

## PRESS RELEASE

**BOARD OF DIRECTORS APPROVES  
INTERIM REPORT AT SEPTEMBER 30, 2016*****All key financial indicators significantly improve  
FY 16 results expected to beat Guidance with the reaching of full  
operating profitability***

- REVENUES up 21.6% to Euro 36.6 million from Euro 30.1 million in 9M 2015
- EBITDA boosted 45.6% to Euro 10.6 million from Euro 7.3 million in 9M 2015 - EBITDA margin at 29.0% from 24.2%
- EBIT of Euro 1.4 million from EBIT loss of Euro 1.4 million in 9M 2015
- Net Profit of Euro 1.8 million compared to a loss of Euro 0.6 million in the first nine months of 2015, recalculated on a like-for-like basis following the adoption of Hedge Accounting for derivative instruments. The 2015 9M Net Profit was Euro 2.1 million with derivatives measured at fair value.
- Orders of Euro 26.9 million at Total Contract Value (TCV)
- Net Cash Position of Euro 7.7 million compared to Euro 11.5 million at December 31, 2015
- 2016 results expected to beat guidance with the delivery of EBIT profit

Milan, November 9, 2016 – The Board of Directors of **Retelit S.p.A.**, in a meeting today chaired by Mr. Dario Pardi, reviewed and approved the Interim Report at September 30, 2016.

The first nine months featured sustained revenue growth to Euro 36.6 million, up 21.6%, with the rising margin producing EBITDA of Euro 10.6 million (+45.6%) and EBIT of Euro 1.4 million and all business lines again performing strongly.

**The Chairman Dario Pardi, stated:** *“We are highly satisfied with the quarterly results which confirm the significant advancement of all key financial indicators on the previous year and which have fully responded to the operations rolled out under the Industrial Plan. In strategic terms, the quarter featured admission to the STAR segment of the Italian Stock Exchange - a key step for Retelit which joins Italian enterprises demonstrating excellence and good governance and transparency - furthering once again the company’s opening up to the financial markets. Operationally, the third quarter saw involvement in the Infratel tenders initiated for the construction and management of passive ultra-broadband infrastructure, culminating with the presentation of an offer for the first call and an application for the second. These initiatives underline the key role which Retelit plays in the Italian TLC sector and*

*highlight the strength of the strategic operating choices taken by management over the last two years. Looking to the near future and recalling that ultra-broadband is not one of the targets of the current Industrial Plan, the results to date and the strong order performance indicate that both the earnings and financial forecasts will be outperformed”.*

## 9M 2016 CONSOLIDATED FINANCIAL HIGHLIGHTS

	9M 2016 (in Euro thousands)	9M 2015 (in Euro thousands)	Cge.	Q3 2016 (in Euro thousands)	Q3 2015 (in Euro thousands)	Cge.
Value of production	<u>36,624</u>	<u>30,124</u>	22%	<u>12,057</u>	<u>10,442</u>	15%
Value added (1)	<u>15,300</u>	<u>11,700</u>	31%	<u>5,056</u>	<u>4,082</u>	24%
EBITDA	<u>10,630</u>	<u>7,299</u>	46%	<u>3,523</u>	<u>2,540</u>	39%
EBIT	<u>1,425</u>	<u>(1,409)</u>	n.a.	<u>383</u>	<u>(343)</u>	n.a.
Net Profit/(loss)	<u>1,838</u>	<u>2,131</u>	-14%	<u>543</u>	<u>(67)</u>	n.a.
Net margin percentage (2)	5.0%	7.1%		4.5%	-0.6%	
Parent company shareholders net equity				30/09/2016 134,192	31/12/2015 132,437	
Average workforce				n. <u>77.0</u>	n. <u>76.6</u>	

## INCOME STATEMENT

**Revenues and other income** for 9M 2016 totalled Euro 36.6 million, compared to Euro 30.1 million in 9M 2015 - up 21.6%. Telecommunication services were up 17% to Euro 29.2 million (Euro 24.9 million in 9M 2015), while network usage rights and maintenance revenues increased 46% to Euro 6.7 million, thanks to the new fiber optic connections released to mobile operators in the year.

The breakdown of revenues by market was as follows: National Wholesale Euro 15.9 million (44%), International Wholesale Euro 16.0 million (45%), Business (Corporate and Public Sector) Euro 4.0 million (11%).

In the nine months, commercial operations generated new orders totalling Euro 26.9 million (measured over the full contract duration - TCV), beating Industrial Plan objectives and the results for the same period of the previous year (Euro 26.8 million). 61% of new orders concern the National Wholesale market, 25% the International Wholesale market and 14% the Business market, while the breakdown by type of service indicates that connectivity services account for 79% of total orders. The churn rate of Euro 3.8 million was lower than the plan and shows an increase on the first nine months of 2015 (Euro 3.1 million). These results, compared with trends across the various markets, highlight the acquisition of market share by the company.

**EBITDA in the first nine months of 2016 grew 45.6% to Euro 10.6 million** from Euro 7.3 million in 9M 2015, with the EBITDA margin rising from 24.2% to 29.0%. This result benefitted from the revenue increase and the improved mix, the optimisation of infrastructure management and was only partly impacted by increased personnel costs following the development of the technical and commercial departments for the implementation of the Industrial Plan.

**EBIT amounts to Euro 1.4 million - considerably advancing on 9M 2015** (loss of Euro 1.4 million) - despite the increase in amortisation and depreciation concerning the new recently completed network investments (Carrier Ethernet Platform and Client final drop investments).

**The Net Profit for the first nine months totalled Euro 1.8 million** compared to Euro 2.1 million in the same period of the previous year. This development is strictly related to the change in the accounting treatment of derivative instruments. From 2016, the hedge accounting standard was adopted which requires the recognition of the fair value changes of a derivative to a specific cash flow hedge reserve (IAS 39). In the first nine months of 2015, the recognition to the income statement of the fair value of the derivatives resulted in financial income of Euro 1.8 million and exchange gains of Euro 1 million. The net result for 9M 2015 recalculated on a like-for-like basis would be a loss of Euro 0.6 million.

## QUARTERLY PERFORMANCE

€000	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
<b>TOTAL REVENUES</b>	9,549	10,134	10,442	11,979	12,402	12,165	12,057
<b>EBITDA</b>	2,296	2,464	2,540	3,742	3,401	3,706	3,523
<b>EBIT</b>	(458)	(608)	(343)	628	416	626	383

Quarterly growth continued with a significant improvement on Q3 2015 and operating revenues and income up to Euro 12.1 million (up over 15% on Euro 10.4 million in Q3 2015) and substantially in line with Q2 2016.

Quarterly EBITDA advanced 38.7% to Euro 3.5 million in Q3 2016, thanks to revenue development and an improved mix. Quarterly EBIT was again in positive territory at Euro 0.4 million, and compares to a Q3 2015 loss of Euro 0.3 million, highlighting the strength of the actions taken in the quarter.

## BALANCE SHEET

The net cash position was Euro 7.7 million, compared to Euro 11.5 million at December 31, 2015. This benefitted from the recognition of Euro 565 thousand of the current financial receivable from the fair value measurement at September 30, 2016 of currency derivatives. The Net Financial Position includes loans undertaken in the period to fund the investment in the AAE-1 project for approx. Euro 8.5 million, of a total of Euro 30 million agreed with a banking syndicate, a medium-term loan of Euro 1.7 million signed and issued in the period with Banco Popolare Soc. Coop. and a loan of Euro 1.9 million from Banco Popolare Soc. Coop. with 60-month maturity issued within the scope of Ministerial Decree of November 27, 2013 ("New Sabatini").

In the first nine months of 2016, the group generated liquidity of Euro 22.5 million, compared to Euro 12.2 million in the same period of 2015.

In 9M 2016, the Retelit Group invested Euro 25.4 million, of which Euro 13.9 million for the AAE-1 submarine cable, Euro 10.9 million for fiber optic network infrastructure and Data Center investment, in addition to minor investments for Euro 0.6 million.

Total investment in the AAE-1 project at September 30, 2016 was Euro 39.4 million out of a total estimated investment of approx. Euro 60.0 million, of which Euro 33.9 million (USD 38.9

million) for involvement in the AAE-1 consortium, Euro 1.7 million for the construction of the Bari landing station and Euro 3.8 million for investment in Italian network infrastructure.

In terms of infrastructure, during the period Retelit extended its network coverage by 409 km, reaching 9,711 km (including dark fiber coverage and infrastructure under third party concession of 819 km), of which 2,381 km in urban centers. In addition, the proprietary fiber network reached in total more than 2,700 sites, of which 1,656 On-Net customer offices, 35 Data Centers, 584 On-Net Towers for TLC and 447 On-Net Cabinets.

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## **OPERATING PERFORMANCE**

A new structure has been in place since July 1, 2016. The most significant development concerns the creation of the International Business Unit (BU). This BU targets the international market - always of strategic concern for the company - particularly focusing on the AAE-1 project in order to guarantee on the one hand the achievement of the challenging objectives which the company has set for itself, and on the other gain from the significant investments related to this key project.

In strategic terms, the Group seeks to consolidate its Wholesale market position, tapping into the opportunities presented by a general sector recovery and gaining market share from competitors, while on the Business market Retelit targets more significant growth.

The Group is well positioned on the National Wholesale market, principally through the infrastructural (Ducts and Dark fiber networks) and data transmission offers, such as Ethernet connectivity with new generation (Carrier Ethernet MEF) fiber optic carriers. The National Wholesale market for Retelit represents, with 138 customers between domestic Carriers, Mobile Operators, OLO's, xSP's and multi-utilities, 44% of revenues and 61% of total orders in the first nine months of 2016.

For International Wholesale, Retelit is the preferred partner for the B-end needs of international operators in Italy. With 64 clients between International Carriers and OTT's (Retelit supports almost all international operators currently operating in Italy), the International Wholesale market represented for the Group 45% of revenues and approx. 25% of total orders in the first nine months of 2016.

Business market operations continued with the implementation of a series of targeted initiatives, including a specific plan for the selection of companies located in the vicinity of the network and fully corresponding to the Group target profile, the selection of industrial areas and strategic sites and the launching of an indirect business partner channel. In addition, the

company is developing a coverage plan of “Grey Areas” i.e. those areas which, although funded by the State, have inadequate Ultra-broadband infrastructure and host 69% of Italian businesses. The development of new cloud platform based services also continued. The Business market for Retelit, with 146 active clients, accounted for 11% of revenues and 14% of total orders in the first nine months of 2016. Therefore, Business market sales were strong in the first nine months of 2016, with total new orders valued at Euro 3.6 million (total contract duration), in line with the plan and outperforming the corresponding period of 2015 (Euro 2.6 million).

During the first nine months of 2016, construction of the AAE-1 submarine cable continued. With over 19,600 km (87%) of the submarine network already laid and 16 landing stations (including Bari) of a scheduled 20 connected, in addition to 24 of 31 scheduled segments completed, the AAE-1 cable project is nearing completion, scheduled for the end of 2016, with revenues forecast from 2017 in line with the Industrial Plan.

## ULTRA-BROADBAND STRATEGY

As part of the plan for the “*Italian Strategy for Ultra-broadband and Digital Growth 2014-2020*” approved by the Council of Ministers in March 2015, Infratel Italia S.p.A. established two tenders, respectively in June and August 2016.

For participation in these tenders, the Group, through its subsidiary e-via S.p.A., was involved in the setting up, as agent company, of a temporary consortium (RTI) together with Eolo S.p.A. and EDS Infrastrutture S.p.A.. The temporary consortium will effectively be established in the case of a positive tender outcome.

Through the consortium, on October 17, 2016 the Group presented a tender application for the first call of the Infratel Italia S.p.A. tender of June for the construction and management of a passive ultra-broadband infrastructure in the white areas of the regions of Abruzzo and Molise, Emilia Romagna, Lombardy, Tuscany and Veneto. The offer was presented only for Emilia Romagna, a region in which the three consortium members have a long-standing presence and extensive knowledge.

Also through the temporary consortium, on September 30 2016 the group presented an application for the second call, launched by Infratel Italia SpA S.p.A. in August for the concession to construct and manage infrastructure in the white areas of the regions of: Piedmont, Valle D'Aosta, Liguria, Friuli Venezia Giulia, Umbria, Marche, Lazio, Campania, Basilicata, Sicily and the Autonomous Province of Trento.

## **SIGNIFICANT EVENTS IN Q3 2016**

On July 18 the IRINA agreement was signed with IBM, already a Retelit client for highly reliable Disaster Recovery and Business Continuity telecommunication services, which steps up its presales processes and acquisition of Group services.

On July 29, 2016, a subsidised loan as per Ministerial Decree of November 27, 2013 ("New Sabatini") of Euro 1.9 million was undertaken with Banco Popolare Soc. Coop.. This loan replaces the pre-financing already in place with the same institution agreed on June 24, 2016. The loan was undertaken to fund capex for the Milan Data Center.

On September 16, 2016, with provision No. 8252 of September 16, 2016, Borsa Italiana S.p.A. approved listing of the ordinary Retelit share (Code: LIT.MI) on the STAR segment (Segmento Titoli ad Alti Requisiti (Elevated Requirements Securities Segment)), with effect from September 26, 2016, in addition to trading on the segment.

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## **SUBSEQUENT EVENTS**

On October 5, 2016 it was announced that the TLC, housing and backup services of Retelit had been chosen by Panini for the construction of a broadband network between its branches, for archiving services and for backup and storage.

On October 25, 2016 Retelit signed a partnership with Content Interface Italia to supplement and complete its portfolio of products and services.

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## **OUTLOOK FOR THE CURRENT YEAR**

In view of results for the first nine months and the current order portfolio, in the absence of currently unforeseeable events, the 2016 FY results are expected to outperform guidance (revenues of Euro 44-46 million, EBITDA of Euro 11-12 million, breakeven EBIT) both in terms of revenues and margins and with the delivery of positive EBIT. Forecast cash generation should significantly improve the NFP compared to guidance, which indicated a Net Debt of between Euro 9 and 11 million.

The entry of an additional member to the AAE-1 consortium is still formally being finalized, which will bring the project also to Cambodia as a landing point.



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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 Interim 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 9M 2016 results will be illustrated today, November 9, 2016, at 3PM 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 02 802 09 11
- for the United Kingdom: +44 1 212818004
- for the United States (local number): +1 718 7058796

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 covers over 9,700 kilometres (equivalent to approx. 200,000 km of fiber-optic cables, of which 60,000 located in MAN), connecting 9 Urban Networks and 15 Data Centers across Italy. The Retelit network also extends beyond Italy through a pan-European ring with PoP's in Frankfurt and London. Retelit is 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 fibre optic internet connection to the Cloud and network and VPN services to colocation solutions, with around 10,400 square meters of equipped and secure fibre 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

	9M 2016	9M 2015	Q3 2016	Q3 2015
(thousands of Euro)				
Revenues	35,912	29,802	12,016	10,353
Other income	713	322	42	89
<b>Total revenues and operating income</b>	<b>36,624</b>	<b>30,124</b>	<b>12,057</b>	<b>10,442</b>
Purchase of raw materials and services	(17,510)	(14,646)	(5,766)	(5,113)
Personnel costs	(4,670)	(4,400)	(1,533)	(1,543)
Other operating costs	(3,815)	(3,779)	(1,235)	(1,246)
<b>EBITDA</b>	<b>10,630</b>	<b>7,299</b>	<b>3,523</b>	<b>2,540</b>
Amortisation, depreciation and write-downs of tangible and intangible assets	(8,940)	(8,304)	(3,058)	(2,797)
Other provisions and write-downs	(266)	(405)	(82)	(85)
<b>EBIT</b>	<b>1,425</b>	<b>(1,409)</b>	<b>383</b>	<b>(343)</b>
Financial income	516	1,820	179	487
Financial income from derivative instruments	-	1,756	-	(240)
Financial charges	(82)	(35)	(19)	(16)
<b>PRE-TAX PROFIT/(LOSS)</b>	<b>1,859</b>	<b>2,131</b>	<b>543</b>	<b>(113)</b>
Income taxes	(21)	-	-	46
Deferred tax income/(charges)	-	-	-	-
<b>Net Profit/(loss) for the period</b>	<b>1,838</b>	<b>2,131</b>	<b>543</b>	<b>(67)</b>
Parent Company profit/(loss)	1,838	2,131	543	(67)
Minority interest profit	-	-	-	-
Profit/(loss) recognised to Net Equity not to be recognised to the Income Statement	5			
Profit/(loss) recognised to Net Equity to be recognised to the Income Statement	(86)	(8)		
<b>Total profit (loss) for the period</b>	<b>1,752</b>	<b>2,123</b>	<b>543</b>	<b>(67)</b>

## Consolidated Balance Sheet

(thousands of Euro)	30/09/2016	31/12/2015
<b>Non-current assets:</b>		
<b>Property, plant &amp; equipment</b>		
Network infrastructure	104,273	100,139
Other fixed assets	1,010	824
Tangible assets in progress	36,744	23,646
Total property, plant and equipment	142,026	124,609
<b>Intangible fixed assets</b>		
Concessions, licenses, trademarks & similar rights	19,288	20,407
Other intangible assets	0	0
Total intangible assets	19,288	20,407
Non-current financial assets	5,161	5,999
Deferred tax assets	7,200	7,200
Other non-current assets	466	421
Total other non-current assets	12,827	13,620
<b>TOTAL NON-CURRENT ASSETS</b>	<b>174,141</b>	<b>158,636</b>
<b>Current assets:</b>		
Current financial assets	5,955	6,023
Trade receivables, other receivables and other current assets	21,328	24,010
Tax receivables, VAT receivables and current direct taxes	154	145
Cash and cash equivalents	19,061	12,400
<b>TOTAL CURRENT ASSETS</b>	<b>46,498</b>	<b>42,578</b>
<b>TOTAL ASSETS</b>	<b>220,638</b>	<b>201,214</b>
<b>Shareholders' equity:</b>		
Share capital issued	144,123	144,209
Net equity reserves and net result	(9,931)	(11,772)
<b>Net equity and net result</b>	<b>134,192</b>	<b>132,437</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>134,192</b>	<b>132,437</b>
<b>Non-current liabilities:</b>		
Non-current financial liabilities	11,270	1,441
Post-employment benefits and employee provisions	1,283	1,203
Provisions for risks and future charges	2,733	3,172
Deferred non-current revenues	31,759	26,887
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>47,045</b>	<b>32,703</b>
<b>Current liabilities:</b>		
Current financial liabilities	685	559
Trade payables, other payables and other financial liabilities	35,824	32,639
<i>of which related parties</i>	603	546
Tax payables, VAT payables and current direct taxes	21	357
Deferred current revenues	2,871	2,520
<b>TOTAL CURRENT LIABILITIES</b>	<b>39,402</b>	<b>36,074</b>
<b>TOTAL LIABILITIES</b>	<b>220,638</b>	<b>201,214</b>

## Cash Flow Statement

	30/09/2016	30/09/2015
(thousands of Euro)		
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit (loss)	1,838	2,123
<i>Adjustments for:</i>		
Amortisation & Depreciation	8,940	8,304
Write-downs	180	150
Changes in post-employment benefit provisions	80	105
Change in the provision for risks and charges	(439)	(194)
Interest and other financial charges matured	(434)	(3,541)
Interest and other financial charges received/(paid)	(59)	1,070
Income taxes	21	
(Gain)/loss on divestments	(285)	
<b>CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES</b>	<b>9,841</b>	<b>8,017</b>
(Increase)/Decrease trade receivables and other financial assets	2,502	(2,059)
(Increase)/Decrease tax receivables, VAT receivables and direct taxes	(9)	(40)
(Increase)/Decrease trade payables and deferred revenues	10,479	6,606
(Increase)/Decrease tax payables, VAT payables and current direct taxes	(356)	(347)
<b>NET CHANGES IN CURRENT ASSETS AND LIABILITIES AND OTHER CHANGES</b>	<b>12,616</b>	<b>4,160</b>
<b>CASH FLOW GENERATED FROM OPERATING ACTIVITIES</b>	<b>22,457</b>	<b>12,177</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Investments) in tangible assets	(23,595)	(19,393)
Divestments in tangible assets	170	
Gain/(loss) on divestments	285	
Change due to monetary effects of investments	(2,071)	1,898
(Investments) in intangible assets	(1,814)	(1,263)
Net investments in other non-current assets	(45)	(11)
<b>CASH FLOW ABSORBED FROM INVESTING ACTIVITIES</b>	<b>(27,070)</b>	<b>(18,769)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net (Increase)/Decrease financial assets	1,376	(1)
New loan issue	10,315	2,000
(Repayment) of loans	(418)	
Share capital and reserves changes		
<b>CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES</b>	<b>11,273</b>	<b>1,999</b>
<b>TOTAL CASH FLOWS</b>	<b>6,661</b>	<b>(4,593)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>12,400</b>	<b>15,583</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>19,061</b>	<b>10,990</b>