

## PRESS RELEASE

### BOARD OF DIRECTORS APPROVES 2017 HALF-YEAR REPORT

#### *Group earnings triple*

- REVENUES up 22% to Euro 30.1 million (Euro 24.6 million in H1 2016)
- EBITDA<sup>1</sup> growth of 53% to Euro 10.9 million (Euro 7.1 million in H1 2016) - EBITDA margin improves 25% to 36.2% from 28.9%
- EBIT quadruples to Euro 4.2 million (Euro 1.0 million in H1 2016)
- Net profit triples to Euro 4.0 million (Euro 1.3 million in H1 2016)
- Net Cash Position of Euro 3.6 million compared to Euro 8.1 million at December 31, 2016 (in line with Euro 3.9 million at June 30, 2016)
- Commercial orders - Total Contract Value (TCV) - up over 90% to Euro 37.2 million
- Laying of AAE-1 cable completed and commercialisation launched on June 2017

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Milan, September 27, 2017 – The Board of Directors of **Retelit S.p.A.**, in a meeting today chaired by Mr. Dario Pardi, reviewed and approved the 2017 Half-Year Report.

**The Chairman Dario Pardi stated:** *“Results in the period significantly improved thanks to strong performances across all Group sectors. The Business segment, introduced approximately two and a half years ago at the start of our term of office, saw major revenue and order growth and with its high margin considerably boosted profitability. During the period, the laying of the AAE-1 submarine cable system as far as Singapore and Vietnam was carried out, completed in September with the reaching of Hong Kong, with investment in line with expectations, as well as the launch of commercialisation on June and the signing of its initial contracts. In view of the market response, we are confident that this investment - once completely up and running - will deliver upon expectations in terms of revenues, margins and a broader range of commercial solutions.*

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<sup>1</sup>Alternative Performance Indicators: EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) is an alternative performance indicator not defined under IFRS but used by company management to monitor and assess the operating performance as not impacted by the effects of differing criteria in determining taxable income, the amount and types of capital employed, in addition to the relative amortisation and depreciation policies. Retelit defines this indicator as the profit/(loss) for the period before amortisation, depreciation and write-downs, financial charges and income and income taxes.

*In conclusion, Retelit is a new and clearly expanding enterprise poised to grow its business, also through developing partnerships and diversification, opening up new markets and playing a proactive role in the consolidation of the sector”.*

## H1 2017 CONSOLIDATED HIGHLIGHTS

(in Euro thousands)	H1 2017	H1 2016	cge.
Value of production	<u>30,067</u>	<u>24,567</u>	22.4%
Value added (1)	<u>14,141</u>	<u>10,244</u>	38.0%
EBITDA	<u>10,890</u>	<u>7,107</u>	53.2%
EBIT	<u>4,201</u>	<u>1,042</u>	303.4%
Net Profit for the period	<u>3,992</u>	<u>1,295</u>	208.3%
Net margin percentage (2)	13.3%	5.3%	
	31/12/2017	31/12/2016	
Parent company shareholders net equity	139,067	135,357	2.7%
Average workforce	<u>75.5</u>	<u>76.6</u>	-1.4%

(1) difference between value of production and purchases of raw materials, external services and other operating costs

(2) Net profit/value of production

## INCOME STATEMENT

**Consolidated Revenues** for the first half of 2017 amounted to Euro 30.1 million compared to Euro 24.6 million in H1 2016, up approx. 22%. Telecommunication services were up 27% to Euro 24.0 million (Euro 18.9 million in H1 2016), while network usage rights and maintenance revenues increased from Euro 5.0 million to Euro 5.2 million (+4.8%). The breakdown of revenues by market was as follows: National Wholesale Euro 11.4 million (38%), International Wholesale Euro 13.0 million (44%), Business Euro 5.4 million (18%). AAE-1 Cable revenues, with commercialisation

launched on June 22, 2017, amounted to Euro 0.6 million and are included in the International Wholesale segment.

During the period, commercial operations generated new orders worth Euro 37.2 million (ahead of the industrial plan), up over 90% on Euro 19.0 million in H1 2016. New orders for Euro 14.7 million (40%) derive from the Domestic Wholesale segment, with Euro 10.5 million (28%) from the International Wholesale segment, of which Euro 4.2 million concerning the AAE-1 Cable, and Euro 12 million (32%) the Business segment.

**EBITDA** in the first six months of 2017 totaled Euro 10.9 million, growth of 53% on Euro 7.1 million in the same period of the previous year, with an EBITDA margin of 36.2% (compared to 28.9%). This result benefitted from the changed and more profitable mix of revenues.

**EBIT** was Euro 4.2 million, quadrupling on the first half of 2016 (Euro 1.0 million), despite a net increase in amortisation and depreciation of Euro 0.6 million as a result of the significant investment made.

**The Net profit for the first six months of 2017 was Euro 4.0 million**, also significantly improving on Euro 1.3 million in H1 2016.

#### **BALANCE SHEET**

The net cash position was Euro 3.6 million, compared to Euro 8.1 million at December 31, 2016. Group cash and cash equivalents were Euro 27.6 million compared to Euro 19.5 million at December 31, 2016. The financial position includes loans to cover investment in the AAE-1 submarine cable system, utilised for a cumulative total of Euro 21.0 million out of a total Euro 30.0 million available with a banking syndicate.

In the first half of 2017, investments totaled Euro 12.7 million, of which Euro 7.1 million in infrastructure, Euro 5.2 million in the AAE-1 Strategic Area, with the residual concerning other investments.

Investments in physical infrastructure of Euro 7.1 million mainly concern the construction of client connections and the development of the metropolitan network and the backhaul. Other significant investments concerned the expansions for the connection of a number of Data Centers in Lombardy and the expansion of the Carrier Ethernet network at a number of strategic sites for the Business segment. The number of sites reached by fiber in the first half of 2017 increased 8.5% from 2,998 at the end of 2016 to 3,254 at the end of June 2017, of which 40 other operator Data Centers, 15 proprietary Data Centers, 2,101 client sites, 651 telecommunication towers and 447 cabinets. The fiber optic infrastructure network has been extended 59 KM since the end of 2016 to 9,885 KM, of which 2,456 KM Metropolitan Area Network.

Of a total estimated investment of approx. Euro 56.3 million, the total investment in the AAE-1 submarine cable system at June 30, 2017 was Euro 46.3 million, of which Euro 38.9 million (USD 44.3 million) for involvement in the AAE-1 consortium, Euro 2.1 million for the construction of the Bari landing station and Euro 5.3 million for investment in Italian network infrastructure.

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## OPERATING PERFORMANCE

**International Wholesale** grew 25% YoY in the period and represents, with 65 active Clients between International carriers and OTT's, 44% of Group revenues and 28% of total orders in the first half of 2017. The segment, in which the Retelit Group has historically been a preferred partner of international operators for so-called B-end connections in Italy, was further bolstered in the period with additional order growth. In line with the AAE-1 submarine cable project strategy to expand onto new markets and with new players, operations focused on positioning and developing opportunities on the OTT (Over The Top) market were stepped up, through proposals which seek to attract their content to the Italian Data Centers, connected to the Retelit fiber network.

Regarding the **AAE-1 submarine cable** system, operative and open for orders between Marseilles and Bari to Singapore and Vietnam since June 22, 2017, negotiations continued with leading international operators interested in acquiring capacity and bandwidth. Total orders in the first half of 2017 of Euro 4.2 million fell short of plan forecasts, principally due to the nearly three-month delay on the cable's commercialisation. This resulted in commercial activities being carried out later, which the company expects to permit a recovery in the second half of the year.

After entry into service, in June 2017 a contract was signed with a leading Eastern European financial operator specialised in high-speed trading services for a capacity of 10 Gbps on the point to point section between Marseilles and Singapore of 12-month duration. In December 2016, an agreement with the international operator BICS was finalised for the sale of 60 Gbps of AAE-1 cable submarine capacity, in addition to an agreement with the same operator to extend the backhaul capacity of Retelit between Bari and the Points of Presence (PoP) in Milan and Turin and the major European Data Centers in Frankfurt, London, Amsterdam and Paris.

In the months of July, August and September, 3 months from commercial entry into service of the system to Singapore and to Vietnam, commercial operations continued with the acquisition of additional new international capacity service contracts and (also as a bundle of wet capacity and backhaul) Bari-Europe Backhaul services for a total value of Euro 3.7 million.

The **Domestic Wholesale** segment grew approx. 1% and represents for Retelit, with 129 clients between domestic Carriers, Mobile Operators, OLO's, xSP's and multi-utilities, 38% of revenues and approx. 40% of total orders. This confirmed its continued focus on mobile network operators (e.g.

infrastructure to support 4G development), fixed networks, ICT (system integrators) and New Media.

**Business segment** operations progressed considerably, with revenues up 123% thanks to the launch of a series of targeted initiatives, the development of new services based on the Cloud platform, including cybersecurity, in addition to the extension of Data Center services with the “Smart SaaS Partnership Programme” for companies developing innovative business market solutions. The market is driven in addition by current ultra-broadband demand. With 173 active clients, in H1 2017 the Business market represented 18% of revenues and 32% of total orders.

## SIGNIFICANT EVENTS

On February 17, 2017, Retelit joined the consortium company Open Hub Med (OHM), which manages a neutral Data Center in Sicily, acquiring 9.52% of OHM’s share capital for an investment of approx. Euro 100,000. The operation is part of the strategy to maximize the industrial and commercial potential of the AAE-1 submarine cable, in particular in relation to the landing ecosystem for the submarine cables in Southern Italy. The Chief Executive Officer of Retelit, Mr. Federico Protto, was appointed a Director of OHM and, subsequently, Chief Executive Officer.

With regard the Infratel ultra-broadband tenders, following the Board of Directors meeting of Infratel of March 7, 2017, the first round tender was awarded to Open Fiber for all five lots under tender.

On February 20, 2017, e-via as part of a temporary consortium (Raggruppamento Temporaneo d’Impresa (RTI)) presented an offer for Lot 2 (Friuli-Venezia Giulia and the Autonomous Province of Trento) and following the Board of Directors meeting of Infratel of July 26, 2017, the second band tender was awarded to Open Fiber for all six lots under tender.

In February 2017, in partnership with BICS a new 100 Gbps connectivity product the “Bari-Europe Backhaul” was launched, an innovative high capacity and low latency network solution connecting Europe - through Bari - to Singapore and Hong Kong using the AAE-1 submarine cable system.

As part of the loan undertaken for the AAE-1 submarine cable system investment signed in 2016 with a banking syndicate for a total maximum amount of Euro 30.0 million, comprising two credit lines respectively of a maximum Euro 21.0 million (line A) and a maximum Euro 9.0 million (line B), following complete utilisation of line A, on March 24, 2017 the company was granted the option by the banks to extend the availability of line B from March 31, 2017 to December 31, 2017.

On March 15, the update to the Industrial Plan extended to 2021 was approved. The Plan forecasts revenues in 2021 of between Euro 89-93 million, EBITDA of between Euro 44-46 million, net cash of between Euro 96-101 million and cumulative investments in the 2017-21 period of between Euro 83-88 million.

On April 4, the company signed with the same banking syndicate a plain vanilla Interest Rate Swap (IRS). This is a non-speculative derivative product hedging future interest rate movements on the loan, with the total of Euro 21.0 million concerning 100% of line A utilised.

On April 27, Retelit announced the appointment of Federico Protto, Chief Executive Officer and General Manager of the company, by the Shareholders' Meeting of MIX (Milan Internet eXchange), the biggest Italian Internet Exchange and among the leaders in Europe in terms of traffic carried, to the Board of Directors of MIX. This appointment confirmed the commitment of Retelit to increasingly contribute to the Italian ICT ecosystem.

On June 22, commercialisation began of the AAE-1 cable constituting 25 thousand KM of submarine infrastructure between Marseilles and Bari to the Far East, through 19 countries, satisfying bandwidth demand from and to Asia.

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## **SUBSEQUENT EVENTS**

In September 2017, the laying of the AAE-1 submarine cable was completed between Singapore and Hong Kong, including the land sections (Egypt, Thailand, Malaysia), with all 21 scheduled Terminal Stations now connected, therefore *de facto* eliminating the operating risks associated with the AAE-1 cable system.

In particular, the commissioning and testing phase of the equipment was completed as far as Singapore and the system is in service (RFCS – READY FOR COMMERCIAL SERVICES) for 18 Terminal Stations out of 21. The Hong Kong and Cambodian Terminal Stations were turned over on September 15 and shall enter into Commercial Service shortly. The Myanmar Terminal Station however will be completed by the end of October 2017. Compared to the initial schedule which set a single RFS date after the completion of commissioning and testing, and in consideration of the delay on the initial date for the cable's entry into service of March 31, 2017 due to contingent factors, the AAE-1 Consortium decided to launch AAE-1 cable services (RFCS) in a number of tranches in order to satisfy capacity activation demand.

## OUTLOOK FOR THE CURRENT YEAR

On March 15, 2017, the Board of Directors approved the 2017-2020 Industrial Plan update, extending it to 2021. The extension of the Industrial Plan to 2021 is testament to the growth strategy and forecasts better results for the final years of the plan than previously announced thanks to the increased revenues generated from commercialization of the AAE-1 submarine cable and expected Wholesale synergies.

The first six months of the year performed substantially in line with the Industrial Plan, although with a differing revenue and order mix between the more traditional Group area and the AAE-1 cable system due to the approx. three-month delay of its entry into service, partially offset from an earnings viewpoint by the traditional business outperforming Plan forecasts. No significant divergences are expected from the announced guidance of revenues in a range between Euro 60 and 63 million, EBITDA between Euro 20 and 23 million and EBIT of between Euro 6 and 9 million. At balance sheet level, investments are estimated in a range of between Euro 25 and 28 million, with a Net Cash Position of between Euro 20 and 23 million.

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Today the Board of Directors of the wholly-owned subsidiary e-via S.p.A ("e-via") convened and mandated the Chairman to call the Shareholders' Meetings of e-via to amend its By-Laws, particularly in terms of the provision stating that "The Board of Directors [of e-via] may approve the anticipated payment on dividends distribution as per art. 2433-bis, c.c."

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This press release contains forward-looking statements concerning plans, opinions or current Group expectations in relation to results and other aspects of the activities and strategies of the Group. Readers of this press release should not place an undue reliance on such forward-looking statements as results may differ significantly from such forecasts due to a number of factors, most of which are outside of the Group's control.

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Retelit S.p.A.'s Half-Year Report will be made available to the public at the company's registered office, at Borsa Italiana S.p.A. and on the company website [www.retelit.it](http://www.retelit.it) (Investors section) according to the established terms.

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*Mr. Fabio Bortolotti, as Executive Officer for Financial Reporting, declares, in accordance with paragraph 2 of Article 154-bis of the CFA, that the accounting information contained in this press release corresponds to the underlying accounting documents, records and accounting entries.*

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The H1 2017 results will be illustrated today, September 27, 2017, at 5PM in a conference call involving the Chairman of the Company, Dario Pardi and the Chief Executive Officer, Federico Protto.

The details for participation in the conference call are as follows:

- for Italy: +39 02 805 88 11
- for the United Kingdom: + 44 121 281 8003
- for the United States (local number): +1 718 7058794

The support documents will be made available on the website at the beginning of the conference call.

#### **Retelit Group**

*Retelit is a major Italian provider of data and infrastructure services to the telecommunications market and has been listed on the Milan Stock Exchange since 2000, joining the STAR segment on September 26, 2016. The company's fiber optic infrastructure at March 31, 2017 covers approx. 10,000 kilometers (equivalent to approx. 222,000 KM of fiber-optic cables, of which 66,000 located in MAN), connecting 9 Urban Networks and 15 Data Centers across Italy. It has approx. 3,254 On-Net sites, of which 2,101 customer sites, 651 telecommunication towers, 447 cabinets and 40 Data Centers, the Retelit network also extends beyond Italy: thanks to the partnership with BICS it has access to the largest European PoP's, including Frankfurt, London, Amsterdam and Paris. Retelit is a member of AAE-1 (Africa-Asia-Europe-1), the submarine cable system connecting Europe to Asia through the Middle East, reaching 19 Countries, from Marseille to Hong Kong, owning a landing station in Bari. These valuable assets make Retelit a perfect technological partner for TLC and ICT operators and businesses, providing on demand a complete range of high-quality, reliable and safe solutions. Services range from ultra-broadband fiber optic internet connection to the Cloud and network and VPN services to colocation solutions, with approx. 10,400 square meters of equipped and secure fiber optic connected spaces, for the outsourcing of Data Center services and the satisfaction of disaster recovery and business continuity needs. Retelit's Carrier Ethernet services are in addition Metro Ethernet Forum (MEF) certified.*

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The Income Statement, Balance Sheet and Cash Flow Statement of the Retelit Group are attached.

## Consolidated Income Statement

	H1 2017	H1 2016
(thousands of Euro)		
Revenues	29,425	23,896
Other income	642	671
<b>Total revenues and operating income</b>	<b>30,067</b>	<b>24,567</b>
Purchase of raw materials and services	(13,378)	(11,744)
Personnel costs	(3,251)	(3,137)
Other operating costs	(2,547)	(2,579)
<b>EBITDA</b>	<b>10,890</b>	<b>7,107</b>
Amortisation, depreciation and write-downs of tangible and intangible assets	(6,444)	(5,881)
Other provisions and write-downs	(244)	(184)
<b>EBIT</b>	<b>4,201</b>	<b>1,042</b>
Financial income	226	337
Financial charges	(235)	(62)
Write-down of invest. In associates	(25)	-
<b>PRE-TAX PROFIT</b>	<b>4,167</b>	<b>1,316</b>
Income taxes	(175)	(21)
Deferred tax income/(charge)	-	-
<b>Net Profit for the period</b>	<b>3,992</b>	<b>1,295</b>

Parent Company profit	3,992	1,295
Profit/(loss) recognised to Net Equity not to be recognised to the Income Statement	(6)	5
Profit/(loss) recognised to Net Equity to be recognised to the Income Statement	(274)	(152)
<b>Comprehensive profit for the period</b>	<b>3,712</b>	<b>1,148</b>

## Consolidated Balance Sheet

(thousands of Euro)	30/06/2017	31/12/2016
<b>Non-current assets:</b>		
Network infrastructure	152,375	107,877
Other fixed assets	1,271	1,239
Tangible assets in progress	-	36,992
Total property, plant and equipment	153,646	146,109
Concessions, licenses, trademarks & similar rights	20,568	21,371
Other intangible assets	0	500
Total intangible assets	20,568	21,871
Non-current financial assets	100	-
Deferred tax assets	7,200	7,200
Other non-current assets	475	457
Total other non-current assets	7,775	7,657
<b>TOTAL NON-CURRENT ASSETS</b>	<b>181,989</b>	<b>175,637</b>
<b>Current assets:</b>		
Current financial assets	5,359	5,751
Trade receivables, other receivables and other current assets	33,383	21,882
Tax receivables, VAT receivables and current direct taxes	150	1,134
Cash and cash equivalents	27,622	19,459
<b>TOTAL CURRENT ASSETS</b>	<b>66,515</b>	<b>48,226</b>
<b>TOTAL ASSETS</b>	<b>248,504</b>	<b>223,863</b>
<b>Shareholders' equity:</b>		
Share capital issued	144,209	144,330
Net equity reserves and net result	(5,142)	(8,973)
<b>Net equity and net result</b>	<b>139,067</b>	<b>135,357</b>
<b>TOTAL NET EQUITY</b>	<b>139,067</b>	<b>135,357</b>
<b>Non-current liabilities:</b>		
Non-current financial liabilities	19,792	11,037
Post-employment benefits and employee provisions	1,410	1,392
Provisions for risks and future charges	2,774	2,690
Deferred non-current revenues	40,216	33,333
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>64,192</b>	<b>48,453</b>
<b>Current liabilities:</b>		
Current financial liabilities	4,215	888
Trade and other payables and other financial liabilities	36,039	35,990
<i>of which related parties</i>	743	1,049
Tax payables, VAT payables and current direct taxes	1,651	17
Deferred current revenues	3,341	3,157
<b>TOTAL CURRENT LIABILITIES</b>	<b>45,246</b>	<b>40,054</b>
<b>TOTAL LIABILITIES</b>	<b>248,504</b>	<b>223,863</b>

## Cash Flow Statement

	30/06/2017	30/06/2016
(thousands of Euro)		
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit	3,992	1,295
<i>Adjustments for:</i>		
Amortisation & Depreciation	6,444	5,881
Other provisions & write-downs	181	184
Changes in post-employment benefit provisions	12	58
Change in Provisions for risks and charges	83	(484)
Interest and charges matured	9	(274)
Interest and other financial charges received/(paid)	(109)	(54)
Income taxes	175	21
(Gain)/loss on divestments	(387)	(260)
<b>CASH FLOW GENERATED FROM OPERATING ACTIVITIES</b>	<b>10,401</b>	<b>6,367</b>
(Increase)/Decrease trade receivables and other financial assets	(11,682)	(566)
(Increase)/Decrease tax receivables, VAT receivables and direct taxes	984	(2)
Increase/(Decrease) trade payables and deferred revenues	6,624	5,826
Increase/(Decrease) tax payables, VAT payables and current direct taxes	1,459	(164)
<b>NET CHANGES IN CURRENT ASSETS AND LIABILITIES AND OTHER CHANGES</b>	<b>(2,616)</b>	<b>5,094</b>
<b>CASH FLOW GENERATED FROM OPERATING ACTIVITIES</b>	<b>7,785</b>	<b>11,461</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Investments) in tangible assets excl. AAE-1	(6,873)	(18,377)
(Investments) in AAE-1 project	(5,213)	
Divestments in tangible assets	57	159
Gain/(loss) on divestments	387	260
(Investments) in intangible assets	(651)	(1,598)
Investments valued at equity	(125)	
Change due to monetary effects of investments	418	(105)
Net investments in other non-current assets	(19)	(59)
<b>CASH FLOW ABSORBED BY INVESTING ACTIVITIES</b>	<b>(12,019)</b>	<b>(19,720)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net (Increase)/Decrease financial assets	823	1,094
New loan issue	12,000	10,315
(Repayment) of loans	(426)	(278)
Change in share capital & reserves		
<b>CASH FLOW GENERATED FROM FINANCING ACTIVITIES</b>	<b>12,397</b>	<b>11,131</b>
<b>TOTAL CASH FLOWS</b>	<b>8,163</b>	<b>2,871</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>19,459</b>	<b>12,400</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>27,622</b>	<b>15,272</b>

## Net Financial Position

COMPOSITION	30/06/2017	31/12/2016
A. Cash	27,622	19,459
<b>D. Liquidity</b>	<b>27,622</b>	<b>19,459</b>
<b>E. Current financial receivables</b>		<b>562</b>
G. Current portion of non-current debt	4,215	888
<b>I. Current debt</b>	<b>4,215</b>	<b>888</b>
<b>J. Net current financial debt I-E-D</b>	<b>(23,407)</b>	<b>(19,133)</b>
<b>N. Non-current debt</b>	<b>19,792</b>	<b>11,037</b>
<b>O. Net debt J+N</b>	<b>(3,615)</b>	<b>(8,095)</b>