

PRESS RELEASE

THE BOARD OF DIRECTORS APPROVES
2016 FIRST QUARTER REPORT

Revenues and earnings growth continues

- REVENUES up 30% to Euro 12.4 million on Euro 9.5 million in 1Q 2015
- EBITDA growth of 48% to Euro 3.4 million (Euro 2.3 million in 1Q 2015) - EBITDA margin at 27.4% from 24%
- EBIT profit of Euro 0.4 million compared to EBIT loss of Euro 0.5 million in 1Q 2015
- Net profit of Euro 0.5 million compared to Euro 3.5 million in 1Q 2015, following the adoption of the Hedge Accounting standard for derivative instruments
- Net Cash Position of Euro 7.5 million compared to Euro 11.5 million at December 31, 2015

Milan, May 12, 2016 – The Board of Directors of **Retelit S.p.A.**, in a meeting yesterday late afternoon chaired by Mr. Dario Pardi, reviewed and approved the 2016 First Quarter Report.

The Chairman Dario Pardi stated: *“We are extremely satisfied with the results achieved in this first part of the year, which are testament to the strong operating performance and the strategic decisions undertaken by management. In the first quarter, all four “core” Group areas reported improvements. Especially, the Business market, whose growth has been significantly driven by current Management, is now a key development linchpin for Retelit, with long-term contracts agreed with domestic and international companies who have chosen us a strategic ICT partner for Telecommunications and Data Center services. The Group’s re-established solidity and credibility has then permitted the undertaking of a long-term loan with leading credit institutions for the total coverage of the AAE-1 project which - with the cable connection to our Bari landing station taking place in recent days - has demonstrated its strength and synergetic development potential. Finally, we are closely monitoring regulatory developments with regards to the implementation of the Government’s ultra-broadband strategy, currently not among the Plan objectives”.*

1Q 2016 CONSOLIDATED KEY FINANCIAL HIGHLIGHTS

	1Q 2016	1Q 2015	var.
	(in Euro thousands)		
Value of production	<u>12,402</u>	<u>9,549</u>	30%
Value added (1)	<u>4,980</u>	<u>3,709</u>	34%
EBITDA	<u>3,401</u>	<u>2,296</u>	48%
EBIT	<u>416</u>	<u>(458)</u>	n.a.
Net Profit	<u>528</u>	<u>3,466</u>	(85%)
Net margin percentage (2)	4.3%	36.3%	
Average workforce	<u>n.</u> <u>77.8</u>	<u>n.</u> <u>76.6</u>	

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

(2) Net profit/(loss)/value of production

INCOME STATEMENT

Consolidated Revenues in 1Q 2016 were Euro 12.4 million, compared to Euro 9.5 million in 1Q 2015 (approx. +30%). Telecommunication services were up 15% to Euro 9.2 million (Euro 8 million in 1Q 2015), while network usage rights and maintenance revenues increased 112% to Euro 3.2 million, thanks to the new fiber optic connections released to mobile operators in the year. The breakdown of core revenues by market was as follows: Domestic Wholesale Euro 6.2 million (50%), International Wholesale Euro 5.1 million (41%), Business (Corporate and PA) Euro 1.0 million (8%).

In the first quarter, commercial operations generated new orders worth Euro 6.5 million (measured over the full contract duration), in line with the industrial plan and up 29% on Euro 5.0 million in 1Q 2015. New orders for 57% concern the Domestic Wholesale market, for 22% the International Wholesale market and for 21% the Business market. The churn rate of Euro 1.1 million was in line with the plan and down on 2015 (1.3 million).

EBITDA in the first three months of 2016 totaled Euro 3.4 million, growth of 48% on Euro 2.3 million in the same period of the previous year, with an EBITDA margin of 27.4%. This result benefitted from the revenue increase and the improved mix, the optimization 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 0.4 million, improving on 1Q 2015 (loss of Euro 0.5 million), impacted by the increase in amortization and depreciation concerning the new recently completed network investments (Carrier Ethernet Platform and Client final drop investments).

The net profit in the first quarter was Euro 0.5 million, compared to Euro 3.5 million in 1Q 2015. 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 quarter of 2015 the recognition to the income statement of the fair value derivatives resulted in financial income of Euro 3.5 million and foreign exchange differences for Euro 0,4 million.

BALANCE SHEET

The net cash position was Euro 7.5 million, compared to Euro 11.5 million at December 31, 2015. This benefitted for Euro 0.9 million from the recognition of the current financial receivable from the fair value measurement at March 31, 2016 of currency derivatives and includes loans drew down in the period to fund the AAE-1 project for approx. Euro 5,5 million, out of a total of Euro 30 million granted by a pool of financial institutions. In the first three months of 2016, the company generated cash of Euro 1.6 million, in line with the same period of the previous year.

In 1Q 2016, the Retelit Group invested Euro 10.3 million, of which Euro 6.9 million (USD 7.6 million) for the AAE-1 submarine cable and Euro 3.4 million for fiber optic network infrastructure and Data Center investment.

In particular, in 2016 the construction continued of the AAE-1 submarine cable by the contractors NEC and TE Subcom and of the relative landing station by each of the landing parties and in the initial days of May 2016 the landing operations at Bari with the new landing station were completed on schedule. The total investment in the AAE-1 project at March 31, 2016 was Euro 31.9 million of a total estimated investment of approx. Euro 61.5 million, of which Euro 29.5 million (USD 33.9 million) relating to the investment into AAE-1 consortium, Euro 0.6 million relating to the realization of the Bari cable landing station and Euro 1.9 million relating to Italian backbone investments.

In addition, during the period Retelit extended its network coverage by 90 km, reaching 9,193 km (including dark fiber coverage and infrastructure under third party concession of 818 km), of which 2,341 km in urban centers.

SIGNIFICANT EVENTS IN 1Q 2016

On January 13, 2016, Retelit signed a partnership with NextIP, operating in the Contract Center as a service sector to provide for customers in a simple, effective and secure manner integrated communication through voice, e-mail, fax, sms, chat and video channels.

On February 25, 2016, DATA4, a European data center solutions specialist, chose Retelit for the high speed connection of its Milan campus at Cornaredo through the Group's optic fiber to the metropolitan and national networks, as far as the Mediterranean. The project was successfully completed in April 2016, in line with the plan.

On March 15, 2016, the Board of Directors of Retelit S.p.A. reviewed and approved the updated 2015-2019 industrial plan, extended to 2020. On the same date, on the basis of the documentation completed by the interested parties, the independence as per Article 147-ter, paragraph 4 and Article 148, paragraph 3 of the Consolidated Finance Act, in addition to Article 3 of the Self-Governance Code for listed companies, confirmed the independence of the non-executive directors. On the basis of the verifications, the following four directors were considered independent: Laura Guazzoni, Annunziata Magnotti, Laura Rovizzi and Carla Sora.

On March 24, Retelit S.p.A. signed, through its subsidiary e-via S.p.A., a medium/long-term loan with a syndicate comprising Unicredit S.p.A., as agent bank, Banca Popolare di Milano Soc. Coop. a.r.l. and MPS Capital Services Banca per le Imprese S.p.A. The contract provides for the issue of two credit lines, of respective maximum amounts of Euro 21 million and Euro 9 million, for a total maximum therefore of Euro 30 million. The credit lines, of five-year duration, establish standard banking sector conditions, commitments and contractual terms. The funding was undertaken to support the investments required through involvement in the AAE-1 international consortium.

SIGNIFICANT EVENTS AFTER PERIOD-END

On May 9, the landing operations at Bari of the latest generation high capacity AAE-1 submarine cable system were completed, connecting Europe, Africa and Asia from the Mediterranean to Singapore and Hong Kong. The newly built landing station at Bari - the Data Center connecting the submarine cable to Retelit's entirely owned land network - will be the new Mediterranean gateway, both to and from Europe. The strategic geographic location at the center of the Mediterranean is the closest connection point to the largest Neutral Data Centers and Internet Exchanges in Western Europe from Africa and the Middle and Far East. Thanks to 100 Gbps multiples Retelit network technology, the Bari landing station will guarantee operators an alternative and resilient route for connectivity on the Eurasian

section. With a large part of the submarine network already laid and 11 landing stations of a scheduled 20 connected, the AAE-1 cable project is nearing completion (scheduled for the end of 2016). The AAE-1 system will be the only system capable of guaranteeing direct connectivity and the lowest latency between Asia and Europe.

OUTLOOK FOR THE CURRENT YEAR

The performance in the initial months of 2016 is in line with the 2016-2020 industrial plan, which forecasts the generation of EBIT and net profits from 2016 and for the duration of the plan, compared to the previous plan which forecast profits for these indicators only from 2017.

In particular, revenues in a range between Euro 44 and Euro 46 million are forecast, with an EBITDA of between Euro 11 and 12 million, a breakeven EBIT and a Net Debt of between Euro 9 and Euro 11 million.

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.

The 2016 First Quarter Report is not audited and is available according to the applicable legal conditions at the registered office and on the Investor Relations section of the Company's website www.retelit.it

Ahead of clarifications on the regulatory framework, this quarterly communication was undertaken in continuity with the past and, in line with the communication and financial market transparency activities undertaken, is expected to continue during the year.

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.

The 2016 first quarter results will be illustrated today, May 12, 2016 at 10.00 AM (CET) in a conference call managed by 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. The company's fiber optic infrastructure covers over 9,000 kilometers, connecting 9 Urban Networks and 18 Data Centers across Italy. The Retelit network, in addition, 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 fiber optic internet connection to the Cloud and network and VPN services to colocation solutions, with over 16,000 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

	1Q 2016	1Q 2015
(thousands of Euro)		
Revenues	12,341	9,501
Other income	61	48
Total revenues and operating income	12,402	9,549
Purchase of raw materials and services	(6,184)	(4,632)
Personnel costs	(1,579)	(1,413)
Other operating costs	(1,239)	(1,207)
OPERATING RESULT BEFORE AMORTISATION, DEPRECIATION AND WRITE-DOWNS	3,401	2,296
Amortisation, depreciation and write-downs of tangible and intangible assets	(2,896)	(2,754)
Other provisions and write-downs	(89)	-
OPERATING RESULT	416	(458)
Financial income	167	610
Financial income from derivative instruments	-	3,495
Financial charges	(55)	(0)
PRE-TAX PROFIT	528	3,647
Income taxes	-	(181)
Deferred taxes	-	-
Net Profit for the period	528	3,466
Parent Company profit	528	3,466
Profit recognised to Net Equity to be recognised to the Income Statement		
Total net profit for the period	528	3,466

Consolidated Balance Sheet

(thousands of Euro)	31/03/2016	31/12/2015
Non-current assets:		
Property, plant & equipment		
Network infrastructure	103,189	100,139
Other fixed assets	837	824
Tangible assets in progress	30,724	23,646
Total property, plant and equipment	134,750	124,609
Intangible fixed assets		
Concessions, licenses, trademarks & similar rights	17,713	20,407
Other intangible assets	0	0
Total intangible assets	17,713	20,407
Non-current financial assets	5,161	5,999
Deferred tax assets	7,200	7,200
Other non-current assets	487	421
Total other non-current assets	12,849	13,620
TOTAL NON-CURRENT ASSETS	165,312	158,636
Current assets:		
Current financial assets	5,928	6,023
Trade receivables, other receivables and other current assets	28,446	24,010
Tax receivables, VAT receivables and current direct taxes	146	145
Cash and cash equivalents	14,005	12,400
TOTAL CURRENT ASSETS	48,524	42,578
TOTAL ASSETS	213,836	201,214
Shareholders' equity:		
Share capital issued	144,209	144,209
Net equity reserves and net result	(11,628)	(11,772)
Net equity and net result	132,581	132,437
TOTAL SHAREHOLDERS' EQUITY	132,581	132,437
Non-current liabilities:		
Non-current financial liabilities	6,790	1,441
Post-employment benefits and employee provisions	1,242	1,203
Provisions for risks and future charges	3,102	3,172
Deferred non-current revenues	30,845	26,887
TOTAL NON-CURRENT LIABILITIES	41,980	32,703
Current liabilities:		
Current financial liabilities	561	559
Trade payables, other payables and other financial liabilities	35,055	32,639
<i>of which related parties</i>	603	546
Tax payables, VAT payables and current direct taxes	889	357
Deferred current revenues	2,770	2,520
TOTAL CURRENT LIABILITIES	39,274	36,074
TOTAL LIABILITIES	213,836	201,214

Cash Flow Statement

	31/03/2016	31/03/2015
(thousands of Euro)		
CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit	528	3,466
<i>Adjustments for:</i>		
Amortisation & Depreciation	2,896	2,754
Write-downs	60	36
Changes in post-employment benefit provisions	39	(35)
Change in the provision for risks and charges	(70)	(4,105)
Interest and other financial charges paid/(received)	(113)	181
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES	3,342	2,297
(Increase)/Decrease trade receivables and other financial assets	(4,496)	(2,683)
(Increase)/Decrease tax receivables, VAT receivables and direct taxes	(1)	(2)
Increase/(Decrease) trade payables and deferred revenues	6,624	4,755
Increase/(Decrease) tax payables, VAT payables and current direct taxes	532	(102)
NET CHANGES IN CURRENT ASSETS AND LIABILITIES AND OTHER CHANGES	2,660	1,967
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES	6,002	4,264
CASH FLOW FROM INVESTING ACTIVITIES		
(Investments) in tangible assets	(10,142)	(2,856)
(Investments) in intangible assets	(202)	(74)
Net investments in other non-current assets	(66)	(22)
CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES	(10,410)	(2,953)
CASH FLOW FROM FINANCING ACTIVITIES		
Net (Increase)/Decrease financial assets	1,045	372
Draw-down/(repayment) loans	5,351	
Share capital and reserves changes	(383)	
CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES	6,013	372
TOTAL CASH FLOWS	1,605	1,684
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	12,400	15,583
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	14,005	17,267

Net Financial Position

COMPOSITION	31.03.16	31.12.2015
A. Cash	14,005	12,400
D. Liquidity	14,005	12,400
E. Current financial receivables	867	1,126
G. Current portion of long-term loans	561	559
I. Current debt	561	559
J. Net current financial debt I-E-D	(14,311)	(12,968)
K. Non-current bank payables	6,790	1,441
N. Non-current debt	6,790	1,441
O. Net debt J+N	(7,521)	(11,526)