence of certain conditions that may increase the value up to 22 billion euros.

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In detail, the offer assumes that the closing will occur by the summer 2024 and foresees that the price of the business unit to be contributed to FiberCop will be subject to adjustments (customary for this kind of transactions) at closing in relation to certain predefined parameters and targets, such as, inter alia, the cash and debt transferred, the level of working capital, the cost recorded in the last 12 months of the transferred employees and the fulfilment of certain targets related to investments and fiber network deployment.

The payment of earn-outs to TIM is linked to the occurrence of future events such as, in particular:

- the completion, during 30 months following the date of closing, of potential consolidation transaction involving NetCo and the possible introduction of regulatory changes capable of generating benefits to NetCo, which could result in the payment in favor of TIM of an amount of up to 2.5 billion euros;
- the introduction and entry into force by 31 December 2025, which could result in the payment in favor of TIM of an amount of up to 400 million euros.

The transaction implements the delayering plan launched in 2022 by TIM – with the purpose of overcoming TIM's vertical integration by separating its fixed network infrastructure assets from the services that TIM will continue to provide to its retail customers. It allows TIM to reduce its financial debt by around 14 billion euros at the time of closing (without considering the impact of the aforementioned price adjustments and potential earn-outs), an improved result, despite the deterioration of macro-economic conditions, compared to the forecasts presented at the Capital Market Day on 7 July 2022.

Thanks to the transaction, TIM, in addition to reducing debt and freeing up resources, will have the opportunity to operate in the domestic market benefitting from the reduction of a number of regulatory constraints and will also contribute to maintain the strategic flexibility envisaged in the delayering plan.

At closing, TIM will have a solid capital structure and a Net Debt to EBITDA ratio of less than 2x (after lease).

The closing of the transaction is expected in the summer of 2024, once the preparatory activities are completed and the precedent conditions are met (completion of the contribution of the primary network, Antitrust authorization, authorization in the matter of distorting foreign subsidies and Golden Power).

With regard for the non-binding offer on Sparkle, the Board considered it unsatisfactory and mandated the CEO to verify the possibility of receiving a binding offer at a higher value once the due diligence is completed, the deadline for which has been extended to 5 December.

Lastly, the Board also took note of the communication sent by Merlyn Partners and RN Capital Partners and deemed it not in line with the delayering plan of the Group, as presented to the investors in the above-mentioned Capital Market Day.

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